

EPISODE 1002

[INTRODUCTION]

[00:00:00] 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]

0:00:01.5 WS: This is your daily real estate syndication show. I'm your host, Whitney Sewell. Today our guest, Anna Kelly, thanks for being on the show, Anna.

0:00:32.2 AK: Thanks so much for having me. It's my pleasure, and

0:00:34.6 WS: It's an honor to have you on the show. Anna I were just talking about, I think it was two years ago, we were speaking at an event together, and I just heard part of her amazing story then and said, Man, she's gonna be a great test for the show one day, but she's gonna do big things he even better than that. And she has, she has an amazing mission that I'm looking forward to hearing more about today and really just sharing with the listeners, I think it's great to expose yourself a little bit to others that are pushing with a bigger mission than just financial success, but we'll get into that, but she's a full-time real estate investor, active ownership in 1200 doors, you grew up in section eight housing and through real estate created financial freedom for herself and her family, there are multi-family syndication, she now focused on going beyond financial returns to creating meaningful impact in the lives of the people living in her communities, Anna, welcome to the show. I know you have such an impactful story and just really path to getting to where you're at now, I'd love to hear some about that, I know that's gonna affect the listeners and they are gonna learn a lot from you as young as you wanna go back, 'cause I know you have such an amazing story, I'd love for you to share a little bit that you know will impact the listeners and then let's move up to how you're making such a meaningful impact and probably more people now

than you ever imagined through all your residents.

0:01:49.1 AK: Yeah, absolutely winning. I started out, my parents divorced when I was very young, and my earliest memory really, I was about six years old, and we left Pasadena, Texas right outside of Houston in the middle of the night, my mom was pregnant, me and my sister, and she was leaving an abusive marriage and violence and tears, and I just remember being up in the middle of the night driving back to San Antonio where she was from to start life over, and we slept on my grandparents couch and she eventually found a job as a leasing agent in an apartment complex. And so we moved into this section 8 apartment complex. My mom was the leasing agent, single mom, and she worked also at night, she waitressed at night just to make ends meet just to be able to provide for us as a single mom fleeing an abusive relationship. And growing up in Section 8 housing, it was tough, we'd lived in a nicer area, but we lived in the projects of the area, and so there was drugs, there was violence, fights those kind of things, and that's all I really saw was that kind of lifestyle in poverty, and fend for yourself.

0:02:59.2 AK: And my mom had this resilience to work two jobs and do whatever it took to make ends meet and provide for her kids, but it was a really hard lifestyle, and one of the things that I saw, because I did go to a good school, I saw other families who had a cohesive family unit, who had a mother and father who both worked and they seem to have it all right. So from the outside looking in, I thought the solution is I need to make sure I get a good job, get a degree, and can take care of myself and be independent so that I'm never dependent on a man to take care of me, if he ended up being abusive and of course, that's not all I think about today, but it really framed me as a person to think about how can I get an education, beat the cycle of poverty, change what the outcome is gonna look like for me. And that really got me down the path of working hard, getting good grades, getting a degree, and I did that, I was very determined, very... I'm gonna do whatever it takes to get out of this.

0:04:07.1 AK: And I landed myself after college, I worked full-time while I went to school full-time, graduated in three years and came out and was offered a job for Bank of America to go through their private banking and financial advisory program and to advise their ultra high-net worth clients in their bank, and that was the first time in my young 20s that I really knew anything about money, and I'm like, I don't know even how to budget my own checking account. And I'm gonna start

talking to people about what to do with their money when they have it, but I'm so thankful that I had that because it really opened my eyes to... There's a lot of people that know how to manage their money. And if I really want to do well, it's not just about getting a good job and making good money, but I gotta figure out how to manage my money well and invest my money so that one day I really have this independence and be able to provide better for my own family to not ever have to end up in women's, battered women's shelters and relatives couches and things like that, so that's kind of my beginning and how I got started into thinking about investing, but it was several years further before I started thinking about real estate.

