

**EPISODE 987**

[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.

**0:00:24.0**

**Whitney Sewell**

This is your daily real estate syndication show, I'm your host Whitney Sewell. We are introducing a new segment called The Real Estate Syndication Show Highlights, where we're bringing you a look back at episodes focused on a specific topic that we believe added a lot of value to you in your syndication journey.

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[INTERVIEW 1]

**0:00:50.0**

**Whitney Sewell**

our guest is Terry Yonker. Thanks for being on the show, Terry.

**0:00:52.0**

**Terry Yonker**

Yeah. Thanks for having me, Whitney.

**0:00:55.0**

**WS:** Just so the listener knows, Terry can speak four foreign languages. I mean, it's an incredible skill to me that somebody can do. I mean, one, yeah, additional language, much less four total. Just a brilliant guy and obviously, using those abilities to help foreign investors. Terry, thank you

for your time. Welcome to the show. Get us started with a little bit of your real estate background and let's jump into just how the residential side can help us make better decisions in commercial real estate.

**0:01:19:0**

**TY:** Yeah, absolutely. I appreciate you sharing about the languages, because that's what really led me into seeing how special US residential real estate is and its transparency. You don't realize it on the commercial side and in foreign markets. You think it all works like that all the time, but it doesn't. When I started in my real estate career as a little town in Southwest Florida called Punta Gorda, you just think how can you get in and make decent money and really do good business in a small town, because you couldn't niche out on a commercial sector in a small town.

The first step was toward residential, building relationships through Chambers of Commerce. I mean, basically, like a Andy Griffith, Mayberry style. Build your network and get into the residential side of it and start building your business. When we saw that those principles could really help commercial investors was when we started working with foreign investors that started coming to our backyard and you start sharing their experiences and how opaque it is, what they were sold, how they don't even know how to access the simple stuff, like sales data, transaction data, and that's when you step back and realize and say, "Wow, our transparency and availability of just transactions information is unparalleled in the world."

We start bringing some of that transparency and broker cooperation, which again, to a lot of them is foreign concept. It's hard to believe, but it is. We started bringing that into our commercial transactions, our interactions with our foreign investors and it's just gone very well. I mean, the appreciation. I keep hearing in your podcast, the importance of relationships and trust.

Boy, when you can open up the book to these people, sometimes for the first time, you want to talk about trust, compared to what they're used to and it's just helped our business and helped them tremendously.

**0:03:07.0**

**WS:** Yes. That's awesome. Could you give us just a few examples, and a few examples maybe that would help the listener and myself to be better prepared to do the same thing with our investors?

**0:03:19.0**

**TY:** Yeah, absolutely. For example, with some simple vacant land transaction, when foreign investors come in and they said they have already tracks of land and you say, "Well, great. How did you get that? I'm glad." Then they want to sell it, for example. You see their process is they have a middleman that typically buys it at market, a nice transparent transaction. They'll go over and sell it at a 100% markup without any middleman. I mean, they're the middleman, but no professional guidance, like from a commercial broker or anything. They come back and see it.

How you can show is when you're working with these people, realize that that's how they're used to working. When these investors came and they had all these land tracks that they had bought, you want to jump in and just say, "Oh, my goodness. What just happened?" But you can't. As somebody easing into this, you open up, even something like RPR as a realtor, which I am a realtor, you have access to all these resources, so you open it up, show them the public tax records.

You can show the sales transactions. Before I dive in to show them, go as something as simple as your county tax records that show the sales data and they'll see, "Oh, this person bought it with their name and they can see it." Don't you be the bad guy and say, "Look, they bought it for a \$100,000 and they sold it to you for \$400,000 a month later." Then show the area, the neighborhood on how those transactions went. It's not just a special deal that you could get these tracks all over what the market is.

Using that in our commercial side as well with the transparency, because so much of it is principals only, for example. If we switch to the commercial side now with our investors, you go into some of these transactions, you're looking at deals and some of it is principles only where they won't even as a broker, share with you the information. Now I could have the best group that could help them and their seller, but as the principals only, they won't even share it with you, which is fascinating. That's where, I mean, coming from the residential side, because 90% of our deals on the residential, or even vacant land investment side come from the co-brokers, because our hands are only. We can only touch so many people, but using them is so great.

That's part of with your syndication, that's what really drove me to your podcast and with these guys and these foreign investors, where we're moving into is a syndication, because then, now I

can be a principal in the syndication, if only just to be able to see these deals that they're hiding from us brokers. Now we can get in and boy, it's an efficient way to invest for these guys, because typically, there – I mean, if you could see it, Whitney, like the structures, they would come in, they'd have LLCs here and this LLC. They haven't paid their taxes for three years by the time I get them, because they're just sold stuff and then that's it.

Then we get in and sometimes I'll get on their LLC, do their taxes and everything. That transition to knowing as a initial investor when you're working with these people that aren't used to that level of transparency, I mean, they were amazed. I could see their LLC just simply from public records and, "Oh, here. You're the member of this." Just being aware that they're not used to that, what does Ray Dalio call it, like wild transparency or whatever term he uses. Radical transparency. I think that's going to be an eye-opener for them.

