

EPISODE 1017**[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 am your host, Whitney Sewell. Today our guest is Christopher Nelson. I've known Christopher for a few years now, it's been incredible to see the growth that he has had with WealthWard Capital. I encourage you to look him up. Today, he is going to die van into a different investment strategy than we've heard of on the show, I think maybe he's the first one. No more than two. Anyway, that I've talked about investing in ATM value of adding some type of investment like the ATM to your real estate portfolio and investing, so we go into some pretty good depth about why now, why ATMS and even ATMS versus real estate, some differences there that you need to know about. So I encourage you to listen to the show and hear Chris for really share his expertise that we can all learn from Christopher.

0:01:09.6 WS: Welcome to the show, it's a pleasure to catch up with you again, I know we've known each other for a few years now, and it's great to see your progression in this business and everything you have been accomplishing and give the listeners a little more about your background, I know you technology executive to real estate and passive investing. And give us a little more detail there. To where you came from, to where you're at now.

0:01:31.1 CN: Thanks so much with you, and yes, it is a pleasure to be on the show, and I've seen you in Sam and Life Bridge Capital, and I am just such a huge fan of everything you're doing, so... Thank you for having me on the show today. So, I'm Christopher Nelson, I am the Co-Founder and Principal of WealthWard Capital, and I started my career, I've been in technology for the last 20 years, and so technology, as you know, software manufacturing Silicon Valley, so exciting. And is a great place to build wealth as far as creating equity in companies and going through IPOS or

going through exits, and so how I got into real estate is my vision was to go into technology companies, create a large portion of equity and then diversify into real estate. And so when I got to the point where I went through an IPO in 2012, and we had the amazing pay day, at that point in time, I realized that there was not a playbook, there wasn't a rule book that wasn't something that drew a straight line that said, how do you get to real estate? In fact, there were actually a lot of headwinds that I think we all know, Whitney, and why your podcast is here to help educate people is to get from, I am over-exposed in stocks to I wanna get passive income in real estate is very, very difficult.

0:02:48.8 CN: So that's where I started on my own personal journey, found some people that are in our broader network that really helped me understand how to be a great limited partner, a great investor, and then as I started actually telling other technology executives about what I was doing, how I was generating passive income. A lot of people raised their hands and said, We want in... And it was at that point, I had to make a decision, did I want to help other people invested, I really want to start taking that responsibility for other people's money and investing it, and with a lot of reflection, I realized that I did because of the fact that there is such an educational void, and I really wanted to help out with other people like myself that don't understand this journey and really wanted to try and be that voice in the wilderness, if you would...

0:03:36.8 WS: It's awesome, for sure. I know that people that are in the technology space or the W2 space are a common... With many other fields like that, their expertise, they're very good at this thing, whatever they're focused on, but then they think about retirement. Right, we all have... We've had that debut position, but the way we've been raised really kinda pushes us and how we think about retirement, how we think about planning for retirement often, and for me, there was no real estate exposure, there was no thinking outside the box growing up or as a W2 employee, what are some of the challenges though... Any other challenges as far as being a technology employee that you're helping investors with, you're helping co-workers with things like that...

0:04:16.9 CN: Well, I think there are some unique challenges to Technology employees because they do have a little different view on the world, technology employees, especially in your core sort of Silicon Valley tech start-up, there is an equity component with your compensation, so you are actually getting stock in that particular company as you work there, which is a tremendous benefit and it creates what I call career compensation compounding, so that you can actually in your career make an extra hundreds of thousands or even millions of dollars in addition your paycheck. Now, so what that creates though is I think there's this void, and let's talk about that is there's two,

I'd say headwinds that prevent people from getting into real estate, number one is just that lack of education, real estate is not something that we're taught about, and we don't understand where do we get good education, and then number two, you have the financial services industry that says, Well, that stuff is way too risky, I don't know what you're doing over there, give me your dollars and I'll take care of it, and I'll get you overloaded in a very simple mutual funds. So for technology employees, the challenges that they face are the fact that when they actually create this equity with this great company, they think, well, I don't know what to do.

