

EPISODE 1532**[INTRODUCTION]**

Whitney Sewell (WS): This is your Daily Real Estate Syndication Show and I'm your host, Whitney Sewell. Today we packed a number of shows together to give you some highlights. I know you're gonna enjoy this show. Thank you for being with us today!

[INTERVIEW]

WS: Our guest is Ben Risser. Thanks for being on the show, Ben.

Ben Risser (BR): Thank you for having me. I'm glad to be here.

WS: No, I'm honored to have you on the show. Ben and I met at a conference, I guess over a year and a half ago now, and got to have a meal together and got to know him. We talked a couple of times since then and learned about each other's businesses a little bit. He has some very valuable abilities and uses – things that he's doing in his business that he's going to be able to provide lots of great content today and help us in a big way. Thanks again, Ben.

A little about Ben, he's a recovering aerospace engineer. That's interesting. 560 plus units syndicated in partnership with Matt Faircloth of the DeRosa Group, who Matt's been on a couple of different times and I know the listeners are familiar with him as well. Ben is primarily focused on the operations and finance side of the business and we're going to hop into that today. Ben, give the listeners a little bit more about your background and let's dive into how you're scaling these systems and processes that you're working in the background that's making this business so successful.

BR: Sure. Like you said, I'm a recovering aerospace engineer. In the beginning of my career, I was – well, I graduated from Penn State, so I got to get the shout out to Penn State first. Then got my first job at Boeing in Philadelphia. I was an engineer on the CH-47 Chinook program in Philadelphia and worked there. Great place. Great company. I worked there for just under nine years, I believe and moved on. Through a complicated sequence of events, found myself doing real estate full-time.

I'd been studying real estate for quite a while while I was working full-time and then at some point through God's providence, I was able to jump in full-time. That's what I'm doing now, doing syndications with Matt and Liz Faircloth.

WS: Awesome. Well, we think very highly of Matt and Liz and I have been honored to have them on the show as well and look forward to our conversation, Ben. Give us some details about what your role is in this operation and then let's dive into some of your specialties.

BR: Sure. Where I began working with Matt and adding value to his goals was in the area of underwriting and acquisitions. I would underwrite opportunities that I would find, or he would find and I underwrote countless opportunities before we closed on our first deal in January of '18. Since then, my focus has shifted from doing the underwriting to overseeing the acquisitions team and the tool and the processes.

I'm really moving more into an operations systems focus and also finance, basically making sure the money flows through the companies and the dollars go to who they need to go to, when they need to go to them. Those are things you don't necessarily learn, or that's not the sexy part of syndication that a lot of people advertise and try to promote in their educational programs. It's something that comes upon you once you acquire the asset at the scale that we're at, we're at around just over 500 units, you start to find bottlenecks in your business and those things become readily apparent when you start to scale on the volume of transactions and the volume of dollars flowing through the business and you realize, "Wow, my systems and processes need to be restructured to support the scale and continue growth." That's really been my focus this year just building scalable systems.

WS: Nice. I'm looking forward to getting into that. Can you describe a potential bottleneck that has happened, or happened recently, or just something that the listener can also expect that to come as well as they grow? What's a bottleneck that you all have had and had to work through?

BR: Cash management. When you're managing a single property, the number of transactions that have to be taken care of. We use QuickBooks online right now and just making sure that your team members are getting paid when they're expecting to get paid and investors get paid when they're expecting to get paid and all the vendors and lenders and complying with loan covenants and things like that. All that has to do with having a system in place where money flows freely and on time. At a certain scale, you can't do it all yourself and we're in the process of onboarding a vendor who's going to basically take the cash management and financial reporting aspects off of my plate and I'm very eager for that.

WS: I bet. So, you've been using QuickBooks and you've been doing that yourself up to this point?

BR: Yes. I've tried to use some online tools to do electronic payments, but seemingly, there are a lot of challenges that happen when you have partnership company structures and you have

companies paying companies that have an interest in each other. A lot of these software companies have hard stops on those types of transactions because that's considered self-funding, but that's the way a partnership works. One entity pays the partners.

I don't understand why the industry hasn't adjusted to support partnerships, but that's been one challenge of streamlining those transactions is finding a way to have our entity structure, have the money flow through it, and do it electronically, so I don't have to write checks and lick stamps and envelopes.

WS: Yeah. It's nice to hear you talk about that though, and just the frustration, this bottleneck of this cash management, and how you all are moving forward in that and going to improve. You've got to jump over that hurdle to hire this new person, find them and train them, make sure all that's functioning and that process and system is working accurately. Once you do that, then all of a sudden, you're going to have probably a better system, a more accurate system, and more time for you to focus on other things.

BR: Oh, absolutely. The cash management and bookkeeping and all that is not my highest and best use. We've gotten to the point now where it's time to find somebody who is gifted in that and specializes in that. That's what we've done and we're excited to move forward there.

WS: Nice. Are there any other bottlenecks that you can share about?

