EPISODE 1120

[INTRODUCTION]

[0:00:01.6] 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.

Don't forget to like, share, and subscribe. Also, hit the notification bell so you can continue to know when new shows come out. Have a blessed day!

[INTERVIEW 1]

0:00:50.0
Whitney Sewell: Our guest is Jeremy Roll. Thanks for being on the show again Jeremy.

0:00:52.5
Jeremy Roll: No problem, thanks very much for having me, really appreciate it.

0:00:55.0
WS: As a passive investor, what should we even be thinking about when we're thinking about diversifying our investments?

0:01:00.0
JR: Yeah, great question. You know, for those of you out there listening just I'm very conservative, so disclaimer, I'm not a financial advisor or an accountant or attorney or anything. Everything my perspective as an investor, but I have about 17 years of investing experience at this point when we're recording it as a passive investor.

You know, I think that diversification is critical for passive investors specifically and probably critical even if you're active, and the reason why I say that is because as a passive investor, I like to tell people that I trade control for diversification. That's literally my mindset and so obviously, there's a lot more to passive investing than just that, but if you think about that carefully. Trading control for diversification. And essentially, when I'm passive, I have a very small piece of ownership and an LLC so for any voting items. You know, my vote is somewhat inconsequential, it obviously counts to an extent, but it's a very small percentage, and therefore, because I don't have that control and it can't really make decisions on a day-to-day basis, the diversifications are absolutely key.

I think a lot of people will relate to the idea that not putting all your eggs in one basket and you know, you could think of Madoff, unfortunately, those types of incidents and the thing it kills me about the Madoff story, aside from what he did was that some people put all their eggs in that one basket and lost everything and I'm guessing some people probably put 5%, 10%, whatever the percentage was and it probably hurt a lot, but it probably didn't cause like a huge life blow up.

How you approach diversification can literally make the difference between your financial life blowing up and just being a little bit of a problem and that's not an exaggeration, it's just the fact. And so, diversification to me is just a very important topic, especially because as a past investor, I give up control.

0:02:39.0
WS: Okay. I like that, trading control for diversification. In your bio, it says you across 70 opportunities more than one billion dollars worth of savings. You're very diversified, you're very experienced.

0:02:50.0
JR: In all fairness, because I've been doing this full time for a long time now and I've been doing it full time for 12 years and in general, 17. I have the time to become what I call hyper diversified and so because I'm really low risk, I take a more hyper diversified approach which I think is a little extreme and for most people, doesn't make sense both because they don't have the time to become hyper diversified, they may not be dealing full time.

And they may not even want to become hyper – people out there may not agree with the concept of being in so many opportunities. For me, it helps me to sleep really well at night. But you know, everyone's going to have their own opinion as to what the right amount of diversification is for them. I can tell you that anecdotally, having this conversation with many fellow investors over the years. I find it the most common level of diversification people

typically seek if they really go out there and have a strategy towards diversification is possibly having somewhere between 2% and 5% of investable cash they're planning on putting in this type of asset class and passive opportunities for opportunities. In other words, they're spreading it across somewhere between you know, at 5%, its' 20, 2% it's a little bit higher, 2% is probably a bit extreme, it's 50. Some people actually try to get it across 10.

One of the biggest challenges in passive investing is that if you're being really careful and you're really trying to do the right thing and be cautious with what you're going into, it's going to take a while to get proper diversification. I don't mean days or months. I mean, years honestly. It's a long, steady progression just like real estate typically is. But it really pays off in the long term as far as helping to reduce a lot of the risk.

0:04:16.5
WS: You know, the amount that's invested is something I wanted to talk about and you hit on this a little bit so you know, let's say, someone has half a million dollars or want to – okay, they've learned about the syndication business, they've been in the stock market possibly you know, most of their career. Now they've been exposed to this type of investment possibility or opportunities and now okay, we're going to take you to know, half a million dollars and we're going to invest it into the syndication type investment.

But I wanted to kind of break that down a little bit. You know, as far as the amounts that are invested, you know, possibly the asset classes or across that many deals and sponsors and you know, allowed for us to get into some of that.

0:04:50.0
JR: Sure. You know, your example of 500,000 is probably a good one and somewhat realistic for some people listening I'd think. And you know, in that case, I mean, if you're asking me my one person's opinion, the most common thing I would probably see is someone taking $500,000 and saying okay, I'm going to divide it up into 10 trunches of $50,000 because it's fairly common to find opportunity with minimum investments of $50,000. It's harder to find them for example a 25, but they're out there. Maybe that person will, you know "what? I'm going to divide it up to 50 but if I can find a few 25's, I'll go into those as well," and now they're going to get more than 10. Everyone's going to have a different opinion about the right level – it's very subjective, right?

