

“ From A-Z (or B-R), this book has everything you'll need to become a black belt real estate investor and build wealth like the pros. ”

—DAVID OSBORN, NEW YORK TIMES BESTSELLING AUTHOR

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Buy, Rehab, Rent, Refinance, Repeat

The BRRRR Rental Property Investment Strategy Made Simple.

David Greene

Bestselling author of *Long-Distance Real Estate Investing*

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Buy, Rehab, Rent, Refinance, Repeat

*The BRRRR Rental Property Investment
Strategy Made Simple*

David Greene



Praise for **Buy, Rehab, Rent, Refinance, Repeat**

“I am simply blown away by the way David takes something as intimidating and complex as scaling a real estate portfolio and simplifies it to the point anyone can do it. Buy, Rehab, Rent, Refinance, Repeat is a true gem and guaranteed to make you a better investor and a wealthier individual.”

—Hal Elrod, international bestselling author of *The Miracle Morning*

“David has committed himself to mastering real estate and it shows! This book has everything you’ll need to become a black belt real estate investor and build wealth like the pros. From A-Z (or B-R), David covers just what you’ll need to execute like a master and build wealth.”

—David Osborn, New York Times bestselling author of *Wealth Can’t Wait*

“This book is what we’ve all been waiting for! David clearly breaks down each step of the process, with clear details and a meat-and-potatoes approach to sharing exactly how to excel at each step of the process. Mastering BRRRR really WILL help you master real estate—and this book will show you how.”

—Pat Hiban, New York Times bestselling author and host of the Real Estate Rockstars podcast

“The only thing wrong with this book is that it wasn’t written sooner! This BiggerPockets classic covers every single step in the process. Best of all, the principles are universal and can be applied to all types of real estate, from a single-family house to a 100-unit apartment complex, and everything in between. The BRRRR strategy as detailed in David’s book is an absolute must-have tool for any successful real estate investor!”

—Andrew Cushman, real estate investor and blogger on BiggerPockets.com

“David follows up his success with Long-Distance Real Estate Investing with another heavy hitter! David’s first book helps you choose your market, and this one shows you what to do once you’ve got it. The whole process is covered, with fantastic advice for how to master each step and become a true real estate black belt. If you want a guide for how to build a real estate investing business, you need this book.”

—Rock Thomas, Founder and CEO of March to a Million

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Buy , rehab , rent , refinance , repeat : the BRRRR rental property investment strategy made simple

David Greene

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Dedication

To Josh Dorkin and Brandon Turner,

To Brandon, host of the BiggerPockets Podcast and creator of the term “BRRRR.” You have been the biggest influence on my life in the last year, a terrific friend, inspiring figure, and great role model for what it means to be successful, humble, trustworthy, and noble. Your mind is a catalyst for great ideas. Thank you for your friendship.

To Josh, creator of BiggerPockets and superdad. Thank you for the opportunity you’ve created for our community and for investors everywhere. Your example in following what’s important in life over what’s easy is inspiring and encouraging. Thank you for passing me the baton and setting us all up for success.

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Acknowledgments



PART ONE

Introduction to BRRRR

Owning real estate has the ability to change lives. When my parents bought their first home around 1985 in Manteca, California, they paid around \$60,000. That house is now worth about \$375,000. Had they rented it out, the tenants would have paid off the entire mortgage for them during the time they'd owned it. At a 10 percent down payment, my parents would have turned \$6,000 or so into \$375,000—all while letting the tenants create the wealth for them.

Had they applied the cash flow from rent payments toward the loan principal, the loan mortgage would probably have been paid off twice. Had they reinvested that second mortgage amount into real estate, they could have started this same process over with about four new houses.

Imagine the financial power that comes from owning a large portfolio of cash-producing rental property that appreciates in value while the tenants pay your loan down for you. Imagine using someone else's money to fund this portfolio, then taking the wealth you've created and spending those same dollars over and over to buy new properties. With each new property you start a new wealth-building cycle, increase your efficiency and effectiveness, and create equity to fund your next purchase. Soon you end up with a powerful wave, carrying you to financial freedom.

This book is about how to create that wave, which can be easily leveraged, and builds wealth in several different ways. Owning real estate for a significant period of time is virtually guaranteed to build you wealth. Cash flowing assets have the ability to carry you to great heights that you couldn't have achieved through working a traditional job.

Real estate also has the ability to completely destroy you, your wealth, and your plans for a better future. Rarely do we see a source of power that is all good or all bad. In most cases, power helps or hurts depending on how it's used or the ability of the one who's using it. But those who want the big reward have to also take the big risk. Success isn't found in avoiding anything that could go wrong. It's found in harnessing your strengths to make them work for you and creating systems that mitigate risk and enhance efficiency.

So how do we learn to harness power? The process of developing or harnessing power that will propel you to achieve great things, including financial freedom, is called mastery. Mastery is the process that allows you to harness the same power that can destroy you, force it to help you, and unlock your own true potential. Whether it's riding a bike, surfing a wave, or learning a martial art, mastery is the process of harnessing and controlling a great power to make it work for you, not against you.

In my book *Long-Distance Real Estate Investing: How to Buy, Rehab, and*

Manage Out-of-State Rental Properties, I tackled the controversial topic of buying rental property in “someone else’s backyard.” In the book, I took a contested subject (the ability to build wealth by buying in any market) and showed people how they could use it to build their wealth while avoiding losing money.