**0:06:37.0**

**WS:** What about just some other barriers to working with foreign investors? I mean, most the listeners are going to be working with investors in the states, but it's a whole other level to start bringing in foreign capital. I mean, we have and we have foreign investors, but that was a learning curve, is a learning curve and understanding the difficulties that they have that I hadn't experienced at that time for our investors. I mean, just different questions, different things they have to be concerned about that I didn't know at that time and I'm still learning. What are some other barriers that you can help the listener with that we're definitely going to encounter, or at least to be as prepared for as possible?

**0:07:15.0**

**TY:** It's simple things that we take for granted here. One in France, I'll give a great example, like a real nuts and bolts example is a notary. When we have to notarize documents here, no problem. You go to the bank, it's free. "Hey, have a nice day. Thanks for closing the deal. Shake hands." In France, a notary is almost like an attorney. You have to pay them a portion of the sale proceeds of the asset that you're talking about and they always just like attorneys, no offense to attorneys listening here, but they're going to go through and run it up and make a whole big to-do out of something that's so very simple in the United States.

Then we send them to the embassy, the US embassy, or the Consulate Marseilles sometimes. Now with corona, that's shut down. These types of things where you can have the relationship,

you have the deal, you can have things signed. These little intricate details can really screw up the whole process, something that would be relatively insignificant. Again, with money transfers. Again, the banks have terrible exchange rates if you go bank-to-bank, so we use a third-party currency exchange services, I'm sure you do with your foreign investors, that can then have it be domestic-wired, domestic-wired rate exchange rate.

Just these little details that we see are overlooked, because when we get clients that have worked with other brokers, or other people, this is news to them, like the currency exchange service, or even FIRPTA, which for those of you that that haven't worked with foreign investors before, if you go in and invest in America as a individual foreigner and when you sell, the US government holds 15% and it's up to you to file taxes to try to get that back. They don't ask questions. They just take it. End of story, and you have to get it.

When we would deal with investors, they thought I was telling stories about FIRPTA, because all their transactions, nobody helped them recover it, because didn't help that intermediary at all. Just these little individual things as you start dealing with foreign investors, just be aware of that you'll really add value to them. That's what's so exciting is these things that you think, "Oh, this is normal everyday stuff." To them, it's not. I mean, every one of the things we're discussing is eye-opening and they'll trust you for it and they'll work with you time and time again once you've built that trust.

**0:09:28.0**

**WS:** Where do you learn these things? Or is there a place that you've gone to learn some of these things, or it has been just throwing yourself in there and working with foreign investors, or just thinking about is there any resource for the listener where you can get some steps on how to be prepared to provide that value to a foreign investor?

**0:09:46.0**

**TY:** I've looked. Maybe I'm missing and I would love afterwards, if we can exchange in the comments, or exchange resources. I would love to see, because I'm a CIPS, Certified International Property Specialist and I took all the training with that in the network. What you find is very general. I'm a nuts and bolts guy. I want to know one, get the FIRPTA sign. Two, get the notary. Three, get this. A lot of that is just bow, kiss, or shake hands, or whatever. It's very fufu, which is important also.

As far as nuts and bolts, it was basically just making the mistakes. If I can help other people, now it's just like everything. It's not genius, or really expertise. It's just you've done everything incorrectly, and so you found the best way to do it, just because you screwed it up so many times, so now we're here. I'm sure there's somebody that has expertise for the next steps. We're fortunate here in Orlando, at least down in Miami, those guys, I mean, that's all – their international investments and presence there is huge.

We've been trying to go down there and I closed a couple deals down there in Lauderdale with title companies that speak different languages. It's mainly just hunt and peck. It's still though, I would love that open book and the transaction step one, like what we're talking about, step two, step three, step four. But me, I just haven't found them.

[INTERVIEW 2]

**0:11:05.6**

**Whitney Sewell**

Our guest is Mauricio Rauld. Thanks for being on the show, Mauricio.

**0:11:07.0**

**Mauricio Rauld**

Thanks for having me Whitney, I really enjoy the series.

**0:11:08.9**

**WS:** One thing we wanna talk about and discuss it in depth was how to work with international investors? I've had that question numerous times to me, and I've had people say the next time you get Bruce or somebody like that on, I'd love to know more about this. So here we are, and international investors and how that's important, why we wanna make sure we're doing it legally, and Mauricio, get us started. I know there's some major considerations that we need to be thinking about, and I know I'm gonna have lots of questions along the way, but let's just dive...

**0:11:37.2**

**MR:** So yes, a lot of clients, the international thing comes into play, not all the time, but quite a few times, and there's always the same kind of concerns or not concerns, but things you would

really have to think about. Again, just remember, it's not your job to know every single statute out there and every single law, whatever, that's what your attorney's for, it's really your job mostly to sort of identify and say, Wait a minute, that may be an issue, let me pick up the phone and call my attorney, and maybe the attorney doesn't even specialize in that area, but then they can refer you to somebody else, but again, so your job is to identify these issues, so that's really what I'm going to try and go through the day, is just identifying some things.