0:05:19.5 WS: It's interesting how... Upbringings like that, it affects everyone. All of us have stories or things that have happened to us, but such an experience at a young age can definitely just change the whole trajectory of where you're headed... Right, and for you, you became very determined, it's interesting just to hear that I can relate somewhat, especially through military and law enforcement and just training like that, and it sounds like it was a very different story, but I can become very determined depending on it, what happens to us, and for you, man, you were very determined, you were very successful, you got into Bank of America, now you're working with extremely high net worth individuals, tell us what are a couple of things is just interesting working with high net worth individuals from that capacity, a couple of things that you took from that that have helped you in the apartment syndication business...

0:06:04.6 AK: Yeah, so many things. 'cause that was just kind of the beginning. But what was really interesting, I remember I started out in private banking in the late 90s, and so I had this client back then, interest rates were high, and what kind of returns were in the stock market, and an... Annuities and CDs, they were all pretty high. Much higher than what they are today. And I remember having a conversation with an older gentleman, and you have to realize I was like 23 years old and this young blond thing and this older man looking at me like, Honey, you got so much to learn, but I'll listen to your spiel, and I told him about these returns we can make, I remember it was in the teens, but I don't remember the number, but he laughed and he said, I make much more than that in my real estate investments, and I'm like real estate investments. I've never heard of real estate investments, I've gone through all this training and I can tell you about stocks bond, mutual funds, annuities life insurance, etcetera, but nobody taught me about real estate, so that kind of piqued my interest to think I need to learn more about this real estate thing,

and about a year later, I realized I'm throwing away a lot of money on rent, and I thought I'm gonna not throw my money away on rent, I think I'm gonna buy a condo because I can live in it for free, or basically something that's an investment, and then down the road, I'll keep it as a rental property to bring in a little extra income 'cause he have rentals, so it just gave me that little bit of info and...

0:07:27.0 AK: Wait a second, these are really wealthy people, don't just invest in the retail things that I know about, but they also think outside the box and invest in real estate. So that was one thing. The other thing that I really took away that I think really helps me as an investor to get to where I am today as well as now as an operator and syndicator, is that I don't just think about... I need a building of a certain size or a certain number of units, or I've just gotta get any deal that my investors will like... I really think of all investments from an investment strategy standpoint, through our lifetimes, we go through phases of initially we need income, and so we're in the business of wealth accumulation, cash flowing things, right? Then eventually we move to a place where we wanna focus on growth and we can take a little more risk, we can set some money aside, not necessarily the bucket of money that we need to live on day-to-day, and then eventually we have to start really thinking about preserving and protecting what we've built, so as an investor, learning those things through my training as well as working with people that were in each different phase of that financial trajectory of growing wealth and financial freedom has allowed me to really look at investments with the lens of, Do I really wanna do this deal, what are my personal financial goals, where am I in that trajectory of financial growth and where are my investors, and how can I marry the right opportunities to actually meet the financial goals that we're trying to achieve? Rather than just buy a deal 'cause it has a good IRR, and I hope that there's some upside, so I think those were my main two takeaways...

0:09:07.4 WS: No, that's awesome, 'cause I think you can speak very well to passive investors and also people in this business that are trying to get started as a indicator, I wanted to say thinking differently about personal financial goals, right, you've mentioned that, but also just thinking through your investors goals and... And your own and being strategic, you mentioned about it, instead of just trying to get a deal done, I think by reaching that financial freedom number, whatever that is for yourself, you're reaching, that just really changes the whole ball game... Right? For yourself, allows you to think differently, allows you to do things differently. And

I would say, Let's back up to getting to that financial number a little bit, the passive investor listening, a couple of tips that maybe you can share that helped you reach that number for you and your family, what was that maybe or was it before you became a syndicator.

0:09:52.3 AK: Yes, it actually was with me... So when I had a child in 2007, I had been this very driven person, as I told you, I moved up with the bank, and then I left there and went to work for AIG, working to develop products for ultra-high net worth individuals like offshore hedge funds literally syndication on shore offshore with lots of risks, but lots of upside, and so I was very driven, I'm just gonna keep going up the corporate ladder and then save a bunch of money and start investing in... But when I had my first baby, everything changed, all I wanted to do Whitney was be home with that baby, whatever it took, and I couldn't, because at this point I had a really good six-figure income, my husband had just come out of chiropractic college, and he was making like a third of what I was as an associate doctor with a six-figure school loan, not unlike many people today, and so we got caught in that trap if we need the house before we have a baby, so we had a house payment in a school loan, bigger than our house payment, a car payment, and then this baby and I had a six-figure income, I couldn't let go of and it broke my heart, and I thought, I have to figure out a way now to leave my job but still make money.