BR: Yeah. When you get to a certain number of assets on the construction management side, I would say, it can be challenging to handle things in Excel. Because one of the challenges is when you're dealing with a bajillion invoices a month, how do you know that every invoice is valid? How do you know that you didn't already get billed for those set of appliances? Having a system in place that can catch those types of things does impact your bottom line, because why buy two sets of appliance for the same unit when you should have only bought one? If that happens too many times, or if a vendor either maliciously or not maliciously bills you twice for labor and materials, that will impact your capex budget and ultimately, you won't be able to achieve all the value-add that you underwrote to achieve.

So I had built a monstrous Excel tool that catches all that. Turned out, I was the only person that could use it. That's really not scalable, because I'm the single-point failure there. We're going through the challenge of trying to procure a software tool that works for the team. It can't just work for me. It has to work for the team, the people doing the work. We're in that process and just being able to handle all the paperwork and then the lender requirements, withdrawals, and keeping track of all the dollars and the integrity of the invoicing and the bills we're paying. That's definitely something that will show up once you reach a certain scale.

WS: Yeah. It's hard to when you're at that scale, there's so many invoices, right? There's so many things happening. It's hard for you to track, "Well, did I pay for this already or not?" Even a vendor, they're invoicing so many people as well. It could be a legitimate mistake that they invoice twice. Then if you're trying to stay on top of paying those bills and you pay it before you realize that you already paid it, right?

BR: Yeah. Then once the money is out the door, good luck getting it back, because they've already spent it.

WS: Right. Yeah, it's been spent for a long time. Let's dive into maybe another scalable system or process that you've had to implement as you all have scaled. There are numerous people listening I know that have maybe they've got their first deal, or two deals and they're getting to that 2 or 300 units, maybe up to their 4 to 500 units or more and they're looking to create these scalable systems and processes as well. What's another system or process that has helped you all, or that you all have implemented because of the growth?

BR: Well, there are two areas. On the asset management side, there's having a system and process in place where you are able to collect the key performance indicators of each of the assets and measures that do basically a pro forma to actuals analysis, so that you have your finger on the pulse of what's going on. If you're trying to do all that in Excel, what you end up with is a double entry going on between Excel and your bookkeeping system. We were living with the pain of double entry for a while. We're pushing very hard to get into a system where it's only single entry.

So all the financials and all that, it's all in the same tool that you're entering the data once and that you've got your pro forma in that tool and you've got your actuals in that tool and the tool generates the analysis that you're looking for and you don't have to enter that stuff into your accounting system. Then also enter it into a spreadsheet, or download from your accounting system into a spreadsheet and then do all this data processing, which opens you up for error. Unless, you're a boy genius computer engineer and you can write macros that do everything for you, a lot of this is a little bit manual in Excel.

We're trying the best we can to get out of Excel tools, though you have to be careful that you don't get out of an Excel tool into a tool that's more complicated than Excel and it's taking up more of your team's time than it was in Excel. Procuring tools is critical, I think to long-term success. It's critical to your team members not killing you, or quitting.

I would say having a solid system in place to do pro forma to actuals, prior to acquiring your first asset is good. Don't just focus on the tool that allows you to get into the asset. Before you

get in the asset, think about what tool are you going to use to do the budget actuals and actually do a proof of concept before you throw yourself into that?

[INTERVIEW 2]

WS: Give us a little bit about your background, 'cause I wanna hear the story about how you became this awesome entrepreneur.

Shelby Osborne (SO): Sure, so all of it, it was not a plan from the beginning, I originally graduated from the University of South Carolina back in 2012 and was commissioned into the military. And I spent six years in the army in Washington State before there, before moving to Port Rag North Carolina where I built a lot of my business. But those years in the military really set me up for success in a lot of ways, 'cause they teach you leadership, aggressive actions, how to work with people, Standard Operating Procedures, all of those sort of things, and an aggressive mindset.

And that kind of laid the foundation for when I got out and decided to pursue real estate full-time as both a broker and an investor. So, I originally was like, I'm just gonna do invest, and then I was like, Oh wait, I need money, somehow decided to get my license because they nest really well, and that was back in 2018, when I did well on the Riverside. I was the caller Williams year for 2018 in all of Martinson. And by the end of that first year, I had 16 doors. And then you fast forward, we're at year three and a half now and have Five Pillars Realty Group, which is my... it was a firm. Two locations in Fairville and Charlotte as well as 74 doors.

WS: No, that's awesome, 'cause I talk about my military background as well. First, thank you for your service, grateful for all our servicemen and women who are out there serving our country, so grateful for that. I'll also talk often about how the military helped me become an entrepreneur, just the mindset alone, it took me a little longer to make that decision and become an entrepreneur, but I'd go back to just a never give up mentality.

You talked about it kind of teaching you to be aggressive at times, and even just the policies and procedures and planning things out, so important as an entrepreneur. Let's jump into that a little bit. I know you... So, you leave the military, you become an entrepreneur... What was that transition like a little bit?