0:05:37.8 CN: There are these forces, it's really complicated or difficult. So I'm just gonna let it ride. And what I found in my industry pool is that there are people that have 68-90% of their personal wealth in a single stock, and I've been there that I went through that IPO, we had over 95% of our wealth and a single stock we were in a six months lockout period, and I have to tell you, that is a gut punch that is an accelerated way to an officer because every day you're watching the market and watching your individual wealth just go up and down

0:06:08.2 WS: If they're even watching it... Right, I just find a lot of people, you kinda do whatever you think you need to do early on, and then it's like five years later, Oh, I should probably check on those things...

0:06:17.7 CN: That is incredibly surprising. I agree 100% with some people just say, Oh, that's sort of like my retirement account and your right. I don't look at it and I don't watch it. And that, again, is another challenge because that's not being managed, it's not being cultivated, and then the second problem is they let it leak into their lifestyle, they live in a high cost of living area, so they start, you know, taking some equity off the table, but then that becomes part of their family budget in their run rate, so the next thing you know, Oh, we're getting a little nicer car, we're getting a little nicer home, and then to me, the equity is the golden handcuffs and bleeds on your lifestyle, and then these people get into what I call the golden jail, where they're living these fabulous lives, but they don't understand how do they retire, how do they down shift take a sabbatical because they need not just their salary, but they need this equity to fuel this lifestyle. And then I'd say challenge number three is it is that sort of head in the sand where they just turn it over to a wealth manager and say, Oh, way too complicated, and then they get to the point because fundamentally, that path is broken because all of those fast food wealth managers, as I call them, their perspective of yield or passive income or bonds are really anemic that aren't producing the yield that we need, and so then they get to the point where they retire and they don't have the income that they need, and they're really frustrated.

0:07:41.8 WS: No doubt about it. How are you raising awareness to these people, how do you... I'd be like, even before they know they need to be educated, it's like so many don't even know that it's an option to invest in a syndication or real estate, like we have... How do you get in front of those people? How do you get in front of them? So you can educate them.

0:07:59.3 CN: Part of it is being an insider, right. I'm in a start-up company right now, so it's inside of my company hosting meet-ups and just, again, not talking about Wealthward capital, but just from an education perspective, talking about... You need passive income. Here are the questions that you need to ask, but I'd say that it is sort of a grassroots movement, and I try to get an audience where I can within the tech community to start raising this awareness because I know that tech employees, they love the stock market because it's worked for them. They also love venture investments, all these things that grow their capital, but I am just trying to... Whether that's on LinkedIn, whether that's meet-ups or whether that's webinars, trying to educate them that it's really that passive income tax protected passive income that's going to get them the life that they want.

0:08:49.2 WS: Yeah, it is definitely a mindset shift, it was for me, it's an educational journey then, like you've talked about, Man, once you've learned that this thing is out there, then you gotta figure out, is it for me and how to do it well, which you have done and you've educated many people now and you're moving forward with your business, and it's amazing to watch that, but now also you've added this ATM thing, right, and we've not really talked about ATMS on the show, but I've seen others adding that to their portfolio, so I would love for you to explain that a little bit, why ATMS... And maybe we talk a little bit about ATMS versus real estate, and why I have that in your portfolio, why you've decided to add that to your portfolio.

0:09:27.4 CN: Sure, as I went on the journey to passive income, right, we all start with real estate, real estate is phenomenal, gives us some great passive income, some great depreciation and appreciation. However, I was always very curious into this broader world of alternative investments, things that are outside the stock market, and I think just walking in and out of whether it's a large store or whether it was small mom and pop shops, I was fascinated by ATM. It's like, Okay, there's a couple of dollar fees. Where does this go? And so I think my journey started almost with real estate as I started pursuing, okay, what is the ATM market? What does that look like? And very similar to real estate, there's really mom and pop operators, and then there's large operators, and there's not a lot in the middle, I think in real estate, you can see more boutique

operators and people that are operating at a medium scale, and so I was very much drawn towards doing things passively, so I was drawn towards the institutional operators, and I think after two or three years and again, finding a network of people, we found a very high quality institutional operator that operates at scale, 10000 ATMS.