0:11:03.9 AK: So that I can be home with this baby, and at that time I was on bed rest and I was watching a lot of HGTV. It was the first year or two that all the flipping houses shows started coming out, and so I convinced myself that flipping houses was the way to do it, so with the three-month-old baby, we bought our house, first house Flip. We sat on it for a year. This was late 2007, right before the crash in LA... And we lost money, and my husband said, We are never doing that again, but it was the first time I kind of thought about real estate ride, so after that, he said, Now how flipping... We can wait to do real estate till we've replaced your income. So we thought entrepreneurship is the way to go, and we relocated from Texas where I'm from, we moved to Pennsylvania for my husband to start his chiropractic business, because I thought if he can just do really well in a year or two, I can leave and I can be home with my kiddos. Well, the economy crashed in 08. I worked for AIG, so my job was on the chopping block, we were told weekly, start looking for jobs.

0:12:04.3 AK: We're probably gonna be sold. I was in one of the big divisions that almost went

under, and the only thing that was going well with me was I had just bought a year before when we moved here, a four-unit apartment building, and we decided, let's not buy a big house when we're starting a business with lots of debt, let's buy this little four-unit building live in one of the units, and the other three units will cover our expenses, so that was the first real purposeful multi-family investment we bought, but we bought it just to be safe and smart, not because we thought This is the path to financial freedom, it was gonna be entrepreneurship. Right, but when AIG as went down, I realized I work for one of the largest companies in the entire world, and it's not safe, I lost a significant portion of my 401k between two-thirds and three-quarters of my 4001 during that whole crash, 'cause I was heavily invested in financial stocks, and I thought were safe, and I decided to pull what I had left and I borrowed it from myself and bought another little four-unit because I thought if I lose my job, I'll have to pay taxes on the 401K, but I can create another 1200 a month in income from this little four-unit building and cover the cost of diverse, 'cause I found out I was pregnant with baby number three the same week, but AIG was going under, and we just prayed and thought, What are we gonna do? And so I bought those two four-unit buildings and they kept doing really well during this recession and major financial collapse, and I realized if I ever wanna be home with my kids, I have to take my finances under my own control and figure it out, and so I put everything aside that I had learned, don't ever get out of your 401k, don't liquidate, they like these companies aren't coming back, they're toast, right.

0:13:58.1 AK: So it just opened my eyes that entrepreneurship wasn't the way for us, a big corporate job wasn't the way for us... My 401K wasn't the way for us, real estate was what we wanted to do, and basically Whitney... What we did it at that point is we made a plan and we said as long as we can figure out how to get loans, 'cause at that point properties were abundant, but money was really hard, especially for someone who worked for AIG and husband had hundreds of thousands of business start-up debt, and we said We're just gonna keep by in real properties. So we made the decision not to buy a house, to stay in our little four-unit building, and every time we had extra money, we flipped properties to get cash so that we could put them down on new properties, we would continue to buy enough small multi-family properties to replace my six figure income, and I would retire. And that's exactly what we did.

0:14:51.9 WS: You know, so many things we should could talk about there, but a couple of things that I hear, you said just so many hard decisions there, right, especially, you're now a family, you

have one or two children at the time, you're buying the four unit already, but for one unit and now the hard decision, you're gonna move in into one of the units, so that was something I was striving to do it one time as a family, and it was difficult, it was difficult to even find a place that I was willing to move the family into it, I can relate somewhat, but what's one or two things, maybe you learned that you didn't expect by moving your whole family, and it's different when you're single, you're 20, somebody's trying to house hack, okay, that's not really that too much strain on your family after you have kids and a spouse, and all these things that are in the play as well, but what are one or two things that you learned, maybe even as a family unit by house hacking, you know at that point in your life, your career, you know family.

