

EPISODE 973

[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.

0:00:24.4 Whitney Sewell

This is your daily real estate syndication show, I'm your host Whitney Sewell. Are you in need of confidence boost in your real estate journey? Remember, behind every success story is a failure and getting up again. You can draw inspiration from the real estate journeys we've heard on the show.

[INTERVIEW 1]

0:00:45.0**Whitney Sewell**

Our guest is Stefan Aarnio. Thanks for being on the show, Stefan.

0:00:47.0**Stefan Aarnio**

Thanks for having me, Whitney.

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WS: I'm honored to have you on the show, Stefan, and a little about him; he's an award-winning real estate investor, entrepreneur, author and winner of the 2014 Rich Dad International Hall of Fame award, has been featured in Canadian Real Estate Wealth Magazine and Entrepreneur Magazine, which named him 1 of the Top 10 Real Estate Influencers to Follow. Starting with only \$1,200, Stefan has built a multimillion-dollar portfolio for himself and his partners and has been recognized on the self-made list.

So, Stefan, thanks again for your time and being on the show. Give the listeners a little more about who you are, and I'd like to dive into your story a little bit, the \$1,200 to getting to where you're at now. Then let's dive into one of your current books.

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SA: Thanks for having me, Whitney. So my story started when I was 16 years old. I wanted to be a rock star. I told my mom and I told my dad, "I want to be a rock star, I want to be a musician." My mom said, "That's a horrible idea." My dad said, "That's horrible." But my mom said, "Look. I love you. I support you. Go to music school and maybe you can get a degree. If it doesn't work out with music, maybe you can end up as a teacher or something."

So, I went to school. I dropped out of the music school, dropped out of the business school, dropped out of computer science, and I went to the officer. I said, "Hey, how can I get out of here without shaming my parents?" He said, "Take two English classes, and you can have an English degree." So, I took two poetry classes. They gave me an English degree and I left. After school, I had a rock band. That was my little business, and it turned out that having a rock band is a super difficult business. I'm playing shows. My band fell apart. I started to burn out.

Laid on the couch for a couple months, and I read a little book called Rich Dad Poor Dad. It said, "Anybody could become rich." This is like right at the time I was giving up the idea of being rich and famous. I said, "I'm going to give that up. That goal is going to go away." I read Rich Dad Poor Dad. It said, "Anybody can be rich. Anybody can build a business. Anybody can get passive income and a real estate portfolio." I thought, "Damn! That sounds good."

I had like 22 or 24 clients as a guitar teacher at the time and have these checks. I was self-employed. I was making \$10 grand a year. I thought, "Wouldn't it be great if I can get the same money in the mail passively without teaching guitar lessons?" So I went and took a little Donald Trump real estate 2-day seminar, and then I went to another seminar, another seminar. By 28 and 1/2, I became a self-made millionaire and did that by flipping houses, buying, fixing, and selling properties.

Now, I'm 33. I've got an education company. I still have a portfolio. I got another real estate company and then also have a social media company. So, it's been a real journey for a guy who just wanted to flip a house and make \$10 grand. Now, here I am doing all sorts of crazy things I

would never imagine. I've got 8 books that are going to be published

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WS: So, 16, you wanted to be a rock star. That didn't work out so well. But by 28, you're a millionaire and all in real estate, just like you had read in Rich Dad Poor Dad?

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SA: Yeah. I mean, I made a lot of money buying, fixing, and selling properties. Then I also have a portfolio of holding properties. Between the two, that made me the millionaire. Now, here's the thing. Millionaire these days doesn't do much for you, I'll say that. You're middle-class if you're a millionaire. You own a couple properties, you own a car, big deal. You can go on some vacations. It's not like a millionaire in 1960 or a millionaire in 1920. Henry Ford was a billionaire. A millionaire was a lot of things. I was like 10 or 20 or 30 million nowadays.

So, it's a milestone. It's cool. I don't think it really changed your life. But when you're a millionaire, it certainly takes away the want and the need for money. I can go buy what I want, when I want. I can have whatever I want for dinner. I'm down here in Indianapolis to hang out with my friends who does I think 400 to 500 real estate deals a year, and I can just do that. I was in Vegas on the weekend. I was in LA last week. I was in Ottawa, Canada. I was in Vancouver for two weeks. I can do that because guess what. I have the financial capacity to do that.

So, there's a certain amount of freedom you get with being a millionaire. But does it get you a private jet these days? No. It's more like maybe 10, 20, 30, 50, 100 millionaire gets the jet. You're still flying commercial if you're a millionaire.

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WS: So, what is it in real estate that you're strictly focused on now? I know you did some flipping, some things like that to get that million. But did it stay flipping? What did you move into?