0:10:43.8 CN: Operating primarily in the northeast, we decided in 2019 to go in as LPs and make an investment, and when we saw the performance of the cash flow, which is in the 20% cash on cash return, and it paid steadily in the heart of covid, where some of our Multifamily investments, we had to adjust some returns, we had to stock pile cash, we weren't sure what was gonna happen when we saw that performance, we thought, Wow, this is compelling, we need to do some additional due diligence and bring this to the group. And so we then put together the wealth are ATM fund one and brought that to the group. Now, I do wanna go on it and answer the second question, which is, Okay, how does really state and ATMS fit together in a portfolio, because I think one of the things that we don't talk enough about in just in real estate and passive income in general, is that what our goal is, is to create a portfolio of different types of asset classes, different returns, to then be able to complement each other, and so where ATMS are similar to real estate in the sense that it's going to give you a very great cash on cash return, it's going to give you a solid equity multiple and IRR, where it's different is the fact that a ATMs do not have leverage, so they get the high cash flow because you're not paying a debt service.

0:12:07.8 CN: That's number one. Number two is that it has a different flavor of depreciation, so depreciation in real estate, we know we love it because as we're getting our K-1s and we're able to subtract that from our income for that year of phenomenal, but when we sell the asset for higher, and we purchased it for, the government comes in, goes, Okay, we're gonna recapture some of that depreciation, and we're like, Oh, 1031 exchange... What do we do? With ATMS, it's non-recapture depreciation because you're buying an asset that is going from complete value to zero, so that's super powerful because the government sees that as bonus depreciation, you get 100% of it up front. So if you buy 100000 worth of ATMS, you get 100000 of depreciation in the first year that you can then manage over time, but then it's not recaptured, so that is very powerful when you're thinking about a portfolio, if you need to actually manage some 1031 exchanges that additional depreciation can be very, very powerful from a tax perspective.

0:13:12.3 WS: It's very interesting to think through that a little bit, just your own portfolio, or When could you use that as far as receiving all that depreciation upfront, what happens years after, how long are the investment or whole period, how does the structure of an investment like that typically

were

0:13:26.6 CN: Great, so typically, right for I'd say ATM funds, you look at seven years, seven years, the whole period, because part of that is also the life of the technology, we're going to be deploying brand new ATM technology and ATMS today are not the ATMS of we... We grow up with it, we grew up with, you get a cash withdrawal, you maybe look at your balance or you do a transfer, today you can do withdrawals, you can do deposits, you can transfer money overseas, you can get gift cards. You can do a lot of other things that are all transaction fees for the operators, but generally speaking, you're gonna buy a brand new ATM, you're gonna operate it in cash flow for seven years, and the great news is, is that the checks come in monthly to get those nice monthly checks. And then the other difference is, is that you're going to get your capital returned at the same time as your gain, and so again, this is very powerful because you have just this great volume of capital that's coming back at you that then you can get your gain and then you can also quickly re-invest as you're growing your portfolio.

0:14:34.3 WS: Christopher, what's some of the bigger red flags around ATM investing? I would say there's probably the listeners that are saying, Well, Chris, the dollars going away, right, it's gonna be electronic soon anyway, or we're just gonna do all this from our phone or use PayPal or something like that, how do you combat some of those ages concerns?

0:14:51.6 CN: Well, data, I think that the biggest thing is data, I think that it's so easy for us to look at how we live our life styles, and then we think, Oh, this is what's happening in the entire world around me, which is usually never the case. So number one is the data states that there is actually more dollars coming into circulation now than there have been in the last number of years, so we're getting more dollars in circulation. That's number one. Number two is that the Venmo of the world are really going to be taking more away from credit cards than they are from cash, because the true reality is that we have a portion, a large portion of our population, the unbanked and the under bank, the rely heavily on cash. And that's not going away any time soon. It was a number of years ago that the government changed the benefit plan from sending out checks for anyone that was on Welfare who have social needs to actually electronic benefit transfer cards, and you'll find the majority of those families, they're not gonna pass around the card that has all of their dollars on it and go swipe it, they're gonna go and extract that cash and divide that up amongst the family, so there are quite a few tailwinds that are helping right now for ATMS also with cryptocurrency.