0:15:45.5 AK: Absolutely, so you know, because I grew up in Section 8 housing, I really felt that what's most important is that our family stay together and that we focus on our family, and I knew contentment, whether I had little or whether I had much... Right, so I started in Section 8 housing, but before we moved to Pennsylvania, we had a beautiful big home and we had good money coming in, and I enjoyed that much better than living in Section 8 housing, but I also knew a lot about risk, so during the year that we flipped that first house in 2007, my husband lost a job and we had two mortgages, a car payment, a school loan, and one job, and that was a very difficult year, and it taught us a lot about debt. Right. And so I learned through that process that the borrower is truly the slave to the lender, as Dave Ramsey says, and that we needed to be very, very careful so that's what... Knowing that that we needed to decrease our living expenses and live below our means, so that we could work to expand our means, that was what I knew I had to do, and so I said, We can do anything for a year or two.

0:16:56.0 AK: I've lived in apartments my whole life, we can be happy and content, we just have to realize that we're taking a step back in order to wisely move forward, and at that time when I moved here, AIG had not a single employee that worked from home, they wouldn't allow it. They told me no. When I asked him if I could work from home. But right as I was leaving, they said, We really need you. We'll let you try it. So I did that because I knew that my job wasn't to guarantee and that he was starting a business with hundreds of thousands in debt, and it was just the smart thing to do, and I'm so glad that we did it because if we had had a big house, when everything hit the fan, we would have been in a lot more trouble, but we really learned the value of contentment. We really did. I had lived poor, then I had gone to Russia and worked with the poorest of the poor

orphanages there, and I realized how blessed I was even being a poor American growing up, and so I just never needed the stuff to feel content.

0:17:55.9 AK: And living in that apartment for two years taught me, I still don't need this stuff to be content, I've had it, but I'd rather be home with my babies with little, than working full-time having all this stuff and not being able to really be close to my family.

0:18:10.7 WS: I could not agree more. I think it's interesting, right away you said, You know what, we focused on what was most important and that was the family stand together, even if that meant some hard decisions, and I think it hurts our pride when we have to sell the big place to do what we know is best and maybe move into an apartment or other people's opinions start coming in your way, or there's family or friends and telling you how crazy you are, but you know what? They're not saying my mail. That's for sure. And so I wanna get to though, 'cause we're gonna be running my own time so quick, unfortunately, but I wanna get to this mission now from your bringing some hard knocks, of course, and our decisions that you and your family have had to make a push you nail to really be on a mission, even your success or getting the financial freedom, pushing, being so determined to do that is now allowed you to do some bigger things and helping so many other people, shed some light on the mission behind how you're able to help so many of your residents now...

0:19:04.2 AK: Yeah, you know, Whitney, so those small decisions led me ultimately to realize that I could create wealth, very slowly, very carefully, very strategically, if I made the right wise, financial decisions. And so for several years, we ended up renting a house for a little bit, and then kept just investing in other properties, so we continue to think about How do we live below our means while we work to expand our means, and ultimately it led to... It took a long time, but two years and two days ago, I retired from AIG after 20 years, and at that point, I'm like, We really have created financial freedom to where if I never go back to work a day in my life, we will never have to worry about money again. And we did that with the really small apartment buildings, no syndication, no joint venture is just the small stuff, but I knew as I was getting ready to retire, when I retire... Now, my kids are in school, right, so my dream was to be home with them while they were little, and God didn't allow it to work out that way for many unknown reasons, but now I know there's a greater reason...

0:20:07.7 AK: Right, so when I retire and my kids are in school, I had to sit back and go, Well, what do I want to do with my day? Every day, and I've had a passion from the time I was little, and inner city youth ministries poured into us, important to me in my apartment and took us to church. And then I started working with inner city kids, an organization called Hope for youth in Texas, and we had financial literacy programs, we had, how do you do a budget? We had classes on How do you put together a resume, how do you apply for colleges, how do you apply for jobs, young mentorship programs for young single teenage moms, and I just loved that. I loved giving back, and I thought one day, I wanna be able to really impact young children and women in these apartment communities the way people have impacted me, so I realize that now I have the ability to start doing that and I just gotta figure out how and that's when I realized through 20 years of investing, working with high net worth investors and becoming a high net worth investor, I now have a network of people that if we just buy bigger apartments, we can really go in and impact our residents.