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SA: So, there's three things that I'm very good at. One is buying a \$0.40-\$0.60 on the dollar. So very, very good at buying distressed assets. Second thing is raising capital. I'm very good at raising capital. I came from the private equity world, so I learned to raise money for big deals. The third thing is personal branding. So, for a long time, I was flipping, flipping, flipping. The last little

bit, it's been the buy, fix, refinance, hold. Now, I'm debating as to whether I should go into turnkey and start selling turnkey or should I just go into like a private equity fund. I'm leaning towards a private equity, because I'm a busy guy. I've got a lot of media. I have a coaching company. I'm always flying around, moving around. I can buy ads, buy media. I think a private equity is probably going to be what's going to be on my end.

My partner and I, we're looking at a \$7.7 million or 30 in a building, and we got the money for boom! Like right away. We know how to raise money. My partner is a student of mine. We know how to do that. It's just a matter of, "Okay, how do you organize this into a fund?" So, I feel like that's going to be the next thing for me, is some sort of fund, because I am very good at raising money, very good at selling, very good at marketing and building a brand. As far as bricks and sticks and dirt, man, I hate construction. I hate tenants. I don't like doing all the boots on the ground and the dirty stuff. I've done that. I've flipped a house with 129 cats in it. I flipped houses with dead people in them. I had burned down houses. I've got 2 houses burn down on me. I'm just ready for something clean, I think.

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WS: That's why we love the syndication business, because we don't want to manage tenants personally on a day-to-day basis.

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SA: Yeah, exactly.

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WS: No, that's awesome. I'd love to hear more about – Maybe you give us your best tips on raising capital or getting – I know there's like so many listeners who are wanting to get started in this business, and they're trying to do it by raising capital. Maybe you could just shed some light there.

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SA: Yeah. So, the most important thing I think for raising capital is to educate your clients. I used to work for a company. We raised like \$135 million and something a few years, and the business model was simple. Educate the market more than anyone else. So we gave out more free education than anybody else. Because we give out more free education, we ended up with more

money.

When I got into business for myself, I started blogging. So I started blogging. Every day, I was writing articles and every day about something I learned. After 120 days or so, blogging every day, I had speaking engagements. I had a book. I took 35 of the blogs made it my first book called Money People Deal. You can go to moneypeopledeal.com. Money People Deal, that book raised \$5 million in capital for me in a year. So I took a little \$3,000 how to make about course, I spent \$2,000 bucks on production, and I went and raised \$5 million bucks.

With that money – Now, I wasn't the smartest guy back then. I just flipped and flipped and flipped. I should've like bought a \$20 million building. If I was a smarter guy, I would've done that. But I was out flipping houses and I wanted to make 10 grand and 30 grand and 20 grand. I was just small-minded, so that's what I was doing, making 30, 40 grand a month, which is a good paycheck for a kid who's 26.

But the key in that story is it's the education platform that allows you to raise capital, because lots of people have money. There's millions and millions of dollars everywhere every day looking for a home, looking for somebody to take those dollars and grow them. But they don't know who or how or what. So, if you're providing some of the education and making it easy for them to come and give you money, hey! That's awesome. So that's my first book, Money People Deal. From there, it was just a rocket ride.

[INTERVIEW 2]

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Whitney Sewell: Our guest is Kris Kaufman. Thanks for being here, Kris.

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Kris Kaufman: Thank you, Whitney. Glad to be here.

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WS: Kris, thank you so much for your time. Give the readers a little more about you and let's get right into how you got started.

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KK: Basically, I was working from Franklin and Marshall College and I would buy things. I had my own Lego business. I was buying used Legos and reselling them to people who wanted to buy Lego. I'd buy low and sell high. I always had a passion for finding things, buying low, selling high and in negotiating the deal. I started thinking about what's something that I could buy low and sell high and probably make the most money at and have the most flexibility of my time. I fell into real estate. I commissioned myself to start learning real estate and I was the lowest man on the totem pole with the crew that I was on in the college. I sat in the back of a box truck for the better part of ten years.

As we went from work order to work order and if there weren't any work orders, I sat back there doing nothing all day. I basically learned real estate in the back of that box truck. Everything I could from wholesaling to flipping to syndication, anything that I could saturate myself with to learn real estate. I did that for four years in the back of the box truck. I started negotiating deals in the back of that box truck, which was not always fun. By the time, I was reaching the end of my career with Franklin Marshall, I was negotiating million-dollar deals in the back of a box truck. I remember the people I worked with would look in the back of the box truck as I was back there negotiating and have this look of, "What in the world am I doing back there?"

