EPISODE 1090

[INTRODUCTION]

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

And now your host, Whitney Sewell.

[INTERVIEW]

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Whitney Sewell: This is your daily real estate syndication show. I'm your host, Whitney Sewell. Today our guest is Chris Odegard.

Chris was a conventional investor most of his life. He experienced a liquidity event where he lost 55% of his assets. In nine years using alternative investments, he recouped that 55% and multiplied it many times over. And Chris goes into the difference in conventional versus alternative investments and just what that is. I think often there's some misconceptions about those two things and because it, you know, versus the prolific investor as well and he does lots of educating around this topic, but I just think there's so many ways that we are taught growing up around conventional investing that we just have to get our minds out of that box and Chris helps us with that today.

And one thing I want to share with you, I want to give a shout out to a company that I have been using to help build loyalty with our investors, right, and, it's a way that you can provide amazing gifts to people that you want to send a gift to, it could be family, you know, the holidays are coming up as well, but something that's very unique and something that you can even have their name put on like a very nice knife set or cutting board, or there's so many options and you can have them personalized for that person that's receiving the gift. You can have their name put on a nice knife or something, so every time the family member, or even if the family sees that they think of you, right. They think of the gift and the relationship that you have and are building with them. And so, it's something that we have used and are using more and more, and that is lifelonggifts.com. I hope you will check them out, lifelonggifts.com. One of the owners is a friend of mine and a mastermind with me, we have really enjoyed working with him. And using these gifts right to bless our investors just to say thank you, but I hope that you will check them out.

Chris, welcome to the show. You have some skill sets that are going to help many of our listeners and passive investors who may be kind of stuck in a rut and maybe some money that hey, they could be doing some other things with that they have not thought about and so, I'm looking forward to getting into that and really pulling some of that expertise out of you so they can have a better understanding about that. But first, I want to learn a little more about you, where are you from and how did you get into this business?

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Chris Odegard: Sure. Well, thanks for having me on the show, Whitney. Happy to be here and share what I can. Well I'm originally from Cincinnati, Ohio, went to school in Daytona Beach, Florida, worked for the Boeing Company for a few years, a few years been an understatement out in Seattle, Washington.

But today I'm a prolific investor, but I wasn't always the prolific investor. Like a lot of Americans and other people, you know, I was a conventional investor for a long, long time, investing for my financial freedom and retirement with mutual funds for 401K. And, that is a slow path to mediocrity and that point was so far away you needed to telescope just to see it. So, I was on that path for quite a few decades. And what I finally refer to as my, a liquidity event in 2009 where I lost 55% of my assets and thousands of dollars a month. And that was the end of my 19 year marriage and, all of a sudden that path of mediocrity got exponentially worse. And at 45 years old, I was like "Okay, well how am I ever going to get there or am I just gonna work for the man forever?" And then a friend of mine, coincidentally around the same time "Oh of course, that was the bank failures in the real estate market so that all was just kind of on top of that," but coincidentally around the same time a friend of mine said "Hey, Chris you should get this book and read it." And so I bought this book and I do the fleet, set it on my nightstand and the sat there for longer than I care to admit and then I was on a business trip, and I said I'm going to read that book.

And of course, the book was Rich Dad, Poor Dad by Robert Kiyosaki and that just turned my world upside down. And you know, I started moving in that direction and alternatives as, well, I wouldn't say as fast as I could, as fast as I comfortably could and nine short years later, was looking back on everything and it was like "Wow. I hadn't made up all of that 55% and multiply that many times over" and that would not have happened with mutual funds for through a 401k.

So, that's when I started theprolificinvestor.net and started sharing my experience with everyone, hoping to move people from conventional investments over to alternatives in some way, shape or form.

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WS: Nice, that's incredible. I appreciate you being willing to share some hard times, right, just how you thought, how to change, to how you're thinking now and helping others do the same thing. Let's jump right in, so what are you doing differently now versus what you were doing then? You talked back conventional versus prolific, let's dive into that.

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CO: Well, I was 100% conventional investments back then, now I'm 95% alternatives.

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WS: What is that? For the listener that may be kind of new to that or maybe they're thinking they may be in a conventional type of investment, but not really realize that's what it's considered there, that there's some kind of alternative.

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CO: Yeah, so everything that's publicly traded – stocks, bonds and mutual funds, those are conventional investments. Everything else is alternatives. So, you know, your stocks, bonds and mutual funds, CDs, things like that and then, you start looking at alternatives, that's everything else. That would be things like notes, every segment of real estate – whether it be single-family or apartments or commercial, cryptocurrency, precious metals, investing in business equipment like ATMs, or earth moving equipment, the energy sector – natural gas, oil, coal, stuff like that, and being a shareholder of a business, but private shares not public shares. And believe it or not, cash value, life insurance is something that should be part of everybody's portfolio and of course, what you do, being a syndicator raising money and putting deals together, those are all alternatives. And it's funny when the conventional investor goes to a financial planner and they build them a diversified portfolio of stocks, bonds and mutual funds, it's not diversified at all. They're only in the paper asset class and they don't have any of the other good stuff.