I challenged the conventional thinking that long-distance investing was risky “just because.” I helped expose that the logic that led to the advice “only invest in your own backyard” was well-intentioned but outdated in today’s technology-driven world. I showed people how it’s unwise only to focus on what can go wrong. They also need to consider what can go right! I detailed the systems I use to grow my own wealth through real estate. These systems are the process I used to harness the power, to ride the wave that led me to the result I wanted.

This book is intended to serve a similar purpose, but on a different topic. I want everyone to see that while anyone can buy real estate and benefit from its power to grow wealth, there is a way to do it that is the *best*. The BRRRR method will teach you how to become a black belt real estate investor and get the most out of your capital, time, effort, energy, and resources. Mastering BRRRR is mastering real estate. BRRRR is an acronym that stands for Buy, Rehab, Rent, Refinance, Repeat. It is a way of describing the order of buying a rental property and then pulling your capital back out in the most efficient way possible. In this book, I’m going to cover how to master each of the five steps of the BRRRR process, and in the process, how to come closer to mastering the power of real estate.

For too long, people have focused on *not losing money*. This has led to inaction, excuses, lost time, and lost opportunity to build wealth. Now, I’ll be the first to tell you the power of real estate can work against you, and you need to understand how to protect your capital. But *that is only half the game*. This book is going to teach you the other half of the game—how to master real estate investing and let the power of that wave carry you to massive financial prosperity through practical advice and practical philosophy.

My goal is not just to teach you to grow your wealth at a consistent rate. I want to show you how to do it at an exponential rate. I do this by showing you not only how to find success at each element of the BRRRR process, but also how you can use success in one area to help you in the others. This creates exponentially increasing returns, a wave that develops momentum and becomes more powerful the longer it propels.

I commend you for being committed to this process and showing that commitment by purchasing this book. I’m excited to share with you not only what BRRRR is, but also why the very best do it, and just how it will reward you

for doing real estate the right way. Unlike flipping houses, the BRRRR model will enable you to take advantage of all the benefits of buying houses cheaply, without the headaches or expenses associated with a quick sale. When you use the BRRRR model correctly, you begin building a foundation that will later become a skyscraper-sized portfolio of properties.

Many people will tell you what not to do. That's easy. This book is going to tell you what to do, how to do it, and why! You'll find this book is broken into seven parts, with one part for each of the five phases of BRRRR and one part for digging deeper into the mastery of BRRRR. By the time you're done reading this, you should have a better understanding not only of the most efficient way to structure your investments, but also of how to master each phase of the investment cycle.

My Story

If I'm going to be sharing why I believe you should be utilizing the BRRRR method, I feel I owe it to you to explain a little about myself and my background so you can understand how it worked for me.

I am a police officer. I've worked this blue-collar job for the last ten years. When I realized how real estate could build my wealth, I became obsessed with buying as much of it as I could. Because I did not come from a wealthy family or understand the process of raising money, my only option was to make as much money at my job as I could and save as much of that as possible.

How did that look for me? I worked about 90 hours a week for several years, slept in my car several times a week, gained a ton of weight, became very unhealthy, and sacrificed my social life, all at the altar of real estate investing.

While I paid a heavy price (pardon the weight gain joke) this allowed me to save enough money to put down payments and cover the rehab costs on two to three properties a year. These properties became the foundation of my real estate investing and eventually led to where I am now. As grateful as I am to have them, there is no way I could continue that process forever. I barely made it through the five years I did it!

The good news is, I went from buying two houses a year in the beginning of 2017 to two a month today. I didn't find a way to make more money. I didn't utilize shady or "creative strategies." I didn't inherit anything. All I did was find a way to use the money I was making more efficiently. I finally figured out it shouldn't only be me working so hard—my money should be, too.

Had I read a book like this back then, I have zero doubt I would now own at least 20 to 30 houses more than I do right now. Part of me kicks myself for being so stuck in my ways, but another part of me knows it's that frustration at doing

things the wrong way that drove me to write this book—so I can help other people avoid my mistakes. *The good news for you is you don't have to take the hard road I did for so long.* I'm going to show you the shortcut.

Fast forward nine years from when I bought my first property, and I'm rolling along nicely now. Learning to BRRRR at a high level is what allowed me to master all the other aspects of real estate investing that are involved in the BRRRR process. By winning at all five levels, I get the very most out of my deals, my capital, and my opportunities. Each of these “wins” compounds themselves, increasing my likelihood to win even bigger on the next deal.

Now that I've figured out the BRRRR method, it's become the only way I buy property. What I learned mastering BRRRR opened the door for me to become a top-producing real estate agent. (Success often opens doors you never knew were there—one more reason we should pursue mastery.) In my first year of full-time sales, I won the rookie of the year award for my Keller Williams office, ended as the top selling agent, built a team of full-time staff, was featured on several podcasts, wrote my first book, and was featured on HGTV's *House Hunters*. Not a bad year!

What I'm trying to say is, pursuing the mastery of real estate investing created countless exciting opportunities for me, and I have no doubt it can do the same for you. The effort you put into learning real estate investing will pay you dividends in the end, and furthering education is one of the best investments you can ever make!

How BRRRR Supercharged My Success

Once I learned BRRRR and started buying more houses, agents started sending me the best deals first. My contractors gave me better pricing and more attention when I took on more rehabs. When my portfolio grew, property managers started giving me better pricing as well. As my volume increased, every aspect of real estate investing got easier. Real estate investing, while challenging at first, had become progressively easier with each deal and each new relationship I formed.

