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**Narrator:**You're listening to the Millionaires Unveiled Podcast, where you'll hear the stories and interviews of everyday millionaires. We'll unveil their decisions, their strategies, and their current portfolio allocation. Now to your hosts, Clark Sheffield and Jace Mattinson.

**Jace:**Welcome back to another episode of the Millionaires Unveiled Podcast, this is episode number 141. Clark, how's it going? What's going on your world?

**Clark:** Good, how are you? Nothing much. I mean, I guess, yesterday, right or two days ago, we interviewed Chris Hogan again, so Chris was on the show a year and a half ago or so right, January of 19, I believe.

**Jace:** Yeah.

**Clark:** So, anyway, we'll have a guest interview with him coming up, it was pretty interesting, shorter episode, right about half hour or so but he's given away three copies of his books two Everyday Millionaire copies and one Retire Inspired. So, we'll probably launch that interview in the next little bit, so look out for that giveaway and an interesting interview where we asked him specifically about debt and real estate, right. If you listen to Dave Ramsey, you know, obviously he's against debt and if you buy property, he says to do so in cash. So, we asked him about that and also his buckets of mutual funds, the growth, aggressive growth, growth and income and international so we asked him about international under performing in the last few years and his take there. So, I think that'll be pretty interesting guest interview coming up but everything else going pretty, good. What about you?

**Jace:** Not a lot, just getting ready, it's my wife's birthday today actually so we're going out to celebrate that and you know got a few 4th of July festivities hopefully, that plan out, we'll see how that goes.

**Clark:** You guys get a sitter or are you taking the kids with you?

**Jace:**No, we got to sitter for the first time since COVID started that we're getting a sitter, so it's been four months since we've had just the two of us.

**Clark:** A little get away, nice, good for you guys. Something else I guess that popped up, just another interview here to, review, excuse me, an iTunes review to highlight, this one's from, I like this name Fight-fire-with-fire, "must listen, since finding the show, it has become one of my favorite financial podcasts. The broad scope of guests is amazing, from janitors, to teachers to real estate investors to CEOs, you always get a different perspective. I'll be a lifetime listener, keep bringing great content, thanks for the content". So, pretty cool. Thanks for writing in and leaving a review, appreciate that. It helps us grow the show and find new people So, thanks to Fight-fire-with-fire for doing that just a couple days ago here.

**Jace:**So we had a guest write in asking about the difference between millionaires that we interview that have net worth between one and let's just say four and those that have a net worth of five, and over specifically five to ten million, we haven't had a ton over the $10 million mark. But nonetheless, Clark and I were talking a little bit about the show, and this is something that we've got some resources and stuff coming out on our new website. We also have several podcasts interviews that we've done around this subject, and it's something that we've spent a lot of time discussing and thinking about and talking about. And one of the biggest things that we've realized is really mindset for those that are trying to get to that five plus mark. We've had a ton of millionaires come on, that are between one and five and say, hey, you know, I really wanted to get two, I really want to get to three or even just one, that was going provide enough income for me to retire and do whatever I wanted. Those that have hit five plus have really been very intentional, one about getting there but two, really have that mindset drive, goal setting was a big part of getting to that point, as well as making the little goals along the way to get there for whatever reason.

**Clark:**Yeah, I think it's just a different I don't think one's right or wrong, right, to each their own. But I think you can notice on ours; I think we've probably, how many Jace, over, let's call it 5, 6,000,000, 10 or something, maybe, 15 that are over that. But you can tell listening to them the mindset and certainly episode 100 on David, where he's worth 100 million, which is a great episode, if you haven't heard that, go check it out. But the mindset shift starts to change and for them, it becomes a little bit more of a game, in a sense, right of, hey, can I win, and can I keep growing it? Whereas, you know, people that are under five, it's more, it's very intentional, right? I think we would say that all of our millionaires are very intentional because I don't think you can get there without being intentional. But the ones that are over 5, 6, 7 are much more intention on saying, hey, I'm going to grow this, I'm going to push this, what can I do, right? Here are my goals to do this and do that. Whereas, anyway, so it's an interesting question that the listener wrote in and again, we did an interview, Jace, two weeks ago right on the Earn and Invest Podcast, with Doc G's, a doctor that we've had on the show earlier, and we have another interview with him coming up. So, we might release that episode on our show as well, just because we think it's helped us talk through, hey, what have we learned from interviewing, we've probably done 150 millionaires or so just because we have some in the pipeline. And so, the things that have surprised us, right, I think one thing that has surprised us is, most of the millionaires are several, a higher percentage of the millionaires we've interviewed had not paid down their home mortgage right or not paid it off, even if they could, they've been okay with having a loan. So, on that interview or episode rather, we discuss some of those things but agree with Jace, right, I think mindset starts to shift, intentionality starts to heighten a little bit when the net worth crosses 6 million or so.

**Jace:**Yeah, I think too, you know, we discussed some of the things that change at that level of wealth. And one thing that that we've seen, and we've heard a lot of these millionaires talk about and even have mentioned to us, that really, they believe that you can have a very, very, very good life in that 5 to 10 range, and everything that they do above that $10 million range for them and their ,you know, whatever they're doing, I don't think many of them have really picked up, you know, extra lifestyle things. Maybe they bought a second home in a couple of cases or even a third in a couple different cases but they haven't really scaled that lifestyle to that, you know, quote unquote rich and famous that we see where they're buying, you know, lavish sports cars all the time and going on these crazy expensive vacations. Don't get me wrong, they definitely go after some nice things, but it's not to the point where, you know, the person is, you know, in 5 million can't have that kind of lifestyle. They don't scale the buying the, you know, the multi-million-dollar mansions that are worth $20 million, even though you know, worth 100 kind of thing, for example.