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WS: Yeah. I appreciate just some elaboration, right, what is considered conventional versus everything else. I just think it's great to even help us to think outside that box a little bit, often we're raised to just think about the conventional ways. I know I was, and most of our family it's like "Well that's just what you do," right? You're not even exposed until you read that book Rich Dad, Poor Dad. You obviously just aren't thinking that way, you can't see outside this box.

And so, let's help the listener think outside of that box a little bit, right. It can seem very complicated, it can seem a little scary right because maybe that's not what we've been exposed to. The more I've learned I would say it's the complete opposite. I'm scared to invest in that. But dive into that a little bit and let's help the listener think through maybe what they have in the conventional ways that hey, they could be using it in a different way.

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CO: Well, sure. You mean talking about some of the investments themselves or what are the advantages, disadvantages?

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WS: Yeah, just helping to think through alternative versus conventional and, how they even move from conventional to alternative investments.

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CO: Right. Some people become alternative investors by accident and the example that I would use is they're starting young family, they get that first starter home, they get over the home, get the down payment by the house and then a handful years goes by and the family's bigger, they've outgrown that house, they move up to the next one. And some people sell the first one, but some people just go "Why don't we keep that first house and buy the second one will rent the first one out." And boom they're an alternative investor, and they get all the benefits, better returns, built in tax efficiency, the ability to ensure your asset, the ability to use the leverage against. All of a sudden with one little investment they're an alternative investor and they're getting a ton of investment. So, if we can show people how superior alternatives are, maybe they can make a purposeful move in that direction and see what they're missing out on.

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WS: No doubt about it. Just thinking outside that box like you're talking about and making that shift. So tell us a little bit about, maybe there's some examples of folks that you've worked with recently or that you're helping, they were in this conventional but now they're doing some alternatives. How do they do that? Maybe the 401k, somebody has a 401k but they've not thought about being able to use that, how do they do that?

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CO: Well, I'll use myself, and I've translated this to other people. I was part of a networking mastermind with the alternative investments awhile, quite a few years back and like a lot of conventional investments, I had a ton of money sitting in a 401k. And, the government says you can invest your 401k and IRA money in almost anything, there's only about three or four things that you can invest in, if to the administrators of those plans that lock you into stocks, bonds and mutual funds. So, I've been working with Boeing Company for a couple decades and was making this shift and, of course I had this capital locked up here which I thought I couldn't use and the guy who was in this mastermind group said "Chris, ask your employer if you can do an in-service transfer," and I said, "What's an in-service transfer?" He said "Well that's where you're younger than 55 and you're still employed, they will let you move some of your money out of their 401k into another plan, and then you can put it into a self directed 401k and invest in real estate or notes, whatever you want" and I kind of laughed and probably rolled my eyes because here's my thinking like "I've been working here for decades. If this were possible, certainly, I would have heard about it before." Well, I was completely wrong.

And so, the company allowed me to take their entire company match out and after a couple of decades that was not an insignificant amount of money. And, that kind of helped jumpstart me in that and then a couple other friends that I talked to, did the same thing. But, I've been working on it for decades, this is just kind of like hidden right there on the open. All you have to do is ask the question, but you'd have to know that, so that's one example. That's kind of one of those things where I've learned the old saying if something seems too good to be true it's probably not true, well I go the other way. When you hear something like that I go "Man, what if that is true?" And like run toward that stuff instead of running away from.

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WS: Yeah, and I think it's interesting, like you said, all you have to do is ask the question but oftentimes you don't know what you don't know and it's hard to even know the question to ask, right? And that's what we're hoping obviously to expose the listeners to as well today. Maybe speak to some pros and cons there, that you've learned after making that switch or, you know, what pros and cons have you learned and even others that you're working with.

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CO: So, I compare conventional and alternatives across 13 categories, and alternatives win on 11 of the 13. So, I'll go through a couple ones that I think are really interesting. People wouldn't think of buying a house, and then not getting insurance for the house. And, I was a conventional investor, you spend a lifetime pouring money into stocks, bonds, mutual funds in your 401k, and you have no ability to ensure. If you buy a single-family rental, you go to your insurance broker and say "Hey, I'd like to ensure this asset against loss, this really expensive thing," and yeah they will do it. Matter of fact, if you use leverage to buy that property, the bank will require you to have insurance. Now, you think you put way more money into your 401k than you ever put down on a house and it's completely unprotected from anything and I go "Well, insurance companies are pretty good about looking at risk. What is it that portfolio is so risky that they won't insure it?"

