BILL LOSEY, CFP®, CSA *America's Retirement Strategist*

HOW TO INVEST IN REAL ESTATE

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Bill Losey, CFP®, CSA
"America's Retirement Strategist"

Bill Losey, CFP®, CSA, "America's Retirement Strategist", has nearly 20 years experience in the financial services industry and is a Certified Financial Planner™ practitioner, a Certified Senior Advisor and Certified RSP-Trained Retirement Coach. He is Founder of National Retirement Planning Month, and publishes *Retirement Intelligence* ™, an award-winning newsletter that reaches over 5,000 subscribers worldwide.

As a qualified professional in the areas of retirement strategies and investment alternatives, Bill has been interviewed on the CBS Radio Network, CNNfn, FOX's "Hannity & Colmes", Bloomberg Business Radio, RNN-TV, and over 100 radio stations nationwide. He is a former guest host of "Money Matters", a daily personal finance radio program simulcast throughout NY, NJ and CT, and formerly a financial commentator for RNN-TV and guest host of the "Issues on Aging" radio program in PA.

Bill was recently interviewed on the "Leading Experts" television program and currently writes a weekly column in *The Saratogian* called "*Making Work Optional*". He has also appeared in *Financial Planning*, *Inside Information, Triathlete, Senior Market Advisor*, *Reach!, Violet for Women, Boom News, The Albany Times-Union, The Saratoga Business Journal, The Capital District Business Review* and *The Chronicle of Higher Education*. Bill's first book, *101 Stock Market Guarantees,* was published in 2004. His next book, ***Retire in a Weekend! The Baby Boomer's Guide To Making Work Optional*,** will be released in November 2007.

In his leisure time, Billy, as his friends call him, loves to sing. He is an accomplished vocalist and has performed the National Anthem at Madison Square Garden, the Pepsi Arena and other sporting venues. His love of singing and knowledge of money, combined with his witty sense of humor and desire to fight financial illiteracy, come full circle with his development of hilarious financial-related song parodies found at *www.PerfectHarMoney.com*.

Bill is a graduate of Marist College and obtained his certification in financial planning from The College for Financial Planning in Denver. He is a member of the Financial Planning Association, the Society of Certified Senior Advisors and the National Ethics Bureau. Active in his community, Bill coaches youth soccer and basketball, and has volunteered to help raise money for Special Olympics, March of Dimes, Make-A-Wish Foundation and the American Heart Association. He has been married for nearly 20 years to his wife Tori. Together they have 3 sons, 2 dogs, 1 hamster and 6 fish.

Begin Transcript

Bill: Today is Friday, July 27, 2007. I want to welcome you and thank you so much for joining us on today's teleseminar celebrating National Retirement Planning Month.

As a matter of introduction, my name is Bill Losey. I'm founder of National Retirement Planning Month. This is going to be an annual celebration each July, dedicated to educating millions of Americans on how to enhance their health, wealth and happiness both through astute lifestyle and financial choices.

I want to thank all of you so much for joining us on our calls last week. We spoke with Ann Fry, the CEO of It's Boomer Time. She talked about strategies that boomers can pursue to create the life they want.

Last Friday, we talked to economist Jeff Thredgold. He's also the author of the book *EconAmerica: Why the American Economy is Alive and Well…and What That Means to Your Wallet*. Jeff offered us an optimistic roadmap of our economic future and how to respond positively to the challenges that we'll all face in the years ahead.

I'm really happy to have with us today Kendra Todd. Kendra is a highly acclaimed lecturer and real estate investor. She is one of the highest-producing realtors in the entire country. On top of that, if you recognize her name, it's because she became the first woman to win Donald Trump's smash hit reality show "The Apprentice" on NBC.

Kendra is also the author of a great book called *Risk and Grow Rich: How to Make Millions in Real Estate*. her mission is to help others reach financial freedom based on a tried-and-true investment formula which she's going to share with us today. Kendra, welcome.

Kendra: Thank you very much.

Bill: You're like the queen of all media, aren't you? I see you everywhere now, radio, TV, print, magazines and the internet. You're all over the place.

Kendra: I seem to be.

Bill: Things are going really well for you.

Kendra: Yes, things are going well. I'm working on a few exciting things. I don't know if any of the listeners watch Home and Garden Television, but I have the number one highest-rated show on the whole network called "My House is Worth What?"