When someone starts buying houses (or doing anything, really) they aren't very efficient at it. Frankly, they usually suck. At least I do. That's why experienced investors often give advice to newbies that if they really want to learn, they need to find an easy property to get into the market with and buy something. Even if you don't make any money on your first deal, the education itself is priceless!

That's how life works. The first time we do anything, it sucks. The first time we ski, drive, try to read, lift weights, go running, start a new job, *whatever it is*, we aren't going to be very good at it. Success comes through repeating a process

over and over until our brains figure it out—usually by spotting patterns of things that worked and things that did not, and remembering them.

One of the most devastating things I see in real estate is when someone pays the price up front to learn real estate investing, and right when they finally start to get good at it, and are ready to make money, they run out of capital and are stuck. It's like putting in all the time in the gym to build up a base, then quitting before the big race.

Can you imagine? It sucks! I want to teach you how to avoid that. There is a better way to invest in real estate than a big down payment and paying a contractor to make your property barely livable. Learning and mastering this process will make sure you never run out of capital, never stop getting better, and are not limited by the hours in the week you have to work as I was for so long.

Those who have mastered something can get superior results with much less effort. The less effort something takes, the more fun it is, and the more you can accomplish in other parts of your life. We don't want to spend our whole lives working to learn and succeed at real estate investing. By committing to mastery now, you give your future self an opportunity to actually enjoy the wealth you'll be building by taking action today.



CHAPTER ONE

Getting to Know the BRRRR Method

Many people take no care of their money till they come nearly to the end of it, and others do just the same with their time.

—JOHANN WOLFGANG VON GOETHE

Why BRRRR Is Better Than Traditional Financing

At its most basic understanding, BRRRR is the best way to buy a property if your goal is to own more than one or two. It allows you to recover the largest amount of your capital out of the project as possible. This will help you for myriad reasons we will cover in the book.

The BRRRR method is an alternative to the traditional method of buying a property. When I refer to the traditional method, I am defining it as putting down a large down payment, then spending the minimal amount of money necessary to get the place rent-ready. This is the formula most investors have been following for decades. It requires the least amount of thought, effort, and foresight, and is therefore the easiest. However, what is easiest isn't always what's best.

Before we go any further, I'll explain the process of buying a home in the traditional sense, then compare that to how the BRRRR model works. Once you have a firm grasp of the two, it will make more sense why the traditional model isn't the most effective way to buy real estate.

The Traditional Method Explained

The majority of real estate is bought using someone else's money. This is usually a bank, mortgage broker, or some other lending institution. While the majority of home buyers in America are purchasing for the purpose of living in the property themselves, most investors take advantage of the opportunity to use someone else's money, too.

In the traditional method, financing is the *first* step of the whole process. The home buyer gets approved for a loan, uses it to buy the property, then fixes it up and rents it out. The investor puts capital in when they buy (the down payment)

and capital in when they rehab (what you pay the contractor to get it ready to rent out). Then they are done. The amount the bank allows the home buyer to borrow is based on the value of the property before any improvements are made.

If the investor did well, the home is now worth more than they paid for it, they are receiving a good return on investment (ROI), and they have a sizeable amount of equity in the property. In the traditional model, this would be considered a success, and for many years, the majority of investors stopped here.

Once the property is stabilized and rented, the investor would start saving money to buy their next property and repeat the process. This model is simple and usually requires less work. It is with this exact process I bought every one of my rentals from 2009 to 2016. It wasn't the best way to buy real estate, but it was all I knew.

The problem with this method is that while I'm adding value and creating equity through purchasing real estate, the majority of that value stays in the property. While that looks nice on a spreadsheet, there is one major problem with this—I can't use that money to buy more property. The single, most important act a real estate investor can do to grow their wealth is to add value to a property—be it through purchasing below market value or adding value through a rehab.

The problem with the traditional model is *you leave so much equity in the deal when you are done that you can't access this capital to buy the next property*, and the next property is where you always make the most money! It is through the acquisition of real estate at great prices that we create wealth, and holding that property for long periods of time that we build wealth. It is very difficult to do this when all your wealth is stuck in the last property you bought!

The BRRRR Method

So if we need money to make money, but our money gets left in the property we just bought, how do we solve this dilemma? Enter the BRRRR method. The BRRRR method works the same as the traditional method, but in a different order. That one small difference leads to a radically different result.

When an investor utilizes the BRRRR method, they start off by paying cash for the property, rather than financing it. I know for many people this can seem weird, but bear with me. There are many ways to get that cash, and many other advantages to paying cash that I will discuss later. For now, just make sure you note that money is put into the project in step one: buying the property.

Next, the investor manages the rehab portion. More money is put into the project. In real estate, investors can add value to their property in two ways.

1. They pay less than what it's worth, "buying" equity.

2. They increase the value by improving the property's condition, "forcing appreciation" or "building" equity through the rehab process.

It's important to note, in the BRRRR method, these are the *first* two things the investor does. With BRRRR you are adding value *before* you are financing anything.

After the rehab portion, the investor puts the property up for rent and immediately starts collecting cash flow. This cash flow is higher than in the traditional method in the beginning because there is not yet a mortgage on the property.

Once the property is bought, rehabbed, and rented out, *then* the investor refinances it. The amount financed is based on the value of the property after it has been fixed up (when it's higher). This differs from the traditional model where the amount financed is based on the value of the property before it is fixed up (when it's lower). This is the key fact that makes BRRRR so cost-effective. When the bank is evaluating the property to give you a loan, it's valuing a property that's fixed up and worth more with the BRRRR method. With the traditional method, the bank is evaluating the property before it's been fixed up, making it worth less.