0:21:15.8 AK: So for me, starting syndication was never about, I need more and I need to make big chunks of cash, I need more money, I never needed more, I desire more of... But really so that I can make a bigger impact. And so today really, I'm very blessed that I don't have to do another deal just to feed my family, and so if I'm gonna do deals and I'm gonna spend 30 hours a week working while my kids are at school, I wanna do deals that are really gonna make an impact on this world. And so I'm looking for deals. I started the company called greater purpose capital, where we're really looking to invest and bring in other investors who have the same heart to impact other people while they're making returns on their money, and then we're going in and buying apartment communities. Not just looking at the financial return for our investor, but taking a tiny sliver of that and putting it in the operations in a way that we can create some of these programs partner with community organizations and churches that'll come in and pour into the lives of our residences, so that's really where my heart is and the goal for just about every deal that I do at this point...

0:22:22.0 WS: No, I love that, and I've seen that personally. Just when you have a mission that's bigger than just financial success, it's really neat to see how people can get behind that, it's something that they really wanna be a part of, how have you seen that effect, say how your

investors wanna partner with you?

0:22:36.8 AK: They're definitely very interested. I think so many of us, there are so many things going on in this world, and we want to make a difference, we want to unify behind a really good mission and goal and supporting humanity. Right, and so as I've talked to people and share my story and talk about what I'm doing, I have a lot of investors who they're like, Count me in, it's just a matter of finding the right deals that both make financial sense, protect my investors during a recession and sometimes those deals aren't the ones where people need you the most, right, because sometimes these plus C, minus D properties really need people to impact them, but there's a lot of rough things that go on as an investor that gives you a little more risk. Right, so right now, it's really a matter of balancing where there's a need with the investors who have the appetite and the heart for that, and then going out and finding the right properties, and it doesn't have to be those properties, I really look for properties that are kind of like the one I grew up in, where the area is nice, but it happens to be the projects of the area that he just needs people to come in and pour into them, so...

0:23:45.3 AK: Yeah, it's exciting, and my investors are really excited as well.

0:23:48.3 WS: Alright, and just a few final questions just quickly about how do you prepare for a downturn...

0:23:53.1 AK: I have lived through a downturn because I've lived down through a downturn. I'm very, very, very careful about how I invest. The biggest thing is knowing your fundamentals and sticking through um through ups and downs and not varying from what you know is wise, just because you think you've gotta find a deal, and I know it's easier for me because I've created that financial freedom already. I don't have people that I'm employing that are depending on me, I gotta find that next deal, right, but the biggest thing is I do not use bridge debt when we are in a high of a market and coming down toward a recession, which I thought we were about the end of 2018, but it just took a little long to teeter over the edge, I started really only investing in properties that are in class B areas that are going to be recession resilient because they have a lot of jobs in the area. A lot of industry diversity and generally speaking, above average income, so that in and of itself is really financial protection and recession resistance. The other thing is not using bridge

debt only locking in low interest, good financing, if it doesn't pencil for Fannie and Freddie, I'm not doing the deal during a recession, I'm just not gonna take that level of risk.

0:25:03.9 AK: And the other thing is really being very conservative, everyone says Whitney were conservatively underwriting these deals, right, but they're making their rent bumps 4% and their expenses 2%, their exit caps the same, and if they do bridge debt, they think when they re-fly in two years, the rate is gonna be the same. And that is a disaster waiting to happen. If the recession gets worse, and last longer, so for me, I just look for deals where I'm gonna be able to say, even if I just kept it exactly the same as it is today, and I couldn't push rents and I couldn't do my value... I'd plan that I want, I know this thing is still gonna cash flow, I'm still gonna meet the mortgage debt, and I'm still eventually gonna have some upside, I'm just gonna hold on to the assets a little longer than the typical syndicator does...

0:25:50.6 WS: No, that's awesome. We never wanna be made to sell it, we wanna have some flexibility.

