

EPISODE 929

[INTRODUCTION]

0:00:00.0 ANNOUNCER Welcome to the Real Estate Syndication Show. Whether you are a seasoned investor or building a new real estate business, this is the show for you. Whitney Sewell talks to top experts in the business. Our goal is to help you master real estate syndication.

And now your host, Whitney Sewell.

[INTERVIEW]

0:00:24.4 Whitney Sewell: This is your daily Real Estate Syndication Show. I'm your host, Whitney Sewell. Today, our guest is John Rickgarn? Thanks for being on the show John.

0:00:32.0 John Rickgarn: Thank you. Great to be here.

0:00:33.0 WS: Yeah. Great to have you on the show. Having lost both his parents to cancer in their 50s, John realized a deferred retirement plan may not work for everyone. John started a real estate investing in 2016, for the four plex by pulling money out of his Roth IRA, five years later, he owned several properties across four states and is involved in dozens of other investments and syndication.

John, welcome to the show. What are you paying a little more of a picture there for us so we can understand a little more of your background and let's jump into your expertise and some of things that you're doing with your own personal finances, I think that could help us as well.

0:01:10.4 JR: Sure. Yeah, you already mentioned in my bio, just kind of a quick upbringing of mine, like you said, both my parents passed away of cancer, and my dad when I was 11 years old, and then my mom when I was 16 and... Ironically, it wasn't till years later, I kinda had my

awakening moment, so to speak. I remember in 2014, my wife had just decided to walk away from her job and was looking to go back for a doctorate and become a teacher, she had always dreamed of being a college professor.

So at that time I was thinking, okay, we're down to one income, you know, gotta... at the time I was in sales, so you think, okay, gonna sell more, work more hours, work longer to work harder, and just was kind of thinking like, well, financially, we're sitting pretty good, we have a lot of money in our IRAs and 401Ks. And it just kinda hit me right there, I remember I was just sitting on my couch and I was thinking, well, what if I don't make it to age 65? And just I was thinking about my parents, they passed away in their 50s, and then I was thinking, well, what's the point of saving all this money to a deferred lifestyle later on that necessarily as a guarantee.

And at the time, I was thinking, okay, I'm 31. If I was to essentially relive my entire life all that time period, then I'd be 62, that'd be 40, 50, 60 hours a week, and I still wanna be at the arbitrary retirement age that everyone says you should do. So it was kind of at that point like, Okay, I need to do something different, I need to find something else that works. Other than just working at a job 40, 50, 60 hours a week for the rest of my life.

0:02:55.0 WS: What were some of the first steps that you took it... I believe, we all have to have almost that aha moment at some point, right, and see that something's gonna have to change, we gotta do something different that maybe everyone around us at that time anyways, doing or things that we should do often. So what were some of the first things there that helped you to say, okay, I've got to change the way I'm thinking about my finances. And what did you do?

0:03:16.9 JR: Yeah. At the time, it was kind of the old adage, you don't know what you don't know at that point. So just random Google searches, how to make extra money in, and initially it was kind of, Well, this is a side hustle. Here's something you do in your spare time, and which isn't bad, but you're still training time for dollars. Somewhere along the line, I came across a podcast, and at the time, like I said, I was in sales, so it wasn't uncommon to put 150-250 miles a day on the road, so I started just downloading podcasts.

I know there was one by Mac Theriot that I first came across and then get rich education with Keith Winehold, then just kinda start building there for learning about real estate, really like the buy-in, holon got introduced to passive income where you're not trading time for dollars, you have money coming in from rents and dividends and interest on a monthly basis.

0:04:14.8 WS: Tell the listener a little about how you view... What we were talking about before we started recording a little bit, but you see elaborating a little bit on instead of having this dollar amount per month for passive and how you have your stepping stones to cover expenses.

0:04:29.7 JR: I can't remember where I first heard it, but several podcast webinars, I've listened to, 10,000 dollars a month seems to be the quote and quote magic number that everybody goes for passive income, and I first heard that. It's like, okay, 10,000 dollars a month, 120,000 a year. That's about when I make working 60 hours a week. So it just kind of seemed impossible to get that for, you know, from a passive income standpoint.