Because so many houses are bought with financing, many people just assume you can only get a loan to buy a house, but that's not true. In *Part Five: The Refinance Process* of this book, we will talk about how lenders give loans. For now, just understand a loan can be secured by an asset at any time, not just upon purchase.

What's important to understand at this point is that ultimately, the BRRRR method gets you more of your capital out of your project because of the order in which you conduct the various stages of buying a rental. In the traditional method, you finance it first. In the BRRRR method, you finance it last. This one seemingly insignificant difference in the order in which you finance your property is the difference between someone like me buying two houses a year or buying 24 houses a year. It's insanely impactful.

Small hinges swing big doors, and BRRRR is the ultimate small hinge.

How BRRRR Increases Your ROI

The best investors use the BRRRR method for several reasons. One of the biggest is the fact it increases your ROI significantly. Increasing your ROI makes your money work more efficiently for you, and working efficiently is what BRRRR is all about.

I'm going to explain to you just how BRRRR accomplishes this, but before I

do, I'm going to explain what ROI is and how it's calculated.

ROI Defined

ROI is a metric used to describe how an investment performs. It is one of the simplest ways to compare investments, and it's used across all investment vehicles, not just real estate.

ROI is the percent of your total investment you can expect to receive in a year. If your ROI is 5 percent, you could expect to receive 5 percent of your investment back in a 12-month period. That means if you invested \$10,000, you could expect to receive a \$500 return.

ROI is one of the first metrics you need to understand in your journey of mastering finance. It is incredibly useful—and universal—because it's a language spoken by pretty much every businessperson. If you put money in a bank CD (certificate of deposit) at a 5 percent return, 5 percent would be your ROI. If you lend someone money at an 8 percent return, 8 percent would be your ROI.

When applying ROI to real estate investing, we typically are only referring to cash flow when discussing ROI. This is an important distinction because real estate is a unique investment that makes its owners money in several ways, such as appreciation, cash flow, paying down debt, etc. Note that when we talk about ROI, we are only talking about the cash flow portion of your profit, nothing else. Because it's specific to cash flow, ROI in real estate is also referred to as a “cash on cash” return.

The formula for calculating ROI is very simple. You take your yearly profit and divide it by the amount of money you've invested. We call this amount of money you've invested your “basis” because it is often made up of more than one source of capital. With investing, we spend money on the down payment, closing costs, rehab costs, holding costs, etc. The accumulation of all these expenses added up is your basis.

In order to calculate your ROI, you would take your monthly cash flow and multiply it by 12 (because there are 12 months in a year). Then divide that number by your basis and boom! You've got your ROI.

Example:

You have a property in which you've invested \$50,000 of capital.
The property cash-flows \$400 a month after expenses.

$$\$400 \times (12) = \$4,800$$

$$\$4,800 / \$50,000 = 9.6\%$$

Your ROI is 9.6 percent, meaning you would earn back 9.6 percent of your investment basis each year.

How to Increase Your ROI

Every good financial planner or businessperson is interested in increasing their ROI. Because there are two numbers included in the formula for ROI (yearly profit and investment basis), there are two methods to increase your ROI.

1. You can increase your profit
2. You can decrease your basis

Pretty simple right? Understanding these formulas makes real estate seem much more manageable.

There are several ways to increase your profit. The most basic way is to earn more (raise rent) or spend less (decreases expenses). Entire books have been written on these methods and it's important you understand them. Good investors know techniques to earn more money and spend less on their properties.

In *Part Three: The Rehab Process* of this book, I'm going to discuss some ways we can do this using the BRRRR method. However, trying to increase cash flow is a difficult proposition. Rents only go up so fast, and if you try to increase them beyond what the market can withstand you'll end up with vacancy and *less* rent. Expenses can only be dropped so much, and trying to decrease them beyond a reasonable level can leave you with less than ideal talent helping you accomplish your goals and run your property.

Once I realized this, I started looking for ways to decrease my basis as opposed to just increasing my profit. I found that to be *much* easier, and that's when I started using BRRRR the most.

The reason this worked so well is your cash flow tends to increase as rents increase. Rents only increase so fast, and sometimes not at all. This creates a restraint on your ability to pump up the profit portion of the formula and takes control away from your ability to impact your investment.

Decreasing your basis is much different. You have much, much more control over this portion of the process. BRRRR works so well because it allows you to reduce the basis by using a few simple techniques and restructuring the order in which you finance the property.

And in case you were wondering, decreasing the basis can have a BIG impact on your ROI.

Consider this: if you use the BRRRR method instead of the traditional method, and are able to decrease your basis from \$50,000 to \$20,000 (by

borrowing the \$30,000 difference), your cash flow would decrease by about \$150 a month at today's interest rates.

However, your total ROI would significantly increase.

Example:

$$\$250 \text{ (new cash flow)} \times 12 = \$3,000$$

$$\$3,000 / \$20,000 \text{ (new basis)} = 15\%$$

Your new ROI is 15 percent, up from 9.6 percent. That is a 61 percent increase in ROI by simply doing nothing but borrowing more money against your investment because you switched up the order in which you financed it.

Now, this is actually a much less dramatic sample than some of the deals I do myself. I used it to prove a point that even on a deal that isn't a killer, BRRRR can increase your ROI massively just because lowering your basis is more impactful than increasing your cash flow.