That has really parlayed me into an entirely new adventure, opportunity and experience, which has been wonderful. It's allowed me to travel all over the country and really see what's going on coast-to-coast in real estate and in people's lives. It's just been wonderful.

Bill: It has to be an interesting time now when a lot of the markets are actually going down in value.

Kendra: Yes. As a matter of fact, if anybody watches the news, I'm going to be on MSNBC tomorrow morning talking about that. It's a big question mark and everybody wants to know what's going to happen. The answer is that nobody knows. I know that's not reassuring for anyone, but it's the truth.

Talking about retirement and boomers, baby boomers have had a tremendous impact in real estate over the last few years and are still purchasing vacation homes and second homes and migrating to areas they want to retire to.

The general consensus is that retirees will probably stop buying somewhere around 2011 and pull back on all their finances because they need to think about their future. They need to think about conserving money.

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If you're one of those people who has not made the move toward planning retirement, where you're going to live, a second home or a vacation home, in the next six months to a year you're going to see prices drop and bottom out a little bit more in some areas. You're going to see prices going down a little bit.

It may not even be worth it to wait. We're only talking about an overall drop of 2.6% in one year. That's really not all that much.

Bill: In your book, you actually mention that risk has become a four-letter word for many people. Why is that?

Kendra: People have assigned a negative connotation to the word "risk." In essence, it has become like a dirty four-letter word. When a lot of people hear the word "risk," they hear in their own mind, "losing it all," "failure" or "I'm not a risk taker. I could never take a risk and achieve greatness."

Those are the things that a lot of people associate with the word and the concept. It's time to get over that. Life is short and we're living it right now.

Bill: What are some of the biggest myths about risk that keep people from taking it?

Kendra: The biggest myth people associate with risk is that you have to risk big to win big. It's simply not true.

If you look at case studies of very successful entrepreneurs and investors, you'll see that their success was an accumulation of many small, conservative and smart risks. When added up, it appears to be this tremendous wealth, which it is, but they didn't necessarily put it all on the line all at once.

I think that we glamorize the people who do that. Those are the good stories. Those are the ones that we hear about, but it's simply not realistic.

Bill: How do you define "smart" risk? What do you mean by that?

Kendra: There is such a thing as "analysis paralysis." Those of you who suffer from it know what I'm talking about. You do have to do some degree of research. You just have to know when to stop, get out there and experience the journey.

Taking a smart risk really is weighing the odds against you and weighing the outcome. Is the reward worth the risk? If you fail, is the failure going to teach you a lesson that's valuable enough that it was worth the risk?

You really have to be unemotional about it. People tend to risk with their hearts more than their minds.

You have to do some research. You have to analyze that stuff, but there are two things that you don't want to do. One is when you have a proper amount of time to be able to do research and analyze the risk, utilize that time but do not engage in analysis paralysis or you'll never be a risk taker. You will know so much information you won't even know which direction to go.

There are times when you're not going to be able to be prepared. Do not jump or walk through those doors of opportunity unless you already have a significant amount of experience under your belt of taking small risks, some that have paid off and some that have not. Learn from the failures so that you develop some sort of instinct.

There will be times when opportunities cross our paths and we have to jump now and think later. You don't want to exercise that until you have a solid sense of instinct and intuition.

Bill: Is that how a person who is risk-averse can train him or herself to actually embrace risk?

Kendra: In my book, there's a risk test. We have very subjective opinions and views of ourselves. We see ourselves a lot differently than other people do.

There are a lot of people that I have mentored and worked with who think that they're big risk takers or who think that they're incredibly risk-averse and come to find out that they're gauged a little bit differently. It's surprising.

Step 1 is finding out what type of risk taker you are. Taking that test in the book is extremely helpful and eye-opening for a lot of people. You need to practice taking little risks with unimportant and insignificant things in your life.

There are some people who literally cannot get on the phone and call to make an appointment for themselves. There are people who fear all sorts of little things.

You start with the little risks and build up to the bigger ones where the payoff is greater, but so is the failure if you don't succeed. You have to crawl before you walk, and you have to walk before you run.

Bill: Kendra, what would you tell someone who dreams about entrepreneurial success but is really afraid to give up that steady paycheck?