I did that for about four years at Franklin and Marshall and then I worked myself out of a job. It's basically how that happened. It was constant deal negotiation in the back of the box truck. I had a business partner who I signed on with, who is Dan Gotwalt. We had complimenting problems. I was able to find deal flow, but I literally was only making about \$30,000 a year, so I had no money. Dan, my business partner is great. He is a people person 100%. I know he had \$300,000 just on a handshake. He had \$300,000 sitting there on a handshake that he had to place. We had complementing problems. I had a few deals under contract with no way to finance them. He had \$300,000 and the rest is history. We formed a partnership, Firm Foundations was our original LLC. It came together and the first deal went great. It was a couple of flip properties. From there, we just kept growing.

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WS: I wanted to back up a little bit in the back of that box truck. You used your time wisely. You started educating yourself. You had some downtime. You were even getting paid during that time and so you're using that time. Tell me, how was the best way that you educated yourself during

that time?

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KK: Podcasts and YouTube videos. I'm sure I ran across your podcast, Whitney, at some point or fashion. I was listening to everything, everything that I could listen to. I was listening too back there some podcasts and YouTube videos. I was reading books. Rich Dad Poor Dad was an amazing foundational book. Not many nuts and bolts, but it was definitely something that got you motivated that I'm sure everybody's talked about. Millionaire Real Estate Investor by Gary Keller was another big one. Those are the books, but essentially podcast, to be honest with you. That got me going and propelling me forward.

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WS: Millionaire Real Estate Investor and obviously Rich Dad Poor Dad, I have heard them numerous times. The Millionaire Real Estate Investor, I need to get that myself. I have not read that one yet.

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KK: That was definitely more nuts and bolts. Once you read that, it gives you more of the information you're seeking if you're into nuts and bolts. It's not just theoretical.

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WS: I wanted to ask you about this partnership as well. A partnership is something that I've seen done wrong so many times. I've done it wrong. I feel like I've done it a lot better but it came from learning some things the hard way. To elaborate on how you all knew, I know you said you all had complementary skills, which is great but how did you know that because it's like a marriage. How did you know, "This is what we need to do?" I'd love for you to elaborate on just how that propelled you forward.

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KK: Dan Gotwalt, who was my business partner, he was my brother's best friend growing up, so I actually knew him. He went to the same school. It's not like I just met this guy and I didn't have any idea of who he was. I knew who he was. I knew his character. It's very important to know whoever you're going into business with, you have to know their character. Also the stars got to align. Their same life goals need to be aligned. I think that's huge. Dan has five children. I have

three children, all young kids. Family is the most important to us, so that aligns perfectly. You don't have somebody who's driving hard to get all of this work done. Our goals are the same. You're absolutely right, it is a marriage. Even in the short time we've been partners since 2012, we've seen so many partnerships that were good partnerships that collapsed and imploded.

If you go into it knowing that it's a marriage and it's like that, it's similar to marriage. You can go into a marriage and it could be perfect, but there's always going to be a time when you get to that point where it's, "I've got to sacrifice here." There's a sacrifice that's made to keep things successful. With our partnership, that's what it is. It's us knowing our strong suits but knowing that we're in it for the long haul. We are together. When we're together, we're better. That's what it is. If it wasn't for Dan, I would not be where I am now and that's a successful partnership. If you're better together, then you've got to do whatever it takes to stay together and keep pushing forward. Our growth goals are the same. I don't know if that lends itself to it. There's no science to it. It's just pushing.

[INTERVIEW 3]

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Whitney Sewell: Our guest is Sam Rust. Thanks for being on the show, Sam.

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Sam Rust: I'm excited to be here. Thanks, Whitney.

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WS: I met Sam in Denver and was very impressed with what he's accomplished in a very short amount of time. He has an ability to get things done in starting a syndication business and having some success and doing well. I knew he'd be a great guest and could relate to a lot of the readers. Sam grew in Idaho on a farm and is the oldest of eight. He learned the value of hard work, stacking over 200 tons of hay per summer. That's a lot of hay. I've stacked a lot of hay in my time and that sounds a lot.

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SS: It definitely kept us out of trouble in Idaho summers.

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WS: He learned the value of learning. He graduated from college at the age of seventeen, which is also extremely impressive. He married his wife back in 2012 and now has four daughters. He started investing in real estate in 2017 and quickly moved to syndication and a managing partner of 65 units. Sam, thanks again for your time and being on the show. I felt that you could relate to the audience in where you're at in your process right now of the syndication business. Give the audience a little more about your background and what you're doing right now in real estate.