There's no right answer. At the end of the day, it's really about comfort level but I would also argue that if you tell me that I've got $100,000 and I'm putting it into one opportunity or two opportunities. My strong opinion would be that's just not enough diversification. One thing that I think is important to consider too is that what I've concluded after all these years is, I like to

get diversified across asset classes, geographies, and operators. If I can diversify across all three, then I'm really well diversified. We can get into those specifically but I think all three are very important to consider.

0:05:57.6
WS: Yeah, you know I'd mentioned, the asset class or you know maybe, someone's familiar and comfortable with multifamily, but you know, you say, "okay, we're going to need to put a portion of your investments into mobile home parks." "Oh, wait a minute, we never heard of investing in mobile home parks before or I'm not as comfortable with that type of investment, Jeremy. You're saying I should really take a portion of this capital and put it in that asset class as well," is that what you're saying?

0:06:20.5
JR: Yeah, I mean, you know. There's something to be said for somebody learning multifamily for example really, really well. Just sticking to it but what happened? I mean, I can give you so many of these, what I call 1% risks of opportunity blowing up or even asset class blowing up, right? Just an easy example for me to understand is that if somebody said 10 years ago, I'm just going to go 100% into retail because I understand that I'll do some large malls, I'll do some strip centers, but I'm going to do retail and I understand it.

Today, they may not be in the best shape and that may have not been the best diversification strategy and there's a possible – it's very possible that today, where we sit, in 10 years from now, if someone went all-in on one asset class that looks okay today, it may not be okay in 10 years. So, this goes back to like, you know, if you're going all-in on one asset class then to an extent, you're still going into the same type of basket, and if it happens to be that basket's number type comes up so to speak, not a good thing.

I personally liked to get as diversified as possible but I know there's also – there's definitely a side of opinion that would say, just get to know one asset class as well as you can. I just don't personally fully agree with it.

0:07:21.6
WS: Going into diversifying, are you going to always do the minimum amount per opportunity?

0:07:27.4
JR: Not necessarily you know? If your example of somebody at five million dollars and they were looking at 50,000-dollar opportunities, what is that? That's a hundred opportunities to deploy five million dollars, that doesn't make sense, right? I think the best way to look at it is, try and figure out how many slices you want to cut up of the pie and then once you determine

the number of slices, figure out if it's possible to get diversified across the asset class, geographies and operators.

I want to just get into that a little bit because I think it's really important to understand each one. From an operator perspective, you go back to the Madoff problem, right? You may want to invest with one operator, even if they function across multiple asset classes, some of them do. What happens if that operator seems completely kosher today and the background check looks fine but one day, they just turn not kosher and the next thing you know, they picked up and left for the Bahamas, right? That's when I call like many of the 1% risks you can never avoid.

One of the ways to reduce those risks is to diversify out of necessarily having too much money into one operator. So, It's always great, frankly. I love making a bet on good people that's primarily, I look to do, and when I can find someone I'm convinced it's good to really like double and triple that bet but not to the point where you're over exposed into one person going back to the Madoff idea.

And then, from a geography perspective, that's actually a question of demand, which is hard to forecast necessarily five or 10 years down the line, either for a specific asset class or maybe even like the economy of specific geography can change over time, right? The one that's really easy to understand from a geographical perspective is being careful from a weather pattern or whatnot. There are earthquakes that have certain risks, there are hurricanes that have certain risks and there are tornadoes that have certain risks. There are different parts of the country, there are frozen pipes that have certain risks in more asset class and like mobile home parks and others.

I can give you some examples but I specifically try to be really careful with the geographic risks by asset class to help reduce that as well and that is something to consider, I think. Both from a weather risk, but also from the economic risk that may be hard to forecast down the line. And then, we talked about asset classes a little but the reality is that demand for asset class shifts over time. And so, let me use some good examples. You know, for those of you who haven't heard of me before.

The way that I invest is very low risk, passive cash flow, I literally want to go sleep tonight, wake up tomorrow, and not much has changed because I live off the cash flow. I got into this in 2002 for predictability and I got out of the stock market because of a lack of predictability from a long-term retirement account. That's really what the driver was for me.

So, if I'm thinking about predictability, the question is," what asset class will provide predictable cash flow for the next 10 years and which areas in asset class make sense?" You

know, I would argue that self-storage, okay? Florida and Texas, top two states with the projected migration of population coming in because of retirees, next things here are because of the aging population. When you start thinking about that, what are they going to demand? They're probably going to demand some self-storage because they're going to be downsizing and they're probably going to be long-term users of self-storage because they want to keep the stuff that they've had the whole life, right?