I think it just... In really broad strokes, the first thing you've gotta recognize is that most countries, they're not, not necessarily be as robust as are in most countries have their own securities laws, so whenever you're dealing with international investors, you're just gonna be calling it some of that. I obviously am not an expert in the securities laws of other countries, I'm a US attorney, obviously, some countries like Canada, a very developed securities laws, and they're kind of similar to ours, but you've got a certain considerations. I'm guessing if you go to Afghanistan, they probably don't have as robust securities law, but just keep that in mind, especially if you're traveling, most likely, if you're doing it here in the US and you're staying in the US, and somebody just happens to somehow. Maybe they're listening to your podcast, we mean some of the country, and they somehow connect with you, that made you find... But if you're traveling abroad, maybe down in Mexico, if you're from another country and you travel to your own country and do a presentation to try and raise funds from international folks, just keep that in mind, you wanna make sure you're complying with the securities laws of that country. So that's kinda step one.

**0:13:10.5**

**WS:** That's an aspect of this I haven't even thought of. Honestly, if I'm in another country, Canada or Spain or Mexico, wherever, and yeah, I'm doing that presentation that I need to understand what the regulation is in that country, and the last thing you wanna do is get in trouble while you're abroad.

**0:13:27.3**

**MR:** I guess if you're in the US, Canada has got some really robust, I think Mexico is pretty good, but I live... You guys know I lived in Belize for a couple of years and their securities laws are pretty poetry and so it just depends. But just keep that in mind, by the way, we'll talk a little bit about this, and one of my things to consider is on the tax side, I always keep that in the mind too, when you're dealing with our national investors, just think about the tax mature, talk to a tax professional in that particular country, 'cause I know, well, I have very little knowledge on... Well, I know

knowledge to be dangerous about US tax law. No, obviously it's a professional, but certainly have no clue about Mexican tax law or Canadian taxation.

The main thing I think you wanna remember, keep in mind is, and I say this not really jokingly, it really is true, when you accept money from an international investor, somebody who's overseas, physically overseas, and what's going... With an example, let's say you've got an invest through in England, so you have an investor name when somehow contact to you, they wanna wire over \$100,000 and they wanna invest in your project. The first thing you've gotta realize is that you really do become an agent of the IRS, that is because you have a requirement, a legal requirement to withhold 30% of whatever money goes back to England, your responsibility is to withhold that 30% and send it on along with some forms to the Treasury Department, and again, I'm not Wallerstein the technicalities and what forms they are and how that mechanics works are definitely check with your CPA. But it's really important to be working with a CPA who understands international transactions because that is a requirement of yours, and if you think about it, the reason that is there is the international investor is gonna owe taxes in the US, most likely based on whatever profits they generate here in the US. But they have zero and come over and file a tax return at the end of the year. And pay their taxes, right? And so, what this does, it forces the investor to actually find if they wanna get some of that money back, the filer tax feature here in the US, and it's not a 30% tax, it's a 30% withholding. Just like any withholding.

So, it may be that the investor was less than 30%, but they have to come in, follow the tax return to get that refund, obviously, if they own more, the other... Probably not gonna attach anything, but the key thing to remember that you are going to be legally responsible if you don't pull that money, they don't file a tax return and they don't pay their taxes, you are technically on the hook for that, so it's really, really important. To be checking in with your CPA, let the CPA notes that this is what you've done, and hopefully they understand what to do, and if not, I recommend either consulting with somebody who has experience in cross-border taxation or maybe switch to CPAs, a few CPAs and up to speed on that.

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**WS:** If that investor doesn't pay that tax... We are on the hook for that. I just wanted to say that again.

**0:16:03.3**



**WS:** Right, that makes to sense why if I'm a Mexican investor and I got my money and I don't travel to the US, I really know connections to the US, why would I bother following a tax return and handing over 20 whatever the rate that the amount is the time that I got to do, that's kind of point number one, or if you have any questions on that, but that's probably the main thing. And again, I just want you guys to... Recognize that point, you don't have to memorize it. You don't have to understand the logistics. Just understand that. So, when you do have an international investor, you're talking to your CPA and you're letting them know, Hey, I've got an international investor.

**0:16:34.4**

**WS:** Sounds like a lot more work on that CPA as well, a bigger expense there, probably for us as the operator...

**0:16:39.6**

**MR:** Yes, one of the things you might be able to do, and again, you wanna check with your CPA 'cause we're gonna get different answers on this, but one thing you might be able to do is set up, again, easier have been done, but have the foreign investors set up a US LLC fund the US LLC. And invest through that LLC. That happens, and obviously the investors gonna... Your investor is the US, is you would simply issue the US LLC a K-1, you would wire the money into the bank account of the yellows and then it's up to the international guide or down to figure out how to get it back to the country, or maybe they don't want to... Maybe they would have other investments in the US and they wanna keep it in the US, and so... So that's another thing you may wanna consider talk to CPA about, so if that's one way, I wanna say around it, but again, using those words, it seems like it's nefarious, and so it's just one additional thing to discuss with your CPA.

**00:17:27.0**

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