Kendra: Never quit your day job until your other business ventures are paying you the same amount or more. If you really are making a ton of money at your day job, don't quit until the money you're making from your investments or other ventures is paying your bills and you have a comfortable amount to live off of every month so you can eat and enjoy yourself a little bit.

I actually think it's quite motivating to put yourself in a little bit of a pickle. You push yourself forward to focus on the things that are important to you and while the sky is the limit, it's amazing what can happen.

Bill: On last week's call, I interviewed a woman by the name of Ann Fry who's the CEO of a company called It's Boomer Time. She was talking about strategies that boomers can pursue to create the life they want.

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One of the things that we talked about a lot was fear and risk. Most people are fearful of a lot of different things. We defined fear as a lack of data.

We found that people really needed to push themselves into a discomfort zone so they could learn the lesson. They could learn that it wasn't as bad as they thought it was going to be. Often, our minds and imaginations play a bigger trick on us than what the risk really is.

Kendra: Fear is also a lack of action. Woody Allen once said, "Ninety percent of success is simply showing up," but showing up is the hardest part.

Most of us already possess the skill set necessary for success. That 10% is the part that we already have. It's the mental blocks that we have to get over.

Bill: In your book, you actually talk about a term and call someone a "risk diver." What's that all about?

Kendra: Risk diving comes back to walking through doors of opportunity when you don't have the time to do the analysis. Sometimes you're going to have to do that.

There are a lot of people out there who take those types of risks without knowing what they're doing. It's all emotion-based. They really think, "If you risk, you have a chance for success." That's not necessarily true.

There are a lot of bad risks out there. You have to recognize whether or not it's a smart risk to begin with.

Being a risk diver can be really bad if you lack control of the variables in the situation. It's like putting your money on roulette in Vegas. You have no control over whether that little ball lands in the black or red square.

People think that just because you dive over the cliff there is a chance you're going to hit the water, but that's not necessarily true.

You have to learn how to very quickly analyze those situations because sometimes you do have to dive.

Bill: One of the things that I've noticed in my practice as a financial advisor and counseling people about their money is that often men and women actually view risk differently. Do you concur with that?

Kendra: They absolutely do. Generally speaking, women tend to favor the side of being prepared, analyzing and doing the research. Statistics show that women actually make better investors than men do.

Bill: Absolutely. I've noticed that.

Kendra: Their enter and exit strategies tend to occur at better times. They have higher payoffs, better returns on investments, get out of situations that go wrong sooner and lose less money.

That's because of the fact that women have a certain intuition about timing, and also because we're more inclined to do research. I know plenty of women who are more of the risk divers.

Men tend to jump first and think later. It's not a bad thing because, like I've said several times during this conversation, there are times when you're going to have to do one or the other.

Not every smart risk opportunity that comes up are you going to have time to prepare for. You really need to be ready to take any type of risk.

Bill: Tell us a little bit more about yourself, how you actually ended up as a real estate entrepreneur.

Kendra: It's not really a sexy story. It was just the right time and right place. I was really young and, quite frankly, I didn't have anything to lose and everything to gain. I had no money. I didn't even have a couch to sit on.

I just looked in the mirror one day and said, "Kendra, why are you so afraid? What are you so fearful of?" I was literally paralyzed by the idea of taking risk and going out there and trying things out.

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The only way you really feel alive is by experiencing life. You get to live in your life, control your life and not let it run you. I hadn't been doing that. Opportunities had passed me by because I suffered from analysis paralysis and just general fear of failure.

Something stabbed me one day and I got sick of being like that. I got sick of not feeling like I was living my life.

Somebody said I would be great in real estate. I honestly didn't think so. I really had no interest in it. I never thought of myself as a sales-oriented person. Within one year, I was one of the top-producing realtors under the age of 30 in the United States.

Bill: Prior to that, you were a publisher?

Kendra: The first thing I did when I got out of college was start a magazine. I was the founding Editor In Chief of a magazine called *Capture Life*. I'm very carpe diem these days. It's ironic because I wasn't really capturing life at that point. That was my very first business venture. It's very difficult to get a magazine off the ground.

That magazine is still around. I'm not a part of it. It was a very expensive business venture. We sacrificed more than we gained. Sometimes you have to do that in order to really achieve success.

I learned how to take a financial and emotional risk without knowing all that much about an industry and, through hard work and perseverance, see it pay off. But it didn't pay off overnight.

A lot of times with the smart risks that you take, the payoff doesn't occur for some time. You have to exercise patience.