Many new investors fail to grasp this and assume they can only increase their ROI slowly, year after year, as rents tick upward. Experienced investors look for ways in which they can take more control over their investments to make them perform better.

BRRRR Gets the Most Out of Your Capital

Increasing your ROI is good, but it's really only one of many ways BRRRR makes you a better investor. In my opinion, an even better benefit of BRRRR is the fact it allows you to make your capital work harder for you, not just your ROI.

As an investor, the amount of capital you have available to you is extremely important. To me, it was worth working 90-hour weeks! Without capital, you can't buy deals. If you can't buy deals, you can't add equity to your net worth. You can't add cash flow to your passive income. You can't get repetitions in buying, rehabbing, and managing property—hurting your ability to improve. Without capital, you can't invest in other people's deals. You can't make loans. You can't flip houses. Really, you can't do much but read and talk.

Ensuring you have capital available to continue investing is of utmost importance. You can be the smartest investor in the world but if you don't have any capital to put into play, you aren't making any more money than the worst investor. While many believe in putting as much down on a property as possible (to increase cash flow by lowering the mortgage), this is a too-simple way to look at investing that doesn't consider enough of the facts.

By borrowing an extra \$30,000, we lose \$150 in cash flow (at least initially, although some of that \$150 is going toward the principal and isn't really "lost"). But what we've gained is the ability to reinvest that money for *more* cash flow than we lost by borrowing it. If we make sure the ROI we make on our money is higher than the interest rate we are paying to borrow the money, we come out on top.

For example, let's say we invest that \$30,000 at the same return we received in the last deal (15 percent). A 15 percent return on \$30,000 would be \$375 a month.

$$\$30,000 \times .15 = \$4,500$$

$$\$4,500 / 12 (\# \text{ of months in a year}) = \$375$$

Compare that to the \$150 we lost to borrow it. That's a difference of \$225 in our bank account every single month.

Would you rather have \$375 (plus another property, plus the equity you've added to it, plus the opportunity to raise rents in the future, plus the mortgage pay down from your tenant, plus the future appreciation of the property) or \$150?

In other words, why wouldn't you want to borrow money at a 4–5 percent interest rate (from the bank) when you can invest it at 15 percent, plus get all the other perks of owning investment property? Thinking from a perspective that only considers losing cash flow by borrowing more money against a property is incredibly shortsighted.

This example I'm providing is pretty modest. I often hit returns of over 70 percent on the houses I BRRRR, and that is on the *bad ones*. It's not a gimmick, it's all in the math. As you continue to read, you'll see exactly how you can do the same thing.

A 70 percent ROI isn't a bad consolation prize on a property you miss on. BRRRR allows you to make much better use of your capital than the traditional method. Once you see more examples of how this works in real life, and you realize how it allows you to capitalize on the power of the wave that real estate investing creates, I'm convinced you too will never invest any other way again.

BRRRR Increases the Velocity of Your Money

Velocity of money is a cool term used to describe how many times you can make the same source of capital work for you. The faster you send out money and recover it along with a profit, the faster you can build your wealth. I like to think of it as how many houses I can buy with the same dollar. There is a stark

difference between saving up a dollar to invest, and investing a dollar, getting it back, and investing it again. That difference amounts to *massive* savings when compounded over time.

If I buy a property that earns me a 10 percent return each year, I have to wait ten years before I can get that money back and reinvest it again. If I buy a property and pull out 100 percent of the capital I put into it, I can then immediately buy another property. There is a LOT of wave power you can make up in a ten-year period when it comes to buying real estate.

This may not seem very significant to you right now, but consider a few facts:

If I can pull out 100 percent of my cash from each BRRRR deal (an easy, round number), and buy a new property every three months (time to buy, rehab, rent, and refinance), that is four new properties a year, with the exact same capital.

Currently I average \$25,000 in equity and \$400 in cash flow on each single-family home I BRRRR. If rents increase by 5 percent a year, over five years, my cash flow is likely to have increased from \$400 to \$650 a month.

At the end of five years, *even if every property I buy never appreciates a dollar*, I will have added \$500,000 to my net worth (for example, 20 houses at \$25,000 in equity each) and \$13,000 in cash flow to my passive income (20 houses at \$650 a month each).

Even if rents didn't continue to increase, I would still have \$8,000 a month in cash flow. Compare that to one house, with \$400 a month in cash flow, and \$25,000 total added to my net worth. Can you see the huge difference between investing in rental properties using the BRRRR strategy and not?

When it comes to investing in real estate, you have two main options. Learn to BRRRR or use the traditional method. From all accounts I can see, BRRRR is better from many angles, but one of the biggest is the increase it can have on increasing the velocity of your money. Buying a good deal will grow your wealth; buying a whole bunch of them, much faster, will skyrocket your wealth!

BRRRR Increases the Efficiency of Your Investing

As you'll see in *Part Three: The Rehab Process*, using the BRRRR method can also increase the efficiency of your rehab, as well as the appraised value of your property when you're finished. In addition to that:

- Grow your properties' emergency fund faster and get better prices on the rehabs of your properties.
- Learn which types of properties will make good investments.
- Find the best agents, wholesalers, contractors, and others to work

with.

- Make a small amount of capital stretch further than you can imagine.
- Buy properties under value in markets likely to appreciate in rent.
- Create a pipeline of more deals than you can buy at one time and build out processes that take the stress out of real estate investing.
- Rehab properties efficiently, under budget, and on time while recovering large amounts of the initial capital you invested.
- And so much more!

