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A winning formula

Darren Weeks explains how to leverage the power of other people's money



If you're a joint-venture real estate investor, chances are the majority of your deals have been leveraged alongside family and friends – people that know and trust you. After most of my own capital was tied up in my real estate assets, I was able to put together several successful deals this way. As my investors, my family and friends got very good returns through their passive ownership of my properties, which was very gratifying. As I continued to build a track record, more and more members of my inner circle began to invest through me. Eventually though, I had exhausted all of the money that I could reasonably get from the people I knew. Investing had me hooked. I absolutely loved the game and was not willing to allow any hurdle to stop me from venturing forward on my path to financial freedom. There was only one thing to do; it was time to harness the true power of other people's money (what I like to call OPM), by forming joint-venture partnerships with people I didn't even know.

I began setting up a booth at teachers' conventions as an exhibitor. I chatted with teachers about how passive real estate investment was a much better way to generate wealth than putting money in the stock market. I did OK with the teachers, but quickly realized that I might have more

success if I was marketing to people with a higher net worth. I focused on targeting the dental industry. I went to their conventions, put on "lunch and learns," and sponsored their golf tournaments. This tactic worked effectively and I was able to build up a solid investor base that allowed me to acquire some very lucrative properties. People only invest if they like and trust you. Period.

So, how can you make someone trust you enough to invest with you (aside from your charming personality and good looks, of course)? The best book I've ever read on real estate investing was *Guide to Investing* by Robert Kiyosaki. The book provides phenomenal insights on the close relationship between entrepreneurship and investing. Kiyosaki discusses how the most successful investors on the planet have all owned their own business at some point, and how the lessons learned through entrepreneurship lead to smart investment decisions down the road. If you're going to convince people you don't know to invest with you, you're going to have to transform your interest in real estate into a proper business.

In 1997, at the age of 30, I decided to develop a business plan for my joint-venture real estate company. Here are eight key tips that helped me succeed:

8 Tips for winning over investors

1 Mission

Make your mission as clear and concise as possible. Since you're trying to attract investors, be sure to mention the WIIFM (What's in it for me?) factor. Example: Our mission is to acquire clean, affordable housing that yields above-average returns for investors.

2 Team

In real estate, your team consists of lawyers, accountants, property managers, Realtors, etc. If you lack experience personally, as I did when I got into the OPM game, draw upon the collective experience of your team. If you only have six months of experience in real estate, don't mention this to potential investors. Instead, tell them how much experience your entire team

has. Example: Our team of expert lawyers, accountants, property managers and Realtors has over 60 years of experience in putting together successful joint-venture real estate opportunities.

3 Leadership

As the leader, it's incumbent upon you to identify any weaknesses you may have and take the steps to correct them. There are many leadership courses available that really helped me during the formative years of my career.

4 Cash Flow

This is the most important aspect of real estate investment. Invest in properties where positive cash flow can be achieved quickly through rental income. Flipping properties is not only risky and highly speculative, but it often means that your investors won't receive a return for years. Make sure that your investors are paid FIRST. You should only take in a profit after they have been paid. The faster you can get your investors a return, the faster you will gain their trust.

5 Communications

The first thing you need is a professional website and brand. DO NOT CHEAP OUT ON THIS! Shop around for the best professional writer and graphic designer you can find and add them to your team. An investor has entrusted you with their money and they certainly deserve to be kept "in the loop" about all the things that may affect their investment. I recommend sending

out an "Investor Update" document every six months or so, in addition to a monthly e-zine to ensure that your company stays front of mind. Always make yourself available to your investors as well. Be open to meeting with them, chatting on the phone, or even holding events where you can address many of them at once. I took an incredible course through Sandler Training in the late 1990s that virtually eliminated the discomfort I had about public speaking.

6 Systems

As I've mentioned in past articles, property management plays a vital role in the success of any property. Find a property manager with a proven track record. Don't judge a property manager on the appearance of their buildings alone – judge based on whether their properties make money or not. It's also crucial to have a system for financial reporting in place to keep investors apprised of the status of their investment. I recommend formal semi-annual reporting, but you should also make room in your schedule for more informal reporting such as meetings and telephone calls.

7 Legal

Always ensure you are compliant! Much like you shouldn't cheap out on your communication tools, you shouldn't cheap out on lawyers either. Make sure your lawyer knows all the rules and regulations in your market and that you and your investors have separate council. Your lawyer will

structure the property investment as per the negotiations of all parties (you and your investors). Your lawyer should not only have a lot of experience with joint-venture real estate, he/she should also own an investment property of their own. This allows them the benefit of personal experience with any hiccups that could arise along the way.

8 Product

Believe it or not, this is what you should emphasize the least. If you've ever seen CBC's *The Dragons' Den*, you know what I mean. Anyone can come up with a great idea or product, but that's only the beginning. Sadly, many entrepreneurs view this as the finish line, including real estate investors. NEVER include pictures of properties in a business plan in the hopes that this will be enough to entice investors. Investors don't care about the early Victorian architecture of a property you may buy, or your plans to Feng Shui its living room. Their biggest concern is the bottom line. Will they make money by investing in your properties or not? In a passive investment, you (the professional investor) have all the motivation in the world to invest in a good property; otherwise you won't make any money. 🏠

Darren Weeks is the Founder of The Fast Track Group based in St. Albert, Alberta. The company helps Canadians build financial literacy, increase their financial well-being and move forward on the fast track to financial freedom.

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