0:16:09.6 CN: You are finding that a lot of ATMS are starting to come into the market that are

equipped to actually do that exchange, and for people who really want to be able to transfer their crypto currency into a hard currency, you're going to find that ATMS are going to be that kiosk in the future where people are gonna be able to do that.

0:16:27.8 WS: Nice. So crypto, even into ATM, that's interesting, that kind of opens that market up to probably parts of the population that's never had that opportunity before as well, can they buy... There is a district-ly exchanged for the US dollar

0:16:40.8 CN: Right now. It's just strictly exchanged, but this is where there's a lot of development going on with ATMS, and you'll find that the other Tail Wind is that financial institutions now, post 2020, are closing a tremendous amount of under-performing branches and replacing them with ATMS because ATMS are becoming this complete bank-in a box that will then start becoming more ubiquitous, so the other tailwind for ATMS is the fact that we're going to start seeing more of them and not less. What

0:17:09.4 WS: Are a couple of things the listener as a past investor needs to know to ask an ATM operator, it seems like a totally different space than talking to an operator that's buying, syndicating a large multi-family or self-storage, something like that. What are a couple of things that maybe they wouldn't think of, ask that operator that's purchasing or putting in ATMs?

0:17:26.9 CN: I think number one is where do they get their traffic data because at is very simple, they make their money in two ways, Number one, the fees, and fees, and we're in the climbing environment, when you have financial institutions are not making money through interest, they're gonna charge higher fees, so fees are going up, but then the other component is foot traffic, so then the question to always ask an ATM operator is, where do you get your foot traffic data, and how do you know that this is going to be in an area where it's going to get the transaction volume, because you'll find that experienced operators, they're going to want a minimum of two years of traffic data before they go in and compete, the other thing that you're gonna want to ask is, What are the institutions in which they're placing these... Right. Independent ATM operators are everywhere, and we don't know it, if you walk into a Walmart and you see a Chase Bank ATM, odds are in your favor that that's actually independently owned, it's been wrapped with the Chase bank advertisement and that operator is getting an extra 350 a month, that operator has a contract with Walmart in a regional area to place those ATMS, so those are the questions is, where are they getting placed, what is the traffic data, because that is going to be the key ingredient to drive the volume that you want to get your cash flow.

0:18:45.2 WS: What's gonna be concerns around some kind of downturn for an ATM industry...

0:18:50.5 CN: Well, again, I think downturn for ATM industry, I think is really hard to predict right now, because you'll find that in an economic downturn, people then become more reliant on cash cash is still the American dollar still that number one in our United States preferred form of payment so we saw that during the downturn, people were actually withdrawing more cash, transaction volume did dip to 11%, but now it is 11% from its height, which was not a great amount. It's now since recovered. But I think that people want to just generally look for when you're managing, this is how much currency is out there, and then again, you're managing your portfolio, you want to understand what is your transaction volume, what is your data, what is that trend over time, so watching seasonally, you're going to see that there's gonna be spikes and dips, but you then want to look year over year and understand, Okay, where is that trending... Is that training up? Or is it trending down? On

0:19:48.8 WS: That same note, what about whether we're... It's ATMS or real estate. Cris, do you predict, say over the next six, 12 months, just in the real estate market or just in our economy in general...

0:19:58.6 CN: Well, I'd say in the next six to months, I'd say that it's going to be very interesting as we look at some of the different government programs that are gonna start to die off, I think that right now we still have some high unemployment benefits that can be propping up some different economies that can be allowing people to continue to pay their rent, which is creating some tail winds for different areas of the real estate market, and so as that starts to die off, I think many of us are waiting to see what is going to happen in some of these markets that may have been sort of propped up by that... Interesting, and then I was gonna say for the ATM market, in what we're seeing right now is, as I mentioned before, transaction volume has come back and is actually now exceeding what it was the year before, so I think that we're looking for in the ATM market is last year, for the first time in 15 years, transaction fees were flat, which they were on an incline for years after that, now that we're in this low interest rate market, the question in ATMs is when our fee is gonna start going up because that is in this environment is a natural movement in that market as well...