The BRRRR method is the most efficient way to buy property, period, and that is why it's a game changer when you learn how to harness its power. It's so powerful, in fact, that I often advise newbie investors *not* to buy their first property until they've saved, found, partnered with others, or otherwise secured enough capital to buy a fixer-upper property with cash. You'll often hear me say buying your first house is so critical to your success, and it is. Buying the first property helps remove a lot of the emotional hurdles involved with undertaking a new endeavor.

However, the second house matters, too! If you can BRRRR on your first purchase, your next deal will come that much faster. If you BRRRR that one, the third will come even faster. Your learning curve will be so radically steeper, so incredibly better, that it will be worth it to take longer to get started in order to move so much faster once you begin.

A Story from My Own Life

When I first decided I wanted to try the BRRRR model, I realized I didn't have enough capital available to buy a property without financing it. Because buying properties with cash opens up doors to make massive returns, I knew this was something I needed to figure out. I considered many options including using credit cards, borrowing the money, or selling an existing property.

My ultimate solution was to find the property that was performing poorest in my portfolio, sell it, and reinvest the money in a new market. I mentioned this property in the book *Long-Distance Real Estate Investing*. It was a property in Arizona that had increased in value while rents had remained stagnant. When I sold it, it was making me about \$250 a month in cash flow and I ended up with \$65,000 after paying all the fees associated with the sale of a home.

That \$65,000 became my "seed" money to start buying in Florida. With it, I bought my first house for cash, fixed it up, and then refinanced it. I actually ended up pulling more out of the property than I had put in it (\$15,000 more). This left me with \$80,000 to invest instead of my original \$65,000. I bought

another property two months later, and continued the process.

That one property I sold in Arizona ended up turning ten properties in Florida, and counting. My cash flow on that capital increased from \$250 a month to about \$4,000 a month, and that equity has increased from about \$65,000 to \$315,000.

This doesn't take into consideration the relationships I've developed that continue to bring me deals (and make me money) to this day! By building relationships with contractors, I'm given better pricing and a higher priority in their schedules. The relationships with property managers give me reduced rates, better service, and access to deals before they hit the MLS (Multiple Listing Service). Because of my relationships with lenders, I'm given lines of credit and access to loan products that other investors can't get because of their lack of network. These relationships may just be more valuable than the actual monetary value attached to my properties.

What You Will Learn from This Book

At its core, this book is about breaking down the five elements that make up the BRRRR strategy. To reiterate:

1. Buy
2. Rehab
3. Rent
4. Refinance
5. Repeat

In each of the book's corresponding parts, I am going to show you how I've learned to master each element. Sharing the secrets, systems, and methods practiced by myself and other high-performing investors, you'll learn how to succeed at real estate investing at a much deeper level than simply analyzing properties and choosing paint colors.

In all reality, entire books on each element of BRRRR could be written. In this book, I will highlight the most important aspect of each element of BRRRR, and show you how to master it to find greater success and ease when it comes to building your own portfolios.

If you want to be great at anything, you first must choose to focus on mastering it. Simply understanding concepts won't create mastery. Being able to recite definitions won't create mastery. Memorizing idioms like "buy low, sell high," won't do anything but trick yourself into believing you know more than you really do. Mastery is more than just being able to copy a movement over and over. It's understanding why that movement works, and finding new ways to use

it in different areas of your life.

This is my goal. To help you master the art of Buying, Rehabbing, Renting, Refinancing, and ultimately Repeating the process of buying rental homes, increasing your passive income, and growing your net worth. If I do my job successfully, you too will be willing to do whatever it takes to get serious about investing and catching that wave that will carry you to financial freedom.

While I'm sure you have at minimum some interest in the power of real estate to build wealth, I want you to consider how, just like with every other investment vehicle, you can lose money in real estate, too. Real estate is a powerful vehicle, but if you want to use it to help you, not hurt you, you need to learn to master it.

There is a way to structure your investing so you won't lose money, or if you do, you can bounce back. The more you understand about what you're doing, the more likely you are to avoid mistakes and see threats to your wealth on the horizon. By learning how to master real estate investing, you will also learn how to avoid losing money.

Wildly successful real estate investor Grant Cardone raises money and buys ungodly amounts of multifamily property because he has mastered the art of finding people to believe in him and investing that money in real estate. He can captivate an audience and make them believe in themselves better than most walking this earth.

Those who do the best at their chosen vocation do so because they've mastered it. Those who swing and miss the least do so because they really understand what it is they are doing. Those who consistently win, time in and time out, do so because they have mastered their field. Don't believe when people tell you "it's a numbers game" when referring to being successful. Numbers play a role, but its skill that determines how well you'll perform.

How Learning to BRRRR Will Make You a Better Investor

Once you understand how real estate is valued, financed, and improved, you can learn to get the utmost out of each step of the process.

This will make you a better overall investor, because in the process of learning to BRRRR, you will learn how to excel at each individual stage that makes up the process. By breaking the investment cycle into five parts, we make each part a job of its own. If we win at all five stages of the investment cycle, we win big with our overall investment.

Breaking big problems down into smaller pieces is how experts approach obstacles. The best sports coaches break their game film down to watch with the players. The best business owners divide their companies into smaller parts and

put a different person in charge of each department. Mastery of the whole begins with mastery of the parts.

Because every property you buy is its own small business, it makes sense to break down the process of buying, rehabbing, and managing a property into smaller pieces so we can better master each one. Small business owners look for ways to increase their investments' efficiency at every level. As investors, we should, too.