**Clark:**Yeah, totally agree.

**Jace:** So, in last week's episode we had John. John works as an airline pilot and has a current net worth of 2.2 million. He has about 750,000 in real estate, over 1 million in cash and investments including his retirement accounts in 529. He's 49 years old and had a net worth of just $57,000 in 2003 when he was 32 years old. So, you go check out that episode if you're interested in that. On today's show, we have Alex, Alex is a millennial with a net worth of $500,000. He's a real estate investor. He owns several units, mixed between single and multifamily. Most of his net worth is in real estate, he's got about 100,000 in cash and a few ETFs and he goes into a long discussion about how important it is to have cash especially as a real estate investor. He admits he was a train wreck up until about 31 years old financially and he decided to turn around because he was tired of being broke. So, without further ado, let's get into the interview with Alex. Alex, do you want to just give us a little about your background and kind of what you're up to now?

**Alex:** Yeah, I am a real estate investor in 08:28 [inaudible], North Carolina. I started buying rental real estate in 2014, single family homes. I did that for a while and then until the 19, I bought a small multifamily apartment building. I found real estate to be a great way to create wealth, create cash flow and provides me a lot of personal freedom. I love it.

**Jace:** Awesome. And what's your net worth today?

**Alex:** Just under half a million.

**Jace:**And is that all real estate?

**Alex:**That is almost all real estate, probably, I have probably 25% of that is in cash equities and things like that, yeah.

**Jace:** Cool and the equities, is that invested in the market or is that just straight cash you keep a bank account, ready for to strike for a deal?

**Alex:**Half, about half, probably, yeah, somewhere in there. I have mostly just ETF, SPOI in equities. I do sit on cash because you have to have cash in real estate, you have to have cash in real estate, for months like this, when the whole world gets told, you know, you can't evict tenants for a month and we don't know how long it's going to go and job losses. So, with real estate, it's, I don't know how equity traders do it where it's like sitting in cash doesn't do you much good. But with real estate you unfortunately, it's unsure, there's no metric for the correct amount of buffer of cash that you need versus how much debt you have, but you probably always be more than you think. So, I'm always sitting there with cash, not at work, frustrated, but then, you know, weeks like today, weeks like this last week, I get really excited that I'm like yeah, that's, I'm probably going to need some of that.

**Jace:**Totally, and I want it to talk about that a little bit, especially because you're so young and you've kind of learned that lesson already. But the money that you've got invested in equities, has it always been like that or is that something you just kind of put in there, in the last couple of years?

**Alex:** No, I was a financial train wreck until I was about 31. And by train wreck, I mean, you know, like most people, had a cool car, all debt, no money, and had no idea that that's not a good plan for success. So, I started with equities because real estate is a high barrier to entry in many ways. Obviously, you can go on to a digital brokerage and just buy some stocks. But buying a real estate transaction is quite a bit more difficult. So, I started with equities, and for me, real estate, you know, people will give it a lot of words like oh, you have more control or this and that and I don't buy any of that, I think real estate can be just a little more fun. But I think both are incredibly important. I'd like to do more equities going forward because I know that there's going to be massive opportunity. So, some of it is just, like 2014 when I started, real estate was highly underpriced, interest rates were depressed and so you could get a lot of property cheap and you could put cheap debt on it. And so, it really pumped up that return on investment for those. But now, I think over the next six months, equities are going to be where the deal is and that's probably what I want to focus most on.

**Jace:**Yeah, when did you start investing in equities? Was that like in your early 20s?

**Alex:** No, in my early 20s, all I do is buy on credit cards, dude. Well, it's my late 20s, I'm a late bloomer in this. I've actually, I'm proud of how well I've done in a few short years. No, I started buying equities, like, I was really scared of it. You know, I started with like, 1000 bucks, hey, let's just put this into, like I said, SPOI and see what it does. And some of it for me was just, oh man, well, mostly just boring, oh, look, it didn't move, nice. You know, and then you go by a year, you're like, wow, I really, I think I started buying equities and I know you asked me that, it's like 2011, 2012 somewhere in there, right? And so, right around then the market was gangbusters. Like dude, all you got to do is stick this in here and it makes, it's not life changing but you see it, right if you can extrapolate at all so this thing really works and so then I start putting money into that but then I needed something bigger because I needed cash flow. For me, for my situation, you know my personal situation, I had a boss that I hated, I needed some flexibility in my life, so for me I had to have cash flow even a few hundred bucks. So, equities didn't solve the big problem that I had, the immediate problem which was I need, you know, how can I get 1000 bucks in my pocket every month, mailbox money, so I get some breathing room from a tyrant boss that I had to get rid of.

**Jace:** What were you doing for work at that time?

**Alex:**Selling cars.

**Jace:**Selling cars, at a used car dealership or new car dealership or?

**Alex:** A new car dealership, a BMW dealership.

**Jace:** And is that what you were driving too?

**Alex:**I was driving a Volkswagen, GTI, I loved it. I had no business buying it. Well, it wasn't that, it's like, you know, so many people, I was making six figures and I had a $30,000 car which isn't that bad, but you know, I had 1200 bucks in my checking account and that was it, that's not a good position to be in, that's how a lot of people live.