If you get into the right locations, again, go back to geography with the right asset class paired. You could start to climb that predictability. But at the same time, that asset class in the Northeast where people are moving away from. I'm just using that as a generalization, there are always the locations and a specific area, but the concept that someone moving from the north, down to the south, what's the demand going to be in the north for that same asset class in five to 10 years? A little more uncertain.

So, you want to start to layer these types of a little bit more complex thinking to try to forecast where that predictable cash flow is going to be, at least in terms of how I invest. That's why all of these three are really important.

[INTERVIEW 2]

0:11:02.6
WS: Our guest is Alana Trigub. Thanks for being on the show. Alina.

0:11:05.0
Alina Trigub: Thank you for having me.

0:11:07.8
WS: So we were at, that you help a select group of people build their wealth passively. Tell us a little about that, or elaborate on that?

0:11:13.6
AT: So initially, I was reaching out just like everyone else, to my friends and family, telling them about what I do and how I do it. But over time, I started getting feedback and having people reach out to me and ask me, "Hey, how do you do it? How can I get involved? And what is a syndication? How does it work?" And now it's all about helping those people get acclimated and educating them on how this syndication process work. And more or less, do they hand-holding for the initial few syndications enough that they pretty much understand the process and all the pages explaining to them what the particular investment entail, what kind of pros and cons each of them has, and help them select the investments that were best in their case.

Because again, I strongly recommend to folks to diversify and diversification doesn't mean to just diversify the most. You can diversify even within this syndication model. Number one, you can invest in multiple asset classes. Number two, you can invest in different markets. Number three, you can invest across multiple deal sponsors. So, there are tons of ways to diversify even within syndication work.

And by no means that I'm telling people to completely get out of the stock market, no, you can stay in the stock market then continue investing in stocks, bonds, mutual funds, and whatever else. But my main point is always to diversify. Keep a fraction of your investments in the stock market, but also invest in real estate, and invest in other things.

0:12:50.0
WS: So I like how you really focus on educating your investors and educating others on the syndication business, saying you talked about you first reached out to family, friends, and just really a lot of just letting people know what you're doing it. But then they have questions, What does this mean? And you say this word syndication and people are like, "Well, what is that?"

So help us educate others, what should that conversation look like, how do I explain that to maybe someone who they've never had any rental property but like to own real estate. So, how do we explain the syndication business to a potential investor?

0:13:24.6
AT: Sure. So, syndication entails pooling people's money together to buy real estate. And when we buy a large commercial real estate, we have to pay for the down payment, we have to pay for the renovation costs, and we have to pay closing costs. And by pooling the people's money together, we are able to pool that money together and get financing in addition to the four folks that are potentially interested in syndication.

I normally try to ask them a few questions and ask, are you someone who has the funds but not the desire to be an active landlord? Or are you someone who has the means but doesn't wanna be involved to be the landlord? If they answer yes to these questions, that means that they have the interest to be passive investors, and then I even make a parallel comparison with the stock market. Just as you buy stocks or bonds on the stock market, in a similar way, you can invest in a syndication by basically the reviewing the investment harmony, particular investment, asking if a few questions, and deciding whether this investment for you or not.

Once you invest in this syndication at that point, your work is over. You just sit back, relax, and enjoy the rewards of syndication in the form of periodic dividends and then potential capital (inaudible), you can maybe get reminded of that during the cash on the finance, or at the end of

the life cycle, when the properties sold and you receive the fraction of the gain being a partial property owner.

0:15:01.6
WS: So what does that mean to receive a partial gain or the gain If we're talking to an investor, how do we explain that?

0:15:07.3
AT: Yeah, I can make it better, well, by comparing into selling a single-family home. Someone bought a single-family house that needed some work to renovate the house, you put the tenants in that house, you wait for at least a year and one day because you don't wanna incur some tax in capita gain, and I'm sorry for the tax accountant listening in. And, you sell the house as long as it's been over a year and one day for a profit. When you sell in a single-family house, you get the for-profit or so, but when you were a partner in this syndication, your return is based on your initial investment, that's why your gain will be based on your initial ownership investment, you will receive the gain.

[END OF INTERVIEW]

00:15:55.0
Whitney Sewell: We hope that you enjoyed the Highlights show today. You can always listen to the full episodes that were featured today by clicking the links on the show notes page. And in the description box, let us know what you've thought of this episode or you can go to lifebridgecapital.com/podcast and click the feedback button. Let us know how we can add more value to you. Thank you and talk to you tomorrow.

[OUTRO]

0:16:19.0 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.

[END]