Once you've done this successfully, you'll find that there is a synergistic quality to real estate investing that takes place at each level. Learning to buy better deals will help you get better at finding areas with stronger rents. Learning to manage your rehabs more effectively will help you develop skills that will also help you find better lenders, or get higher appraisals on your refinances.

Developing skills in one area of real estate investing will lead to improving your skills in other areas as well. When you expand your skill set as a business person, your whole business wins. There is big wealth to be made in real estate, so the reward for learning more about it is a worthy one to pursue!

Let me give you an example of how this works in real life: Say you dedicate yourself to learning to find better deals. You study lead generation techniques, you dedicate yourself to a process, and you work that process to a successful result. As a result of this process, you find that you are routinely buying deals for 50 percent of their ARV (after repair value). Big win!

You're obviously thrilled with this new level of success you've reached. You quickly realize you want to figure out just what you did to achieve this. After all, if you can figure out what you did right, you can replicate it and amplify it, leading to even bigger successes. This is exactly what good, profitable businesses do.

As you reverse engineer your own success, you realize the secret to it is your ability to speak with motivated sellers. Most of your competition is looking for the same motivated sellers you are. You're not using any techniques that are different than anyone else. Your secret is that you are the best at proposing your value to these sellers. You explain how you'll be making an all-cash offer and exactly what that means to them, and you do this better than your competition. You lay out how you won't have any contingencies to back out of the deal, and you'll be buying the house "as is."

Now, every other person chasing these same motivated sellers is saying the same thing, but you're *explaining why this matters to them*. You may not be offering the most money, but you're providing them with an opportunity to move on with their life without waiting to see if the deal is going to close. You're saving them Realtor fees, you're paying all the closing costs, and you're

allowing them to move without worrying if the deal will close.

Because you do such a good job of this, more sellers agree to sell to you. You build a great reputation for yourself as someone who closes and always keeps their word. When they talk about you to others, they say nothing but good things. You've become so great at sharing the value you bring others, they all want to work with you.

Once you've realized this is the key to your success, you look for ways to replicate this in other elements of the investment cycle. It's helping you a ton in the "buy" part, so why wouldn't it work during the "rehab" part as well? You start looking for ways to incorporate this new skill into more areas of your business, and you come up with a great idea.

Why not use this great skill to start communicating your value to the contractors working on your rehabs as well? If buying right is the most important thing you can do to make money in real estate, surely rehabbing right is the second most important. It only makes sense to apply your skills to this area next. You decide to call your contractor and give it a shot.

The next morning you call the contractor and explain that starting in six months, you plan on buying one new property every month—and you'd like to give all the business to them. You remind them you pay on time, every time, and the two of you have a great business relationship. You understand not every contractor is a great businessperson, so you take it upon yourself to explain to them just how much money they'll be making from you. You also assure them you will send them every referral you have.

After this talk, you explain that since you'll be offering so much value in the way of volume and referrals, and because you're an ideal client, you are going to expect a 15 percent decrease in the profit margin the contractor is making from you. You remind them that even with this decrease, their overall profit will be increasing dramatically and so will their ability to grow their business.

You see the light bulb flick on in their head. They are already thinking about how they can now hire more people, buy more equipment, and pay for more marketing—all because the business you bring in allows them to plan for more growth. You are going to be an instrumental part in the organization's next steps, and they are realizing just how important and valuable you really are.

With a proposition like this, of course they agree to reduce the profit they make off you. And, if you get lucky, they should be doing your projects at cost if you give them enough referrals. What an incentive for you to continue to grow your brand! You've now put yourself in a much stronger business position, improved your skill at explaining your value, and improved your bottom line.

This is how it works when you learn to master the skills that make a

successful investor. As you grow in one area, it starts to expand into other areas, and your success compounds on itself. You are now theoretically twice as successful as before, and you're only getting started! There are so many more ways you can now apply this "super power" of yours that can only help your business. With each new success, it becomes even easier to achieve the next one.

Recovering More of Your Capital Allows You to Buy More Deals

This may sound like common sense, but I'd like to share a perspective you may not have previously considered when it comes to buying more deals. Obviously more properties (as long as they're good properties) will lead to more wealth, but there's more than that. Buying more properties doesn't just provide more real estate, it also provides more practice. And that practice is what will turn you into a black belt investor.

A black belt is a rank someone achieves in martial arts. It is the highest rank possible, and symbolizes mastery over the techniques taught in that particular discipline. Every serious martial artist wants to be a black belt in their discipline. So, how does a black belt get to that level of excellence?

They practice. A lot. Black belts train for years to master the techniques taught by their teachers. They develop muscle memory, they practice the technique correctly, every time, without fail. Black belts don't cut corners, they don't settle for mediocrity, and they pay a price to achieve that level of success.

As investors, we can do the same thing. We can practice analyzing properties until we can do it with our eyes closed. We can learn how to run a rehab of a property in a way that comes in at budget and on time. We can look into what made us successful, replicate, and amplify that, over and over, until we are successful at every level of real estate.

Learning the BRRRR process will give you opportunity to do this. It will give you the ability to break each part of the investment cycle into a "technique" that can be mastered, just like a martial artist. Once you've mastered these techniques, you will be a force to be reckoned with, capable of doing major damage in the wealth building space!