**Clark:**Totally, totally. And did you start selling cars like right out of high school or college or?

**Alex:** I was in the army, so when I got out of army, I didn't know what to do. All I knew is, I didn't want that anymore. And so, I stumbled into car sales, because, you know, I'm just so charming. And so, I figured, it would work. And you know, you're 27, I was like, dude, I just need beer money. I don't, I'm not trying to, I didn't think a thing about a career, I was very short sighted. And so, look, I'm not ashamed to admit it, I think that's how most people act, right. And so, then after a while, I turned 30 and I'm like, wow, well, this is not a long-term sustainable plan, so I needed something. So, I started investing equities, because it's just so accessible, right and everybody knows it, look, the stock market goes up, you make some money. So, I got into it that way. I only got into real estate a little later, when, again, it was like I needed something else that suited my personal lifestyle, more than just, you know, building wealth sounds good but what does that, how does that serve you right now? Sometimes it doesn't need to, I think, some people just go to work, accumulate your equities, in a few years, you retire, but me, I had to get out immediately. So, it turned me towards real estate because I just didn't have, like I said, I needed income.

**Clark:**Yeah, no, I appreciate your honesty and openness. Thank you. So, when did it, I want to get into all this real estate because I know you own about nine properties, right?

**Alex:**Yeah, eight single families and we bought a 24-unit apartment building, which is cool.

**Clark:**Okay, cool. So, I want to get into all that. But first, how did it shift? It was partly the job, right? You said I got to get mailbox money, I got to get away from this boss, part of it was that you turn 30 or you were approaching 30, was there a single instance or a conversation you had or a book you read or something you heard or anything else and then how did you come to real estate?

**Alex:** Well, wasn't anything super particular, it's more like I was making poor financial decisions and they started coming to a head, right where it's like, oh, I need money now. And I'm, you know, after a while, I just get sick of being broke. That's why my website is called Broke Is A Choice because it was like, dude, I'm broke all the time, living week to week like so many people. And it was only because I was making lousy decisions. That's it and so you get sick of it, it's like the one day you start going to gym every day, like I'm just sick of looking this way. You know, you just get sick. I'm more, mad than I am complacent at one point.

**Clark:**Yeah, like Dave Ramsey calls it like the "I've had it" moment right, of being in debt.

**Alex:**Yeah, the phoenix moment. So, but yeah, same exact thing. So okay, we got to cut this. And so, I just went into no-chill mode and I was like, dude, sell everything that doesn't make money and drive a crappy car, like a peasant.  And then I went back to school and I got my finance degree, be around money, and then I'll freaking have some money. It didn't quite work that way because people who teach finance and business in college are like academics, you know, like that's, don't--.

**[Crosstalk]**

**Alex:** -- life from somebody who hasn't done it, they just learned it from a book and now they're teaching you, get out of here. 16:00 [inaudible] and then I went to banking and then I found out there's people in banking all day long that are broke, week to week, they don't know anything about money either, but it helped, it helped a little bit. And it's allowed me to start getting it. So, around the same time that I was finished with my degree, I was like, the equities are fine, but I need something, you know, saving up cash and I was like, I need somewhere to parlay this, and I looked at my opportunities, I was like, man, I really don't want to start another business because then I'm tied to another job. And it's just, the boss I hate because myself, fine for many people, just wasn't good for me. I didn't have anything to sell. I didn't have a service. I'm like, dude, I don't want to force it, right? It has to fit my personality. I don't want to force it. And so, I said, what can I do? Get this, I said, what can I do that's tried and true and always works? I didn't want a get rich quick scheme. I wanted to be mostly passive, I didn't want to have to create a job for myself. I didn't have a lot of money, so I had to use debt, right? It's like, how do you, there's no business and I wanted to have cash flow so that I can like stop being worried about going to work immediately. And it's like what serves all those boxes, like the correct answer should be nothing. Nothing should allow you to make cash flow, tried and true with, if you have no money or very little and passes very little work, and it's passive and so but real estate, 2014, man actually before that but 2014, I was like, you know I bought a property for $55,000, I moved in it a year later it and appraise for like 70 grand more than I paid and it cash flows and we pulled all the equity out and moved out so I have nothing in the deal. I have a ton of equity; it makes me money. I was like dude; this is so easy. And then I bought seven more in the last three years, four years.

**Clark:**So, you keep saying we when you refer to these properties, who do you buy them, a partner or multiple partners?

**Alex:**All the single families are my own, I just say we because, it just sounds bigger. No, I mean, look, it takes a team to get these done, you know a real estate transaction, you need two brokers, you need a buyer, seller, a title attorney, an appraiser, a lender, like it takes 10 people to get one of those deals done. So, I always say we because whenever I think about it, it's like, it's me and a bunch of people getting this done. There's nothing I could do by myself.

**Clark:**Right, right. No, it's good. Let's go into this first one and maybe spend the most time there because I think that's probably the hardest and takes the longest, right and the other one soon follows. So, how did you find this one? How did you know where to look? Where did you look? Did you get in contact with a broker? Did you look online? Maybe walk us through this first deal?