And another example is leverage. If I want to go and buy a small apartment building, I can go and say "Hey you know, will you loan me $400,000 to buy this $500,000 apartment building?" and as long as me and the asset and everything lines up they'll say yes. If I go to a banker and say "Hey, I'd like to borrow $400,000 to buy a half a million dollar portfolio of stocks, bonds and mutual funds" after they get done laughing, you know, I mean, what is it that bankers look at this suppose it asset and say "There's no way I will lend against that."

Now conventional investors will argue with me about trading on margin but they didn't acquire that portfolio by borrowing it. Basically the margin training is kind of a line of credit after they've already acquired the asset. So, I think those two things are really interesting and then just one more, the S&P 500 index is kind of the benchmark of one of them over the overall stock market. Historically since its inception, the S&P 500 average annual tournament is about 9.8%. The studies have been done about how much the average equity investor makes in the stock market and it's a little bit more than 5% before taxes and inflation. So, talk about being on a mediocre path, you know, on a slow path and mediocrity if you're only making 5% before inflation and taxes, you're probably not even maintaining buying power in your conventional portfolio. And in the alternative world, 15 to 30% returns are just commonplace for us and some people's minds just explode when you talk about numbers like that.

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WS: No, that's awesome. That list of pros and cons there's just great. It's...think the operators and the passive investors that are listening to know just as we speak to investors, right. It's great to know those things so we can help explain it.

But how would you explain that? Was that, you know, as the operator, and I take many investor calls, right I mean every week just talked to so many investors and people on our team do as well. But I want them to better understand how to explain that to someone who's brand new to this, right, so we're speaking to that investor in there like 401k, sure I've got one but I didn't know I could do anything like that. What are some things that we need to be prepared for or to be able to explain? Maybe we talked about a little bit of both things, how do we answer that question?

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CO: So, you're trying to basically take mostly conventional investors and use their fears about moving into your syndications. Well a key though, before the call we were trying to talk about my superpower and I call it making complicated things easy so I've created something called the hierarchy of investors. And it came to me when I started my blog in 2018 and people say,

"Well, Chris what are you trying to do?" and I said "Well I'm trying to take people from the bottom and move them up to top" and what I thought about was Maslow's hierarchy of needs, you know, where you start out physiological and safety and then eventually you get to self actualization.

Well the hierarchy of investors, at the very, in the shadow of this pyramid, in the shadow of the pyramid you have, and I call it in the shadow in the dark, you have the conventional investors, they're not even on the pyramid right and then you get on the period and then on the pyramid then you've got the notes and the real estate and all that stuff is on there, and then off to the side I've got these 13 category showing where the advantages are and this might be a good a tool. Like I said it's a picture, it's on one page, it might be a helpful tool to show them all the advantages of what you're trying to get them, like you want them to move in that obviously it's good for you but everybody wants to make money at this and so that something that might be helpful.

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WS: Yeah, that's awesome. It's just great to think through that. I just want listeners who are wanting to become an operator, even if they already are, you need to be prepared to have that conversation, right. You need to be able to expose the investor, and I'm not the expert in 401k or self-directed IRAs.

But hey, we have a team of people, right, like Chris, that will help us to navigate that conversation or even help the investor. But we do want to be able to expose the idea to the investors so they can invest better, right, and do better. And so often hey, it is a no, like you mentioned earlier wouldn't even know to ask the question. And so, what else about alternative investments and syndication should we be aware of, Chris, or the operator or passive investor?

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CO: Well, I think the huge thing, everybody's an investor, everybody's saving for something, investing for their future somebody where they don't want to work or they can't want to work. And I believe that, believe it or not, the low hanging fruit is reducing or eliminating your taxes. "Okay, I need to get there faster so I need to generate another 15 or 20% annual return," okay well that might be difficult but then, where your starting point are but it's frankly so easy to

reduce or eliminate your taxes. And most of the alternative investments, any of the real estate category have a built in tax advantage, something called depreciation. And here's a good example, so let's say that somebody went out and bought a single family rental, and they got your typical 20% down, loan 30 year amortization fixed rate and the house never appreciated over 30 years, and it never generated any positive cash flow, all it did was pay its expenses. So just the fact that somebody else paid off that mortgage over 30 years is a little bit more than a 13% annual return.

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WS: Wow.

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CO: And going back to 401k, you know, what's one of the big selling points of 401Ks? Well, you get this employer match, but the employer matches your money every time you make a contribution. When you buy a single family rental for example, you get a contribution every year for 30 years that somebody else is paying your mortgage, and you get a tax benefit every year called appreciation. And so I put together a little single sheet that compares a kind of a mutual fund to a 401k and a single family rental, and a single family wins hands down all the time.

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WS: I'm going to listen where they can find that. I think that's a great comparison just to think through that as an investor or even the operator, it's very helpful.