How Getting More Capital Back in a Deal Will Make You a Better Investor

While learning to BRRRR will do a lot for your business, the very best reason to learn is because you get so much more capital back at the end of the deal. More capital back at the end of the deal means more capital to buy your next deal. Doing more deals means your skill grows with each one. This won't just improve one area of your business, it will improve *many* areas of your business. To name a few:

- Your systems and processes.
- Your ability to communicate with and find more talented staff.
- The speed at which you analyze a deal.
- The “hacks” you recognize to add more value to a deal.
- Your relationship with your lender and track record.
- Your ability to articulate to others what you are doing, why it works, and why they should be involved, too.
- Your ability to recognize patterns of success (where good deals come from, who gives you the best advice, etc.).
- Your ability to estimate rehab costs.
- Your ability to raise money in the future.
- Your ability to find “lead sources” where more deals are likely to come from.

You see, it’s not just that getting more money out of a deal allows you to buy more deals (although that’s great); it’s also that the more deals you buy, the more reps you get in, and the better of an investor you become. Repetition is the building block of mastery.

How Learning to BRRRR Will Supercharge Your Wealth

Let’s take a look at two different stories of investors who chose different routes. In this story, both investors made investing in real estate a top priority. Both investors were able to raise the same amount of money, and both investors bought properties that performed the exact same way. The only difference is in the way they went about building their portfolio. One used the traditional method, the other used the BRRRR method.

Investor A: Traditional Tom

Traditional Tom was a quality assurance manager at a plant in Idaho. Tom had worked in this plant for many years, and so did his father and his grandfather before him. Tom’s whole family had provided for themselves by going to high school, graduating, taking a job at the plant, and “putting in their time.” Tom found comfort in following the footsteps of those who came before him and always preferred the beaten bath.

But then Tom realized the impact real estate investing could have on his family’s future. He decided to jump in and start purchasing buy-and-hold rental properties. Tom’s plan was simple—he would work four days of overtime every month, as well as one double shift during the week.

Tom did the math and realized that at his overtime rate of \$50 an hour, he

could save \$2,000 a month purely in overtime (40 hours a month x \$50 an hour). Tom was also able to save an additional \$1,500 from his base salary, giving him a total of \$3,500 a month in savings. This would equal \$42,000 a year.

Tom studied real estate investing. He learned to analyze properties, make connections with those who could find him deals, and secure financing to buy them. Tom learned how to manage rehabs. He would typically find properties that needed carpet, paint, and sometimes appliances, and he got good at finding the materials for these rehabs on sale.

Tom also found a good property manager to manage his assets so he could spend more time working at his job. Tom's plan was simple—he would work overtime, make more money, and use that money to buy houses. He would buy these houses making down payments of 25 percent and then pay for the rehabs to get them rent ready. Tom realized he would rather use his capital to buy more properties than to fix up properties he already bought. Due to this, he purposely sought properties that only needed “light” rehabs.

Tom focused on building his cash flow. He saw all the late-night infomercials full of yachts, bikini-clad women, and Ferraris that all promised he too could have that lifestyle if he built up enough cash flow. Now, Tom knew he didn't want to party, but it sure looked appealing to be able to quit his job and go sail on a boat all year. Because Tom was looking solely for cash flow, he would look for properties with a strong ROI, immediately upon purchase. Tom focused on finding single-family houses with high rent. Tom got good at this strategy and perfected it after many years of hard work.

Tom's typical deal would look something like this:

Purchase price = \$100,000

Rehab cost = \$10,000

Closing costs = \$5,000

ARV = \$115,000

Rent = \$1,100

Down payment = \$25,000

Total investment (down payment plus rehab and closing costs) = \$40,000

Equity created (all-in cost of \$115,000 subtracted from ARV of \$115,000)

Mortgage payment (\$75,000 at 5% over 30 years) = \$403

Tax (1.25% of purchase price, \$100,000) = \$104

Insurance = \$40

Property management (8% of \$1,100 rent) = \$88

Total Expenses = \$635

Total monthly profit (not including maintenance, capex, etc. for simplicity) = \$465

ROI ($\$465 \times 12 = \$5,580 / \$40,000$) = 13.95%

As you can see, Tom was getting a very solid return on his money, nearly 14 percent in year one! Tom watched as his rent increased by about 3 percent every year. This led to seeing his cash flow grow, along with his ROI. Tom swelled with pride as he shared his story in real estate investment meetups. He was outperforming even his own projections.

As mentioned earlier, Tom was able to save \$42,000 a year through hard work and living below his means. This meant Tom was able to purchase one investment property every year. At the end of 16 years of hard work (year one was spent just saving for the first down payment), sacrifice, and delayed gratification, Tom owned 15 single-family houses.

After 15 years of seeing consistent 3 percent rent growth, Tom's houses were averaging \$1,665 a month in rent. This meant his average cash flow had increased. It was now ($\$1,665 - \$680 =$) \$985 a month! Tom's expenses rose slightly because his management fees increased along with his rent.

With an average of \$985 a month, Tom's 15 houses were bringing in \$14,775 a month, before accounting for maintenance, vacancy, and other expenses. Tom was very proud of himself and what his hard work had accomplished. Fifteen years of sacrifice had produced nearly \$15,000 in gross monthly cash flow.

Investor B: Mastery Mike

Mastery Mike was an entrepreneur who built a business buying distressed debt. Mike would find businesses that made loans to borrowers. Some of those borrowers would default on their debt, and Mike would buy the right to collect on that debt. After contacting those who had defaulted, Mike would arrange for the asset to be collected, or a new payment plan to be worked out.

Due to the fact Mike was working for himself and had no previously