Later on, I started working on an Excel sheet and looked at, Okay, what are my fixed monthly expenses every single month, not food, not gas, not the ones that change for a month, a month, but your rent, your mortgage, your car insurance, ones that typically are the same month to month, and I noticed, okay, the smallest one is my Netflix bill, so 13 bucks a month. Can I get an asset that would provide 13 bucks a month passive income, and basically take care of that monthly expense.

Soon after ... Fundraise, it's a crowd funded real estate syndication platform for non-accredit investors, started investing in that and then I actually came to 30, 40, 50 bucks a month eventually, so then that took care of Netflix and a couple other bills, and just kind of worked it from there. I would identify a bill, take the monthly amount and figure it out from an annual standpoint and okay, what's an investment that could pay this bill coming up next?

0:06:00.0 WS: I think it's interesting to think about it that way. And you know, checking those

bills off. Okay, this one's covered by passive... Now, this one's covered by passive income, or what's my next investment that can cover this next bill here and even some goal setting there thinking through it like that. What were some of your first investments possibly? You talked about Fundrise, now maybe you've invested in some syndications, what were some of your thought processes there as far as getting started passively investing?

0:06:26.7 JR: Yeah. The biggest thing was just for me, just kind of starting small and building up from there, also, it isn't available now by Lending Club, used to be a platform that investors could pool their money together, and then for as low as 25 dollars, you would actually buy a portion of a note or a portion of a promissory note, and then it would give monthly and come from there. Fortunately, that's phased out, but there's a couple other platforms that are still available.

I started working on just like I said, the smaller ones from Fundrise. Realty Mogul and then dive into, like you said, my first four plex in 2016, this kind of two steps with that one of my mentors mentioned, hey, you've been putting a lot of money in your 401k, why don't you just cut that back down to what you get for the match? So I cut that back from about 15% down to 6, and that allowed for some extra funds for investing, and after listening to podcast it's thinking, Okay, I wanna look for a newer property in 1990s are newer, newer roof, newer citing 1% rule, etcetera, etcetera.

My wife even said, Yeah, you're never gonna find that. And ironically, we did. But it happened to be a four-plex. And initially I was thinking, Okay, there's no way I can afford this. And I remember a quote from Robert Kiyosaki, he always said, Don't say I can't afford this. Ask, how can I afford this? And just put my thinking cap, I was doing some research, and our advisor at the time said, you know, you've had your Roth IRA since you were 19, you can take your contributions outright.

Which I didn't know, I thought you just kept that until you were retired, so what the inner Dave Ramsey and... Susy Ormand just screaming, do not touch your IRA. I actually took the money out of my Roth IRA and that was the down payment for my fourplex and... Yeah, that was five

years ago and just a built on that ever since.

0:08:27.7 WS: Nice, well, what was the change in mindset from or why not to just continue buying more four plexes, maybe you are, but instead of thinking more towards just being passive or investing in syndication...

0:08:40.2 JR: Yeah, the fourplex who just kinda fell into... We have worked with the real estate major at the time. Like I said, the numbers worked out good, pretty new property, and back in 2016, the inventory was a little bit higher and prices weren't quite out of, quite as out of control as they are today. From there... Got wind of a duplex, it was for sale, that was an off-market one that we decided to go after two years later. And back in 2019, then we did a road trip, learned about what's called turnkey investing, where you buy a single family property from a company where it's fixed up, got a tenant in it, ready to go.

And we kinda did things in reverse, we started with the fourplex, so I went to single family versus single family than going building up to a fourplex.

0:09:29.1 WS: Yeah. So what are your thoughts now on buying more smaller multi-family or things like that versus passive investing?

0:09:35.4 JR: Yeah, I've looked at a couple... I'm actually just last week, I was on a road trip down at Iowa, checked out a couple of markets down there, tend to go after the boring market, so to speak, where cash flow comes in consistently. I'm not an appreciation investor, I'd figure that's more of icing on the cake versus trying to chase some double digit year after year return like a Dallas Fort Worth or a Tampa Bay or some of the other crazy markets, so the other investors are going after, and since my goal is to have bills paid for by passive income appreciation equity isn't gonna pay those bills...