**Alex:**Yeah, so I started, I was listening. I don't remember how it came about. But I had that idea, okay, real estate and then I was listening to real estate podcasts and I started going to MLS and looking and again, like timing really matters here because I don't want to give bad advice to the next person who listens to this and just goes on the MLS, the realty service and starts looking at deals, thinking that they're going to replicate this because this was 2014. 2014, I go on the MLS and I find a deal that's like, it was moving ready on foreclosure on the MLS for 55-grand, something like that. And so, I went to them, I looked at the house, the house is like 1800 square foot, it was in good shape. So, I was able to move in with an FHA loan, which basically means, I came out of pocket with three-grand for a $55,000 house. So, I lived in it,18 months later, we ended up refinancing it. It was worth 115, I pulled out 20-grand, I lowered my rate, I took the PMI off. So, like I pulled out 27-grand in cash and kept my payments the same. And I was like, dude, let's do this again. So, look it takes a little time, 2016 is when I bought the next one and that's when I started, that one I turned into a rental right away.

**Clark:**So, you pulled out you pulled the money out of that first one and then you stayed living in it, though?

**Alex:** Yeah.

**Clark:**And you rent out rooms, did you rent out, it was just one single family home, right Did you rent anything out?

**Alex:** I didn't rent anything out. I kind of just, I lived in it knowing that it would be a rental later.

**Clark:**And then you said let's do it again, PMI, for anybody that doesn't know, private mortgage insurance, if you put down less than 20%, you pay that above it right until you get to the 20% in equity. So, the second deal now you said, okay, I did that once, let’s do it again.

**Alex:** Yeah, but I wanted it to be rental.

**Clark:** Right.

**[Crosstalk]**

**Alex:** So, I go online, I found a deal for like, I forget the exact numbers but call it, like 45-grand. And so, what we did that time because I've been saving, saving, saving, saving, saving, so for like five years now, I'm driving that crappy car. So, what I did that time was I paid cash for the house, 45 and then I put like 30 into it, maybe less than that, I think I own the whole house for like 65, 68.

**Clark:** So, you were working at the car dealership during this time?

**Alex:**Working at the bank.

**Clark:** Oh, working at the bank.

**Alex:**Yeah, W2, I had to have a W2, I knew that, to get all the good financing, because I wanted to get 30 year, it works good with a 30 year financing, they're all like four and a quarter percent.

**Clark:**So, what condition are these houses in? When someone hears $45,000, they don't think of much probably, right? Is that how it was because the prices were so cheap?

**Alex:**Yeah, part of it was, look, again, the Great Recession left millions of foreclosures on the market. So, some of it is, the banks were unloading foreclosures and they're just, you're going to get rid of them. Some of it is, yeah, they're in bad condition and they need work. The first one I got lucky, that we were able to move in but the second, all the other deals that I bought, no chance you could move in. And so, when you get financing, see this is where the strategy changes because like, you can't get financing at the time of purchase for dilapidated houses. Nobody's going to give you an FHA loan for a house that you don't live in. And nobody's going to give you a conventional loan for a house that you don't live in, that's in shambles. So, what you do is, you buy it with cash, you fix it up with cash and then you refinance once there's a tenant in it, then you can get the good financing. And so, that was our strategy, buy it with cash, rehab it with cash, then pull the equity out on the backside.

**Clark:**So, talk us through that, who's doing the work? Are you just finding contractors and then on average, maybe how much are you putting into it?

**Alex:**So, the first one, the one I lived in, I kind of did it myself. The second one I had a guy do it, who was a regular contract you found, you know, just somebody I found online. He showed up, give me a bid, it was a little high, ended up not being a great working relationship. Contractors are the hardest part of this business, man, by a longshot. You live and die by your contractors. And so, then by the time I did the next one, I had found an old army buddy who started doing rehabs and property management full time. So, he ended up taking all my deals from then on, and they're all about the same. We try to be all in for 65-grand and we want it to worth 95 or 100 when they're done so we create 25% equity. So, when I go get the debt, I actually have nothing in any of my deals, they're all pure profit, I have no money in any of my deal. And I have 25% equity in all of them, it's not like I'm not high on debt, I just create the equity in the time of the value and the time of purchase because I purchased them so cheap, and then we put the debt on afterwards, at 75% loan to value, pull all my cash back out, leave the equity, leave the cash flow, and I have all my cash in pockets, pretty neat system.

**Clark:**So, buy for 45, put 15 to 20, and then levered up and at 75% LTV and then rent it out?

**Alex:**Yeah.

**Clark:** And is this like, two-bed, three-bed, one-bath?

**Alex:** These are mostly three-twos, I own a couple of four-twos. Yeah and so some will rent for, some of those properties that are rent, that we own for 65-grand, they rent for 950, which is pretty good.

**Clark:**Yeah. So, walk us through, so they all the seven houses, eight houses, right?

**Alex:**Eight single families.

**Clark:**Do you live in one of them right now?

**Alex:** Right now, I do actually, yeah.

**Clark:** So, you rent out seven single families plus the multifamily property? And are they all pretty close to you or do you buy in the same area or different areas, farthest one away or right around the same area?

**Alex:** Yeah, they're all real close. Because, you know, I don't let my property manager driving all over town, trying to keep consolidated, if we can, make his life easy. If his life is easy, my life is easy.

**Clark:**So, you have a property manager for them all?

**Alex:**Yeah, all of them.

**Clark:**Gotcha. And then how much do they, I guess in total or you can break them out either way, whichever is easiest for you, the eight houses, I guess seven that you rent out, what do they cash flow?

**Alex:**Cash flow is funny, depends on how you look at it. If you go to my schedule E, on ike tax returns, it would be $250 per door, per property per month.

**Clark:**250 per door, per property a month.

**Alex:**Yeah, that's about it. That's about what will come out in my tax returns, I think after depreciation so it's a little bit-- No, yeah, before depreciation--.