SO: It was rough-ish. So out of school, one would probably imagine going from a steady position with a W2 paycheck coming in every couple of weeks, and security, over to a 100% entrepreneur lifestyle, either based on commissions or anything I can make off of my properties is a big leap of faith in my own abilities and able to execute the idea that I have. So that was a challenge, especially starting out, a lot of the challenges are legitimacy and you don't have the

experience to back anything. And a lot of the time your competence in what you're doing is what leads you to be confident. And it's really hard to have that confidence that you need to execute without that experience.

So that was definitely a struggle, but a lot of different aspects of, again, the military... So in the military, you can't come back to whoever your leadership is and say, I couldn't figure it out, I just can't do it, that's completely unacceptable.

WS: That lesson alone is so valuable, you have to go figure something out.

SO: Oh my gosh, you gotta find a way to win, no matter how you do it, gets scrappy, get dirty, figure it out. And that being deeply ingrained in my mind helps so much because there are so many times when you're building a business and just getting started where it's super challenging and it wasn't in my mind that you just have to figure it out. I guess it's why a lot of people don't stick around for too too long as entrepreneurs.

WS: So important, I'm trying to teach my six and 8-year-old boys that lesson, I just constantly like, Nope, you gotta figure it out. Go do something. Make a decision, make it. Even if it's the wrong one, like go after it. You wanna think through that process a little bit, but as far as becoming that entrepreneur and moving forward in that, 'cause there are some key things that are important to any entrepreneurial journey, your business, and you've become really good at a few things that we all need to become very good at it.

And some of that, these systems and the people, if you can operate systems and people, then you could not have any business, nearly... There are many businesses, and so let's talk about that time period a little bit and some of the first systems you had to put in place, and maybe then some of the first people or that helps you to scale to where you're at now, very quickly, you've scaled very fast. I think most would say very fast, and so some of the first systems you had to put in place, what were they... And how did you do that?

SO: Yeah, I was gonna say, so it's not even systems that people have trouble with... I don't think it's building the system, and the systems are there, people can follow and check every block, it's just that initial wave of you're getting into an industry where you don't know what you're doing, you have to build things from the ground up. So what I learned from military and instinctual do is I document... So in my mindset, I never wanna be the same work twice 'cause that's completely inefficient.

So, I would do research, I would compile that research into the cheat sheet, and then I would say that the cheat sheet for next time on my computer and you just use a little search bar, pull it up... Oh, that's how you do it. So, documenting lessons learned as well as correspondence

as both a syndicator, investor, agent and you're sending a lot of the same emails again and again, and so I would think through in full every of information that I either wanted to receive from someone or push to someone, and then save it as a draft. And next time you just duplicate the email and you change out the name and you can send, and suddenly your business becomes a lot quicker, you don't have to worry about those little things that used to take a lot of time, you're 80% tasks. So you can really hyper-focus on the things that you're gonna build your business and make you scales on your 20% tasks.

So, that's one part of it, but also along with the emails and the lessons learns, documenting how you actually do processes. So, for instance, when you're buying the deal, you're going to do the same things before you go into contracts, underwriting contracts, post-closing, the same people to coordinate with, and so everything that as I did it for the first time was built into a checklist. But each time I went through it, I would add updates modified to have this really good checklist so I don't miss things in the future.

WS: Awesome. At some mindset shift, right? Of how you operate more efficiently. Like thinking that way. I love how you said, so I don't wanna have to do it a second time over in the same thing over, and over, and over, and over when it's very repeatable. And many things that most of us probably do as entrepreneurs, we're doing every day, so many of the same exact things about it, even something as simple as the same email you're sending, even if you're operating a podcast or you're talking to the same type of people in your industry, most of it are the same questions. Right, and I think even I was thinking about on the podcast example, well, I get a lot of guests have the same question. Well, that means I need to fix my emails that are going out to them or how I prepare them to be on my show, and so that's just one example.

So, what were some processes though now that you've been in this a couple of years, a few years now, that have been just crucial that you're so thankful, you know what, I'm so thankful that I did these processes, are these things, and now I have helped our team?

SO: Okay, so basically consolidating their check is for... Basically, what I just talked about for the deal, in particular, is really, really helpful. Every time I'm gonna go do a deal, I duplicate our checklist and then I won't miss a step. And especially some of the details on there are as easy as putting things on the calendar. I don't know how much you guys use calendar reminders to check in, but the calendar is really important as well as communication. So, when you use the checklist as a skeleton, what you do is you can plug things into the calendar, and then when you look at your calendar based on the events that are supposed to happen in two weeks from now, that cues you to say, "Hey, in two weeks we're doing this," "Hey, can we get this inspection on the calendar, and then check in to make sure that you're on track." So, things actually happen on time, so I learned that you should never trust your brain for everything if you don't have it written down in a reminder calendar checklist, counting it not happening, you can

probably survive in the beginning, but when you're running multiple businesses or you're doing large syndication or whatever the case may be, you need to be hyper-organized with your systems and processes, so that way you don't forget anything.

[END OF INTERVIEW]

[OUTRO]

Whitney Sewell: Thank you for being with us again today. I hope that you have learned a lot from the show. Don't forget to like and subscribe. I hope you're telling your friends about Real Estate Syndication Show and how they can also build wealth in real estate. You can also go to LifeBridgeCapital.com and start investing today.

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