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CO: Well, if you go to my website theprolificinvestor.net, I don't have the blog article in front of me but that is on there, as well as the download of the hierarchy of investors.

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WS: Yeah.

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CO: So they can get that there for free under the resources page.

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WS: That's awesome. Well, Chris, changing gears a little bit just as we get into the last few minutes here, any predictions that you have for just the real estate market or investing or anything like that you have? I mean I know you have that crystal ball there next to you, but I just like to ask you, what do people expect? How are you preparing for that and any things that you'd like for us to know?

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CO: You know, there's so much information out there about the real estate market and where it's gone, where in a bubble, when's it gonna bust, and for every person, every 25 people you could get 25 different opinions and for me it's kind of like the preponderance of evidence and listening to people that are a lot smarter than me that have a good track record and, what I have come to believe is that there's a huge housing shorting in the country, something like four million units, whether that single family or apartment unit, so we've got this huge under supply. And so that's going to keep driving prices and that's not going to turn around overnight.

So, I think that in the first part of this decade here there's an opportunity to make a ton of money. Obviously you have to be, every market is different, you have to be in the right market but I think that's going to happen and, something's also probably going to happen all these states and my former state of Washington, and particularly Seattle with these eviction moratoriums, investors are going to leave there, and they're not going to go there and so the effect of those moratoriums is going to have the opposite effect, it's just going to create less affordable housing there. And those investors and those people are going to move to the States, a lot of the states which I'm already investing in because there's more of a balance between landlord and the tenant, and so those places are going to continue to increase in value, it's going to create another supply and demand problem in those markets were, and those are some of the things that I see.

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WS: Sure. No, I appreciate you elaborating. I just think of some great points that we need to be thinking about. What are a couple of daily habits that you have or disciplined about that's up to achieving success?

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CO: I'll tell you a brand new one that has really changed everything. I heard a podcast, and I think it was the author of The ONE Thing, I don't know if you've read that book or not.

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WS: Oh, yeah.

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CO: And I hadn't even read the book and just from hearing the interview, I went, "Oh my gosh, I'm this prolific user of to do list and I've heard many people say that's the wrong way to and I've never been able to get away from it." But anyway I heard this and I was like "You know, I know exactly what my one thing is today," and that one thing is done. I already know what the next four, five things are, so that is really in the last month or so. Just kind of changed things for me.

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WS: No, that's awesome, thinking through what is that one thing. It's a book that I read a few years back and would highly encourage the listener to read as well. What's the number one thing that's contributed to your success if you had to pick one?

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CO: I think it's having child-like curiosity and the thing that we talked about on not running away from things that sound too good to be true. So, that example of being able to do an in service transfer, and there have been when I was working in the people kind of in my circle that watched me climb out of this financial hole and just didn't change anything, so being open minded for new ideas is really important.

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WS: And how do you like to give back?

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CO: Most of the stuff on my website. Oh, except for the upcoming book that's coming out in mid-October, called Get Off Your Ass And Manage Your Money: Why You Need Alternative

Investments. For the most part, everything on there is free, and I set aside one day a week, right now it's Thursdays, and there's a little coffee cup on the website for anybody who wants to hit the free 30 minute virtual coffee with me. We'll get on a zoom call, talk about personal finance, so I do that one day. We can just in my daily travels, I meet people and if it's appropriate and the conversation comes up, I talk about what I do, I say "Hey, you ever want to call me or get together for coffee? Happy to do that," so I'm always trying to move people down the path, we're getting loose, those that are open to that.

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WS: No, that's awesome. Chris, grateful for that. Grateful for sharing that even your time once a week talking about how you're having virtual coffee. I think it's neat to just open that up and have that opportunity, never know who's going to get on there, right?

But, Chris, thank you again, helping us to think about conventional versus alternative investments and really helping us get our mind out of that box, right. Many of us are taught growing up just to think that way, it's the only way to do it. And I look forward to seeing that paper that you wrote, talking about those compared to the single family home and, I just kind of light some light bulbs right there from many people. And so, tell the listeners how they can, how they can get in touch with you and learn more about you.

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CO: Yeah, everything about me, you can find it at theprolificinvestor.net. There's a conventional wisdom quiz there, there's 10 questions that a little bit, so they're kind of trick questions and you might not think they come out the way they are so you get an email, there's the virtual coffee, you can find out how to buy the book and all the social media channels and YouTube, everything is there.

[END OF INTERVIEW]

[OUTRO]

0:21:36.0 ANNOUNCER: Thank you for listening to the Real Estate Syndication Show, brought to you by Life Bridge Capital. Life Bridge Capital works with investors nationwide to invest in real estate while also donating 50% of its profits to assist parents who are committing to adoption. Life Bridge Capital, making a difference one investor and one child at a time. Connect online at www.LifeBridgeCapital.com for free material and videos to further your success.

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