0:25:55.7 AK: But what about any predictions that you have in the real estate market over the next six to 12 months? It's really tough. The one thing I've learned, Whitney, is the older I get, the more that there is that I still don't know, right. So I could try to sound smart and I'll tell you what I think is gonna happen, but the one red herring out there that we really don't know is what's the government gonna do to fix things when it starts to collapse and so I thought when the pandemic hit, this is gonna be really, really bad. Banks are gonna close, mortgage companies are gonna close, or it's gonna be mass foreclosures, but the government kept putting in stop gap to stop it, right. So we've seen that they're willing to pull out the stops to try to keep the economy from collapsing. I do believe that if the tax code changes and the capital gains go up to 39%, plus 4% for Medicaid and the 1031 exchange goes away, I think that that's going to cause some significant rumblings and property values for a while, and we're gonna have to shift gears as to what we buy in order to make sure we still have the tax advantages, so that's something that I'm really looking at very carefully, again, I love big multi-family, but I also invest in short-term rentals and small multi-family and smaller single family because I'm all about diversity and having some diversification, so that if one asset class is it really hard, we've still got some things in other asset classes to kind of protect these ups and downs in the market, so I think it's going to get a bit

worse before it gets better, but America strong, I'm still investing, investing for the long term, but I do think that rates are gonna go up, and if rates go up and the tax benefits going away, I think you'll see some decreases in value of multi-family, and I'm gonna be a buyer at that point, not be one that's forced to sell at that point.

0:27:43.0 WS: What about daily habits that you are disciplined about that have helped you achieve success?

0:27:47.4 AK: Honestly, reading the Bible and praying is honestly what I credit everything to, and because of that, you read Proverbs, there are so much wisdom about dealing with money and how they make wise financial choices, how to make wise choices for your family. How to make wise choices and who you partner with, that that's where I really clean my wisdom, and I just pray for God to help me to make wise decisions, to shut doors where I shouldn't walk, and to open doors where I should... And I really plan. I'm definitely a planner, I don't just live every day kind of frivolous-ly, I say, What do I wanna do in the next couple of years now, how can I back into every single day doing at least one thing that helps me to grow in each area that I say is important to me, my spiritual health, my relational health, my physical health, and then my real estate, and so I think those are my keys to success, what's your best source for meeting new investors, primarily social media right now, because I haven't been... I was speaking at a lot of events before the shutdown, and with that, I've primarily done a lot of online events and some books, I've been in a couple of books recently, and people get their hands on it and wanna invest with me, so mostly social media, some speaking events and some books.

0:29:03.1 WS: How do you like to give back?

0:29:04.4 AK: Primarily two things, so I coach students, and again, I don't do it for the money because I can make much more money doing my bigger multi-family deals, but I love pouring into other, especially women who have kids and they're trying to do the same thing that I did I really coach people, how do you get started and just start creating the financial freedom of some additional passive income, might be active income in the beginning, but coaching really is one of the things, and the other thing is really making impactful investments, really giving back to our residents, through the pandemic, even though it was tough, it was such a blessing to be able to

give tenants discounts if they pay on time, help them to navigate, how do you apply for unemployment? How do you apply for PPP? Bringing in organizations in our community that would bring kids lunch while their parents were out working, those kind of things, just the little things that you can do for your tenants when they're having a hard time, as something that just brings me tremendous joy.

0:30:02.6 WS: And an amazing show, just amazing story that I know that is impacting many listeners, marine residents as well, it's just incredible, the ripple effect when you're willing to put yourself out there, you're willing to care about others and congratulations, just starting your success personally in your family and really having the most important things, first, it sounds like to me, I think you and I would agree on so many..., but just really being willing to share your story, some hard stuff from your way back to even in personal family. Some hard decisions had to be made. That it hadn't been made... Man, you would be in such a different place right now, it's just incredible to hear, you know how the Lord works and how He does close doors and open others, how you helped you to make some hard decisions or your whole family and some crucial times that have now helped you to help so many other people, and so just thank you for sharing this to our... to the importance of being mission-minded and being strategic and all those things, tell the listeners how they can get in touch with your more value.

0:31:00.9 AK: Sure, great. So my website is greater purpose capital dot com on Facebook and LinkedIn. I'm on REI mom, Kelly. So REI for real estate mom, 'cause it's like my number one job, right? And those are the best ways to get a hold of me.

0:31:15.0 WS: Thank you for listening to the real estate syndication show, brought to you by Life Bridge capital. Like rage 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.lifebridge.com for free material and videos to further your success.