**[Crosstalk]**

**Clark:** So, after the mortgage payment, they cashflow about 250?

**Alex:**Yeah. Which is pretty good, I think?

**Clark:**Yeah. And what's been, I know, I mean, you probably have some neat stories, right? Because you spent so much time rehabbing it, any nightmares, any, does that what's--?

**Alex:**Dude, I bought all those properties, the other whatever, six long distance, so I never saw any of these properties. In fact, some of them, I bought without my contractor seeing them. Sometimes I called him up and I said, hey, I bought this house, already closed on it, I know you haven't seen it, we need to rehab it and get it rented. He doesn't let me do that anymore. But yeah, we bought a house that had literally growth coming through the walls, like not even the window, like just growing through the walls yet, that's ambitious. I bought that property for like 31, we put 35 into it was worth, it was 105. I mean, we killed it. And I never saw it.

**Clark:** So, 30, go ahead, go ahead, sorry, I didn't mean to cut you off.

**Alex:**I was going to say, in fact, there's two houses and I moved back here about three months ago. There’re two houses in town that I've still never seen that I bought long distance.

**Clark:**Wow and spent $35,000 renovating them.

**Alex:** Yeah, they're in town, they're right up the street, I just haven't been there yet.

**Jace:**Not even a drive by and say thanks?

**Alex:**There's two of them I still haven't seen, yeah.

**Jace:** That's pretty wild, right.

**Alex:**But look, it's the, you know, people say like real estate's really passive, certainly not as passive as the equities market. But I think, if you design the system in a way that, like I've designed my system, from the very start and everybody knows, like I don't want to have to come here to deal with this. And so, that builds into how I hire people and how I talk to them and how I make sure that I don't do certain things. It's like, no, going to have it, it has to be passive for me.

**Jace:**How did you end up finding your contractor?

**Alex:**It's complicated, man. Like no good contractor is going to deal with you when you're new. They're just not because why would good contractors deal with somebody new, the good contractors deal with somebody who's already good. So, some of the processes like just getting good enough to attract somebody who's going to show up and, do the right thing and some of it is, you know, you get better. How do I say it? People will gravitate towards those who do good work. Like, if you do good work, you show up, you pay on time, you're easy to deal with then that guy's like, hey, when's the next job? And then you get a little bit better relationship. The other thing is, I send my contractor so much business. My goal is not to make my contractor work for me, my job is to send so much business  to my contractor that he's overloaded with work, then he's like, I can't turn down Alex, he makes me too much money. That's how I build relationships. I make other people so much money that they can't turn my 27:00 [inaudible] down.

**Jace:**So, when did you end up leaving your job in banking?

**Alex:** November I quit. I was bored. I was bored, I wanted to sell my house in Las Vegas and I knew the market was hot and I knew the market was, so six months ago, yeah, I traded about 20% of my equities, or I bought some gold ETFs, which haven't done that good but it's better than owning stocks. So, I bought some gold ETFs and I sold my house in Las Vegas, knowing that the markets were overheated. I didn't expect this, but I think everybody expected something. So, I sold the house in Las Vegas, yeah, I sold the house Las Vegas, I got a little bored, here, I said, you know, let me work on the business for a few months, we decided to start flipping houses and we're going to try to make a YouTube show out of it. And so, we started that, we're in the middle of selling the first flip now and the world is ending so wish me luck. And I don't know I'll probably end up going back and banking here before too long. But who knows?

**Jace:**Where do you kind of go from here, is there some point where you want to quit doing banking or having a W2 job or is it really just come down to how much passive you can generate out of your real estate to get there?

**Alex:** You know, for me again, it's like, what suits my lifestyle more than the money? The money, with real estate, I don't need that much money. I like books, right? My life doesn't cost anything. So, like a little money for me goes a long way. So, for me, it's more like, I have enough that I don't have to go to work. Well, now I have a problem of incredible boredom, which is, I mean, it's a good problem to have, I know a lot of people probably get frustrated that when I say that, they're like, his problem is boredom, come on. But it's a real problem, right? And I like people, so for me, like not having somewhere to go and hanging out with people all day is a actual bigger problem than not having enough money. So, I may go back to banking to find a job that needs somebody to solve a specific challenge. Like, I really like doing small business loans, that's what I did in Las Vegas, small business underwriting or risk analysis. So, I really liked that. So, if I could find a job that's like, hey, I like that challenge, I would go back and work just to keep myself busy. Plus, you know, people get work, myself, when I say people, I mean me, I give work a real bad rep, like W2 incomes wage slavery, like I'm not a big fan of it but people have to have something to do and it's good to work in groups just as much as good to work on your own thing, I think. For me, my job, my real estate I can work on, it's just mine, I can go off and work on that and sink myself into it but then if I go to a day job, it's like, you know, you can be part of a team working on some other project, it might not be yours, but those two different ,you know, approaches they give you a big flexibility in what you're doing.

**Jace:**Yeah, I think you bring up something interesting. a lot of people, especially who we interviewed on the podcast that are trying to pursue, you know FIRE, have this idea out there that hey, like I want to get to a point, get passive income and retire but a lot of them we've heard that have done that and actually successfully quote unquote retired have brought up the issue that you just brought up and being bored and not really having purpose and like things to do, and figuring out like okay, like I got all these hours in the day, now, what the heck do I do? Like even if I have my investments, it only three hours a day.