0:10:13.1 WS: Yeah. Well, I know a big part of something you like to do is the networking component, tell me about how you're doing that. Networking with other investors.

0:10:21.3 JR: Yeah, it started with a real estate conference in Indianapolis back in 2018, ironically networked with some investors that were in Fargo, North Dakota, just about four hours north of where I live, I'm actually invested with them on a couple of projects, listen to their podcast. They had some people that they were interviewing reached out to them, and it just kind of snowballed from there where... From LinkedIn invites, Facebook, Instagram, Twitter. I think the old adage, we're all six degrees separation from everyone else on this planet.

And kinda more you network, then you hear more of other people and come across recommended connections, if you have 16, 20, 50 connections and common... And just kind of snowballs from there. And I'd like to bounce off ideas with other investors and others reach out to me as well.

0:11:14.0 WS: Speak to the... Just the infinite returns thought, tax deferred stuff. Maybe you can elaborate a little more on that.

0:11:21.3 JR: So it was a book of Andy Tanners, introduced me to infinite returns, kind of on a basic level. About 100 dollars into an investment. You earn 10 on the investment. That's a 10% return on your money. If you put in 50 and you borrow 50, still gained 10%. That's a 10% return on that investment, but it's a 20% return on your money or what you've put into the deal. The rest of it is borrowed, and if you get down to the point where you've invested money.

If someone in my Roth IRA, you take out the contributions, you're just investing with the earnings, or if you're a poker player, you're playing with house money, since you have none of your money in that deal, that's what's called an infinite return that you really can't factor in a return of that money. You have none of your own money in that, and that's how I built some of my investment streams over the years, back to the Lending Club, and example, I would take out a 0% transfer offer from my credit card, invest those notes, pay the moment payments, roll that over 12 months later.

Just kept compounding it. Early 2018, I took out my contributions and basically everything that was left in there was borrowed money from my transfer offers, fast forward to 2019, I paid off

that loan and now it's just a residual income stream for me of infinite returns with none of my own money in it.

0:12:52.2 WS: Wow. Okay, what about your just outlook for financial freedom for yourself, do you have a timeline? Is you're thinking about those bills, are you thinking about different ways you're investing or some thoughts on how you're investing to get there as fast as possible.

0:13:04.6 JR: I wouldn't say fast as possible, I'm kind of at tortoise versus the hare, the tortoise eventually wins. Slow and steady wins the race... My goal though, is to be financially free by 2030, obviously if it comes sooner, even better, had to take a little step back with... Last year we had the covid 2020 that impacted us all, and inventory for rental real estate is a little tight right now, as much as I'd like to keep building up my round portfolio, I'm not gonna buy something just for the sake of buying...

It still has to meet my criteria, so whether that takes an extra six months or a year, so be it, I'd rather get something that... It's my criteria versus us buying something for the sake of buying and are hoping for appreciation.

0:13:52.6 WS: So when you're thinking through investing or whether it's in a small do or whether it's in a syndication, or like I said, or a deal of your own... How do you prepare for a downturn?

0:14:03.5 JR: Probably the biggest thing is just from the get-go, do a lot of due diligence, I've walked away from several deals, remember a mentor of mine told me it's better to have a good deal go away then be stuck with the bad one, so even if kind of on the fence or if I just have a gut feeling, I might just walk away from it. I typically am extremely conservative with my numbers, if it's a turnkey property that says, well, it runs from 850 a month to 950 months, I figure an 850 or maybe even a little lower.

And anything over that is just gravy, and also it's just nice to have some cash on hand, I think a lot of investors, they just look at, hey, this pays my mortgage and my insurance and taxes,

everything above that is just gravy... Well, eventually you're gonna have vacancy, eventually a water heater is gonna go out, or maybe there's a default in the rent or late rent to even come in, and so you just really have to plan for all those scenarios and make sure you're covered.