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SS: I started back in 2017 like most people. I read Rich Dad Poor Dad and had a little bit of an epiphany. It changed my mind specifically on how it relates to debt and using debt to get ahead. I've been influenced a lot by Dave Ramsey growing up and I think Dave Ramsey does an excellent job of teaching people how to be an adult with money. I think that that's important. No matter what you're trying to do, being a good steward with your money is the number one thing. After that, Rich Dad Poor Dad opened my eyes to what's possible looking at assets, things like that. I started diving in and doing a ton of research, reading a bunch of books and listening to a ton of podcasts. With my background, my parents instilled in me a love of learning. I think that's the most important gift they gave me and so I enjoyed the process of researching all these different areas in real estate that people can and have been very successful in.

As I journeyed down that road, I started appreciating the scale that comes from multifamily syndication. The business model made sense to me and I felt there were a lot of large demographic reasons to start looking at that space as housing continues to get more expensive. People are always going to need somewhere to live and if you can make that jump and scale relatively quickly, I think that there are a lot of benefits that come with that. An interesting side note that I noticed as I was listening to all these podcasts was whenever someone would have a syndicator on, they would ask them, "What do you wish you had done sooner or what do you wish that you had done a little bit differently?"

They'll say, "I wish I had skipped single family fix and flipping or whatever it was and gone straight to syndication." I found that to be a pattern that repeated over and over and by this time, in the fall of 2017, I had bought a single family house to basically house hack with some student housing. I listened to that and then read Grant Cardone's book, The 10X Rule. That convicted me of the need for massive action. I said, "In 2018, we're going to buy an apartment complex." We started

the process and started building the foundation. By the end of 2018, we had a 64-unit apartment complex.

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WS: When you and I met, I was impressed that you jumped right into syndication. Like you, I've heard time and time again even on this show that people say, "I wish I had skipped the ten years of fixing and flipping and got into syndication a lot sooner." I know part of your background and I know you have a successful family business that you're a part of. All of a sudden, you're looking at real estate. When did you say, "I want to start educating myself about real estate?" Even though you have a great career going, you still want to look into real estate. When did that happen? I know you said Rich Dad Poor Dad, some of that opened your eyes but when in this process?

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SS: My wife and I, we've been looking towards the future. We were trying to define how we can be the best stewards of what we've been given both in time and in money. Early in 2018, before we had landed on an apartment complex, we were beginning to research syndication. We were searching for our why and I think that that's important. You have to have a big enough why and we're still working on defining exactly what some of those details look like but a big component of it was we wanted to get to a place where I didn't have to trade time for money. Rich Dad Poor Dad talks about that in his quadrants but it would free us up to do a lot of different things with both our money but especially our time obviously if we're not making that traditional exchange of clocking in at a W2 employer.

I do work in a family business that I enjoy. It's in industrial sales organization but even there, I am somewhat bound by the clock. Real estate has the ability to give us the freedom to pick and choose and design our lifestyle. Again, for us, it comes back to the concept of stewardship. How can we be the best stewards of what we've been given? You mentioned we've got four daughters. Raising them is a fairly full-time job for my wife and I would love to be more involved in that and do things together as a family. I also enjoy real estate. I've taken to it and enjoyed the entire process.

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WS: I'd to go into that first deal a little bit and your confidence of being able to do that right off the bat. I heard they're getting started in the syndication business. I try to find those people that are

way ahead of me and try to network and connect and most of them are especially at the local REIA will say, "Wait a minute. Most people start with that single-family home and then they get a duplex and then they scale up from there." I heard that so many times, but I was like, "I'm not listening to that. I'm going to pursue this syndication thing that I'm starting to learn about." I think we can scale a lot faster than that. You've done that as well. Could you elaborate on going into that first deal through syndication and how you had the confidence to do that?

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SS: You know, it's a learning process and the first thing is identifying what you need to know. There's a ton of moving parts in syndication. Overall, syndication is not a terribly complex business but there's a lot of aspects of it that you have to have under your belt to execute a deal from start to finish. After being exposed to the concept and generally knowing it, the first thing that came to the forefront of what I needed to do was to start building a relationship with brokers. The deal is all important. If you find a good deal, the rest of it falls into place as it were. Start to establish relationships with brokers and then at the same time also learn how to underwrite.

I broke down the entire process into manageable chunks. What do I need to learn today that I can then go and implement as I'm trying to find a deal, as I'm trying to talk to brokers, as I am underwriting knowing that I don't have to master the intricacies of the SCC law until we get a deal under contract? I don't need to learn everything there is to know about due diligence until we're under contract. Obviously, you need to have a little bit of a heads up. Not all of that learning can be crammed into the first five days of contract but generally, try to space out and not try to learn all of syndication at once but starting with what we needed immediately and then grow from there.

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WS973

Transcript

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