**Alex:**Yeah, it's a real problem. And so, well, I certainly don't know how to solve it. I mean, it's a new problem, it's a good problem to have but it's certainly something we have to address. What I've tried to do is create, like I said, we're trying to make a YouTube show out of this, out of flipping. So, what I ended up starting to do this year is, I went to flipping because it's like, you know, I don't really like that as an asset class or as a business model but I have all the resources in place to flip houses because I do these rehabs anyway. And then I have my camera, I don't know, I'm a photographer by hobby. And so, I was like, man, we could put this, we could give myself something to do because it's an active job, I can flip these houses and we put it on YouTube, and it kind of gives me like, turns my hobby into a day job, keeps me busy more than anything, and it's profitable. So, that's kind of where I'm at now where it's like, I need to create a job for myself that keeps me busy.

**[Crosstalk]**

**Alex:**Yeah, theoretically, probably not, but maybe go somewhere at least just be distracted. And then, we're going to continue to buy a bigger multifamily on the side. So, those are a little challenging and fun.

**Clark:**Yeah. So, this multifamily, I want to jump back to it just because I know we kind of skipped over it, how come you decided to kind of go away from your core of single families and you just find a good deal or why multi?

**Alex:**The answer to every business problem is scale? I mean, that's really it, single families are fun, but the transaction isn't that much more difficult. I shouldn't say it's so cavalier. The transactions aren't that much more difficult to buy 24 units than it is to buy one unit. But the efficiency and income go way up. And in fact, 24 is not nearly big enough to get the efficiencies. So, sometimes, it's just a fun challenge, right? Like nobody, like you said, people want to retire, but they don't want to be done. And so, I want to retire but I don't want to be done. And so, buying 24 unit, we could go get a few more singles, I could do that. But it's not as hard. It's hard to get 24 and buying a 50 is harder than buying a 24. So, I think we're going to continue to scale those up, just because they're highly efficient, they require a bunch of new skill sets, at least for me and keeps me busy.

**Clark:** So, let's talk about that one, that's by where you're at now. And how'd you find that one, same thing?

**Alex:**local broker, no, commercial and MLS, not a good fit, you got to know brokers, in my experience, my limited experience, you got to know brokers for multifamily, because they're going to bring the deals before they hit the market. Once they hit the market, once they're on loop net, I mean, everybody else already got them.

**Clark:**Right, yeah. So how, how much was that?

**Alex:** 1 million.

**Clark:** And you put 200 in?

**Alex:** We put 280, it cost us 280,000 equity to own the deal, yeah. Until we raised that, between me and four other people that I met on the internet, if you can believe it, and we--

**Clark:**Where? Where'd you meet them on the internet, like BiggerPockets.

**Alex:** So, I hosted a small meetup in Las Vegas on Sunday mornings at 8am. And, surprisingly, people would show up. So, one of my partners heard me on the BP podcast and then came out and we end up doing business. One of them, on my website, you can video chat me for free, that's not a solicitation, it's like a thing, I just like to meet new people, so on Thursday nights, I'm booked with video chats with strangers. So, people hit me up, lots of stuff. So we ended up doing it, meet a guy, did a deal and local fable on a single family and then one day he emails me, he's like, I just loved how you helped me with this deal, how do we look at this one, and he had been talking to broker about that deal. He was, technically I have all the money. So, we can just do it, you and me if we want, we can raise, bring in other money if we want to try it. And so, we ended up putting it online and getting accepted. And we ended up raising outside money because I didn't want to, well, I wanted the opportunity to make other investors money so that when I need more, they will give it to me.

**Clark:**So, what's the arrangement there? Do they kind of help fund the money and you find the deal or you kind of put in initially?

**Alex:**Yeah, we kept it super simple for the sake of, I didn't everybody who's in this deal doesn't really need the money out of it, it was more like hey, let's all practice this and learn it together. So, we basically did an incredibly simple, whatever money you put in is how much return you get or how much of the percentage of all the returns you get. So, and it's pretty close to, it's not exactly but it's pretty close to 20% across the board.

**Clark:** Gotcha, your contribution percentages is your ownership percentage in the deal.

**Alex:**Exactly, very simple. I didn't take anything extra for running the deal so I'm being very charitable, but again, like people took a, it's my first one, my first big one, so people took a risk on me and I said, I'll run the deal for free, and we'll all kind of be in it together. So, that was the arrangement.

**Clark:**So, lots of different directions you can kind of take a multifamily, right, you can either buy it just for cash flow, you can buy it and fix it up like you did with the single families or you can just, you can buy it and increase the rents. So, what were class is it, first of all, and then maybe what was the strategy there, was it to put in three $5,000 in each unit or did it just cash flow well already and didn't need to be improved?

**Alex:** It was slightly, the deal is incredibly uninspiring unfortunately or it's just not a good story I should say. It's like the deal was sitting there, it was mostly occupied, the guy before it, mismanaged it, undermanaged it. I don't want to be 34:59 [inaudible]. It's more like he, we saw an opportunity to raise rents and run it a little more efficiently and a lot of it was just like, you know, the first real estate deal. It's like your first, I don't know, it's not a good analogy to compare to stocks but your first real estate deal is like, dude, just get in there and see if you can do it. Like your real estate deal is, usually your worst and so when this multifamily, it was like, let's just see if we can get in there and do it. It wasn't, you know, trying to knock it out of the park. It was five guys going, oh, this is scary, can we do it? Yeah, we can do it, we can make money. So, we plan to raise rents, we improve the place a little bit, we're going to increase the efficiency of the management. Over the first six to eight months now, we've stabilized that very well, it's starting to really kick off some cash flow so that's it, it's a cash flow deal and we're hoping that we're increase the NOI and sell it in five years for producing a substantial increase, but unfortunately, it wasn't like, it's a C class property, there one-ones, which I won't do again, I should have bought two-ones, but you know 36:01 [inaudible].