0:21:14.1 WS: Alright, Christopher. Well, it's just interesting or it's great to expose the listeners and myself more to this ATM stuff, I've noticed a lot of different people in the real estate industry adding

that to their portfolio and exposing their investors to that, so it's great just you to educate us on that more and more... Tell us transitioning a little bit, what are a couple of daily habits that you're disciplined about that have helped you achieve success?

0:21:36.4 CN: Say daily habits, and it was interesting as I was listening to your show, I always sort of try and glean one of those daily habits, and then the one habit that I think is so helpful for me is actually at the end of the day, is I like to sit down and I like to record, okay, what do I need to get accomplished tomorrow, and I find that setting myself up for the next day is critical because I can go through... And I do have a morning routine where I start my day every day on my knees in prayer and meditation in the word, but if I don't actually book in the day with what's gonna happen tomorrow, I can start the day in almost a negative where I'm trying to sort of figure out what's gonna happen.

0:22:17.0 WS: I love that planning hit, I think you just wake up with direction, like you know what you're gonna be doing, you don't have to think about it, what about your best source for meeting new investors right now.

0:22:28.0 CN: Best shorts for meeting new investors is actually getting on podcast it is getting out there and talking about what I'm doing. And this is why I'm trying to get on more and more podcasts is because in different types of podcasts, I've been on the doctor Investment Group, I've been on with a lot of different types of podcasts that may not be on that, Hey, what's this tech guy doing? But truly, it's, this is a great way to meet new investors.

0:22:53.7 WS: What's the number one thing that's contributed to your success?

0:22:56.6 CN: Persistence, I think it is just that you have to keep going. I think at the end of the day, we all have this vision of what's gonna happen, but I think there's this mindset coach who always just says it takes what it takes, and then as long as you just keep moving forward, you keep moving the ball, and you don't give up then. You're gonna find breakthroughs.

0:23:21.4 WS: A lot of that takes what it takes. I keep going, how do you like to give back?

0:23:28.0 CN: So my wife and I, we are big proponents, we try and combat sex trafficking and human slavery, and so what we do is we have a donor-advised fund, and a part of our family, and our focus is philanthropy, where we have a few organizations, we have freedomshield.org, which is

based out of Dallas, Texas, that is really a hands-on group that is truly focused at recoveries and also safe houses for a lot of these people that are coming out of these horrific scenarios to be able to recover and heal and recapture their lives, some...

0:24:01.3 WS: That's such a need. Grateful for you sharing that. It's just always great to raise awareness to the listeners and remind myself just so that need there around sex trafficking and these people that are held hostage, it's just horrible stuff, thankful for these organizations and people like yourself that are helping combat that. Chris, grateful for your time and just being on the show today, just going to real estate and ATMS and some of those things and helping, even there's the tech folks that are trying to plan for their retirement but may not have heard of these things before, and how you're getting in front of them and educating them, just thank you again, tell the listener is how they get in touch with you and learn more about you and also... I know you have a book coming out. Be sure to mention that. Yeah.

0:24:39.0 CN: I definitely... Well, so first and foremost, to learn more about our ATM investment, go to investinATMS.com, and we have a free webinar there that's on 24 hours a day, seven days a week. Go watch the webinar, you'll also get a takeaway of ATMS re-imagine, which is our white paper on why we think right now is the best time to invest in ATMS. If you wanna find out more about Wealthward Capital, you can go to Wealthward, its wealth and... ward, ARD. Moving you towards wealth. Go there, you know, I always have a link to my calendar, gets some time, I would love to meet you and love to get to know you and... Yes, Whitney, I do have a book that's gonna be coming out later this year, it's called From No Dough to IPO. And so what I wanted to do is to give back to my community of technology employees is, a lot of people in technology don't think about the fact that they're investing their most precious resource, which is their time, and so how do you actually think like an investor select the best company to trade your time and talent for equity, I wanted to give everybody a framework and a plan in technology for how to do that so that you can get a great exit to and start generating passive income.

0:25:50.5 ANNOUNCER: Thank you for listening to The Real Estate Syndication Show, brought to you by Lifebridge Capital. Lifebridge 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. Lifebridge 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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