0:15:03.7 WS: You have any predictions, John, just for the real estate market over the next six to 12 months,

0:15:08.3 JR: I think... Well, eventually I do think prices are gonna have to stabilize, I don't think mortgage rates can get any lower, although I said that about a year and a half ago, and yet they did. Personally, I think once covid in arrive and a lot of the eviction moratorium and mortgage forbearance lifted, I think more inventory is gonna be hitting the markets, right, wrong or indifferent, that will obviously ease up the constraints and maybe shift more to a balance market, than the seller's market we've been seeing...

Interestingly, I'll be... Hopefully, the builder market can pick up a little bit more, it's just more of a matter of getting enough workers and lumber prices getting stabilized, but the biggest thing I'm seeing now is a lot of hotels being converted to condos or apartments, so maybe with some closings or bankruptcies of hotels that could use up the restrictions and use of the supply issues we're having with housing.

0:16:10.6 WS: Maybe daily habits that you have, John, that you are disciplined about that have helped you achieve success.

0:16:16.0 JR: I read every day and I try to learn something new every day. I think the more you learn and the more you realize you don't know, and I don't think there's ever gonna be a point that any one of us will say, hey, I know everything there is to know, and obviously things keep changing, so I try to learn a little bit each day, whether it's real estate investing or stocks or personal development, what's going on in the economy, and yeah... just try to continue to improve myself and continue to educate myself.

0:16:48.4 WS: Learning something every day, it's like consistency right in to... The listeners

have heard me say that so many times, it says little things over a long period time that you're consistent about that make a big difference, so what about the... What's the number one thing that's contributed to your success?

0:17:03.3 JR: Corny as it sounds... I'm gonna say my wife, she's been a great friend and a mentor and supported me through this journey, she never once said, or at least out loud said I was crazy, but supported me along the way and has kind of been a big cheerleader for what I've been striving to do so kind of having that someone in your back corner encouraging you along the way, I think really pushed me along even a few times I just or thought I was gonna give up on it.

0:17:30.1 WS: Awesome, well, I appreciate you sharing that. I'm in the same boat. Definitely could not have made it without my amazing wife pushing me and helping me along the way, tell us how you'd like to give back?.

0:17:41.3 JR: Basically, I'd like to give back just by educating, sharing my story on my blogs and articles and on my website. I'm not a big fan of the quote and quote gurus that sell you 20,000 investment package, that basically re-packages information you can easily find on your own. Also with my background of losing my parents to cancer, I've been a board member and mentor to a non-profit called Camp Love's Embrace, we do a weekend camp every year at Lake Hated by Slate in Minnesota.

Basically to help children that have lost a loved one, parent, brother, sister at a young age, and they can also be around other children that know what it's like to go through something traumatic like that were at their school environment or amongst their friends, they may not know how to act or what they're feeling.

0:18:36.1 WS: Awesome, Well, John, appreciate you giving back in that way and spending time with us today as well, and just really talking through about it, your financial freedom model you one bill at a time. I think it's very interesting. And then just all the way to learning something every day is so important and many tips you've shared, just how you're gaining financial

freedom, taking that mindset shift to what does that look like long-term? And should we be leaving all that money over there and that IRA that Roth account finding for, when we're in our 60s or 80s or whatever, and we may not even make it that long, so... But John, thank you again, tell the listeners how they can get in touch with you to learn more about you.

0:19:11.4 JR: Yeah, my name John Rickgarn, I'm not too hard to find. You can find me on Facebook or LinkedIn, also run financial education website, wealthandfreedomNexus.com, also has all my social media tags on there as well. I can also reach out to me, John@wealthandfreedomNexus.com for my email and love to connect and chat with others and help them on their journey of passive income as well.

[END OF INTERVIEW]

[OUTRO]

0:19:38.3 ANNOUNCER: Thank you for listening to the Real Estate Syndication Show, brought to you by Life Bridge Capital. Life Bridge Capital works with investors nationwide to invest in real estate while also donating 50% of its profits to assist parents who are committing to adoption. Life Bridge Capital, making a difference one investor and one child at a time. Connect online at www.LifeBridgeCapital.com for free material and videos to further your success.

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