**Clark:**So, what are, I'm just kind of trying to think, getting an idea, one bedroom in that area, what, 700 bucks or something?

**Alex:**So yeah, less than that, yeah, 600 bucks is where we need to be at.

**[Crosstalk]**

**Alex:**Some of the rents were like, dude, some of the rents of 500, some of them were below.

**Clark:**Do you have to put money in them to get it up to 600 or?

**Alex:** Yeah, so yeah, again, because we have the contract company, like we just went in there and like little ways, you know, hey, look, painting the floors go a long way. You know, you go in there, paint the floors, and it's like, if this was rented for 500 now, it's 600 all day long. You can't get the, --. It's hard to get $600 tenants in there next to $500 tenants because they talk. So, it's a matter of just slowly and surely getting out the bad apples and getting in--. And that's just the process. Some people do it all at once, they go in there, they terminate all the leases that are under and they go vacant, then they do all the rehab, then they start over, some people, but that wasn't our model. Our model was just, get in there, get this thing cash flowing and slowly but surely return it. We have no timeframe. It was more like, like I said, just for practice.

**Clark:** Gotcha, good for you, man. You guys are crushing it. It's awesome.

**Alex:**It's going well, I'm very--. The first six months, it was a little, you know, you get some struggles because you're learning, stabilization, you have, you find out how much delayed maintenance, deferred maintenance you have. You're like, there should have been a lot more done. So, the first few months were a little 37:18 [inaudible] but now, gone pretty smooth, very happy with it and we're looking for the next.

**Clark:** And what is that cash flow or once you stabilize it fully, what do you think it'll be at? Will a kickoff cash flow to each people, each person?

**Alex:**Oh, yeah. So, last month, my hope is I can pay investors, that end up being like 12% for the year, cash on cash.

**Clark:**Oh, wow. That's great.

**Alex:** That's my hope.

**Clark:** Yeah, good for you. So, many different directions we can go here Alex, maybe, you know, because you have so much experience here and you've done seven or eight single families and now one multi family, what are the top, I don't know, two or three things that have stood out to you as, things you wish you would have done differently, maybe mistakes if they were or things you're glad you avoided.

**Alex:** I was really risk averse so I'm glad, especially right now, I have a lot of debt, but I have a lot of cash. So, right now going into perhaps, you know this big financial calamity we don't know how to look. For real estate investors, having cash is number one, number one, number one. So, I'm glad that I have that. I'm really glad I have, that we have cash reserves, and we're not overloaded, overleveraged on debt and then I'm also glad I don't really chase shiny bouncy balls. So, in this business, it's easy to go like Airbnb is really popular. But again, like right now Airbnb is tanking, so I'm glad that I didn't chase that because those are like a shiny bouncy ball, so I don't get distracted easy. It's like just stay in our little business, go slow, it's easy. How do I say it? I tell people, don't play the two-year game with real estate. Real estate is not a two-year game, it's a 40-year game. So, I'm always playing the 40-year game, so when people say, hey, you know you're leaving money on the table. It's like, yeah, but just right now, like, over time, I don't need or get back. Yeah, well, it's not so much that I'll get it back, I'm okay with leaving money on the table so that I don't take additional risk that I don't need to and I'm okay with that. So, I think what happens is, you know, ego happens. I'm sort of a lifelong egomaniac so I know better than most how to recognize when it's getting me in trouble.

**Clark:**I mean, it could be, you mentioned not being over levered, I mean, it could be scary right now, right? We're recording this March 23, not sure when this episode will be released, but with this Corona stuff, right, it's crazy if you become over levered and Freddie or Fannie Mae has just come out, I think and said, hey, we'll push back rent payments, or we'll push back mortgage payments for the next three or four months. And so, you know, anybody who has a Fannie Mae loan right now and I'm sure Freddie will follow, you don't have to pay for the next three or four months in mortgage payment, which you know, if you have a bank that doesn't do that, and then you have people losing jobs and not renting, obviously, we know that multifamily sometimes and rentals can still be productive in a down market, right because people have to sell their homes and then they move into a rental. But still, you know, over levered in a situation like this, that hits you by surprise can get you in a real pickle.

**Alex:** Yeah. How long does it go, right? Can I afford--? It's not so much. You know, I don't want to push back on the overleveraged because that does matter. But what really matters, you can have 100% debt, if you have a lot of cash too, because cash weathers any storm, right, like you have too much debt, like, yeah, but I have too much cash too. Okay, that's fine. The problem is when you have both and I'm over levered, and under-reserved, it's like, dude, you have no wiggle room. So, yeah, it's like dude, can you miss two or three payments, I can't miss two or three payments from my tenants then I am in real trouble, but you're always going to be in trouble. Because 40:38 [inaudible] any storm. So, I don't know how long this thing's going to go right, with the last six months, bro then people will start to be really worried, yeah. But for me now, I'm not too worried about that and, again, like you said, banking, the people who have commercial loans that are in house debt from small banks, they're not going to get that Fannie Mae relief, you know your small local bank--

**[Crosstalk]**

**Alex:**I'm going to have to give them payments every month. So, but my single families, yeah, I have the defer, those are all Fannie Mae loans and I designed it that way right from the start. And I was happy I did. So, people in real estate right now are well, I don't know if they're freaking out or not, I can't speak for everybody. But the time to prepare for today was yesterday was months ago.

**Clark:**Yeah, it passes now. Have you used the same bank for a lot of these lenders, or you work with different banks?

**Alex:**So, that's a good question. Fannie Mae will let you get 10 Fannie Mae loans, but most banks will only let you what you get four with them. So, I have basically three banks that hold eight loans, and then a credit union that holds the 24 unit. So, I expect all that, I had to use a broker to go through the mortgages, but they're all Fannie Mae mortgages, so they all should be fine. The 24 unit, we're talking to the lender now to see what their requirements are going to be. My guess is we'll just have to come out of pocket a few months, but that's fine.

**Jace:**Alex, as we didn't discuss this cash position and you've built up the reserves and you feel like you're in a pretty good spot, what have you kind of decided has been maybe a rule of thumb for you, in terms of keeping certain amount of cash on hand? I know we kind of discussed this at the beginning, but is there something you found where, hey, if I get to this many units, or you know, these are kind of my rent roll in a month, I want to keep X amount of cash.

**Alex:**I don't have that number and that's a common question. And I should come up with something, but the answer is always like, well, whatever number you come up with, you need more. Because here's what's going to happen, right, like I was in the army so are you familiar with Murphy's Law?

**Jace:**Yeah, totally.

**Alex:**Yeah, anything can go wrong, will go wrong. And, well, I do risk analysis for the bank, too, so I'm always thinking about these things. And you know, what could be a number on there, if you have eight single family homes, you probably need, it also depends on how much Capex you've done. So, when I do my rehabs, the houses are fine, I don't need HVAC, I don't need water heaters, I don't need roofs, not for a decade. Yet still, it's like my eight single family homes, I probably need 20 grand sitting in an account just in case. Well, right now, you need more than that because you need what if a roof goes bad, right? What if an HVAC goes out and then you also have, you know, two months of missed payments due to Coronavirus? So, whatever you think you need, you need more. I don't have a good, I know that's not a good answer, unfortunately.

**Jace:**No, I mean, it's kind of an interesting conversation and I think a lot of investors kind of feel that way, right? Like, well, it's always more but then you get a deal come in front of you and you're like, man, I'm going to go buy that deal. And then it's like, I got to build up that cash again, right?

**Alex:**Yeah, ego. Yeah, a lot of ego, right? It's like, do you really need that deal? It's also like this, what properties do you have and where are you in the market cycle? If, like right now, now is not the time to go out and buy deals with low cash. I don't care how good, well, they're not that good, not right now, not going to, find any smoking screaming deal right now, I don't think--. But if you're at the top of the market, it's like you need more cash and you need more reserves, and you need to be more apprehensive about deals but at the bottom the market and we once we know it's at the bottom, and you will, right like everybody knew in, by 2013, everyone's like, dude, just not, I need to get this thing running. Then you need less reserves, right? Because you know, you can get deals cheaper, you know, you can get equity, you know, you're going to achieve debt. So, I think, having a set metric like that can be deceiving. Because if you say, hey, I only need, you know, I need three grand per property, it's like, but not right now. Now you need more, and in 2012, you need less.

**Clark:** Right, that's a good point.

**Alex:** I think the problem with oversimplification of metrics, and I understand why they're important, but they leave out a lot of nuance. And so, the smart investor will be dynamic to understand that, you know, the world is all gray. It's a good idea to start with a metric and then adjust 100% to your situation.

**Clark:**Right, spot on. All right Alex, taken a lot of time. Let me just close up here with a couple rapid-fire questions that we normally do, and I think your answers on here will be interesting. So, the most expensive car you've ever purchased?

**Alex:**I had a Volkswagen GTI, not that much, 32-grand, stupid mistakes.

**Clark:** You've never used a financial advisor, right?

**Alex:** No, never used a financial advisor.

**Clark:**Any debt, student debt or car debt, currently or--?

**Alex:** Once I got off consumer debt, I never went back on consumer debt. I use credit card off fairly quickly, I don't keep balances.

**Clark:**Good for you man. You said you're a reader, what books do you recommend?

**Alex:**I read more than anybody you know, Bro. I write about books on my website. For investors, there's a series by Nassim Taleb, which are I've been screaming about for three years. He wrote a very famous book that's being talked about right now called the Black Swan, he wrote that in 2007 and then he wrote four other books in a series called Incerto and I recommend all of them for investors, it's how to invest in a world of risk and uncertainty.

**Clark:**Gotcha, any, in closing here any financial goals for the future, passive income, net worth, anything or just kind of taking a deal by deal here?

**Alex:** I always want to buy deals that make my life easier, not better, the money will work out. So, it's not a sexy answer.

**Clark:**No, it's good because sometimes people go really high in goals, sometimes people go really low in goals, it's just interesting. Anyway, all right, Alex, well, thanks so much, man, we've taken enough of your time, so appreciate you coming on the show and sharing your story. Really appreciate it. Thank you. Thank you.

**Alex:** Thank you guys, it's fun. I'm very grateful.

**Narrator:** Thanks for listening to the Millionaires Unveiled Podcast with Clark Sheffield and Jace Mattinson. For more stories, investment opportunities and information, check out our website at millionairesunveiled.com. See you next time when you'll hear from another everyday millionaire.