Bill: Talk to us a little bit about your tried-and-true investment formula.

I know your mission is to help others reach financial freedom. That's really what National Retirement Planning Month is all about. It's about helping people through astute lifestyle and financial choices.

Can we spend some time talking about your investment formula?

Kendra: I'd rather skip over that. I'll just tell you briefly why. I wrote this book with a co-author. It was really more his formula. I don't necessarily think that his formula applies to what's going on in real estate right now. I'll share with you my formula.

Bill: Tell me what is going on with real estate right now.

Kendra: Somewhere in America, there is always a "boomtown." It doesn't matter if the sky seems to be falling on most of the country. We have to realize that real estate is cyclical and intensely regional. There are markets out there that are experiencing way-above-average growth.

Bill: Can you give us some examples?

Kendra: No, people pay for that. I will give you a past example.

I just wrapped up involvement in an area called McAllen, Texas, which is five miles from the border to Mexico.

It is a little town where the average home price is $100,000. Their appreciation is projected at 57% cumulative over the next five years. It's projected to be the number one performing real estate market. All of this at a time when most markets are plummeting or, if not plummeting, at least decreasing. They're on a gradual decline.

What I highly recommend people do is follow other people's purchasing trends.

I study demographics. I study migration. I've been very successful in the past, as have a lot of my clients by following me, watching and studying where retirees have been retiring.

For example, I live in Florida, which for many years has been the retirement capital of the United States. Property taxes, insurance and prices got to a point where we still have a tremendous number of people retiring to the state of Florida, but not as many as we used to.

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People are going to places like Tennessee, North Carolina and South Carolina. They are starting to turn their attention on other southern states because of temperate climates, affordability factors and good quality of lifestyle.

We followed that baby boomer purchasing trend and did very well. We followed purchasing trends in very affordable markets like McAllen, Texas, where people are moving in droves because job growth is very high. The affordability factor is there. You have a lot of first-time buyers, move-up families and that type of thing.

When you follow people in certain areas, you're increasing your likelihood of experiencing positive numbers in that marketplace over a decent length of time, three or five years.

That is really what I do. I try to guide people by the concept that how you purchase, what method you use, is not as important as understanding where you're purchasing. Being sure that you’re purchasing at the right time and are going to exit at the right time is part of your risk strategy.

Bill: As it turns out, last night on the nightly news the lead story was the volatile stock market yesterday and the major indices all dropped somewhere between 2% and 2.5%.

Earlier in our conversation, you were talking about how in some markets real estate values are projected to drop about 2.5% over the next 12 months. There certainly is fluctuation in real estate values. It goes up and down. Do you consider that a risky investment right now?

Kendra: No. Actually real estate prices on average dropped about 2.6% nationwide over the past year. The nationwide average home prices are supposed to appreciate less than 1% between now and the second quarter of 2008.

There is basically very little activity. It is nothing to write home about, either positive or negative. The big concern is that there is close to an eight-month supply of available inventory on the market that needs to be absorbed.

Bill: What’s the average inventory?

Kendra: That’s not a number that I can pull out of a hat. It doesn't really work that way. They do it in terms of time length. How long will it take to absorb the inventory? Eight months, that’s a long time. Healthy is four months, half that.

There is great opportunity out there to purchase real estate. Real estate is always a great investment if you buy right–under market value and in the right area at the right time, sell at the right time and if your motivations are correct.

A lot of people bought real estate and did the whole “buy, hold and pray” thing. Then they got really burned.

Financing has changed. You have to be very careful. You have to have enough money to put down. It has to make financial sense. The numbers have to work. It is really important that all the factors be there.

There are a lot of motivated sellers right now. It's a wonderful time. It's a buyer's market. I love buyer's markets. When most people are not investing in something, that is when you should invest.

Bill: In your opinion, what are the best ways to capitalize on the declining market right now?

Kendra: I don't like to guide people on specific strategies. There are so many other people out there who are really good at it.

My strategies may not appeal to someone who is near retirement age. I have a lot farther to go. But if they do want to capture good opportunities, a good thing to do is, find a realtor to help you gain access to the MLS and find out which homes have been on the market the longest. Those are probably going to be some of the more desperate homeowners.

You can just send out really low offers. It's amazing that some people will actually accept them. You have to plan on holding onto those properties for a little while.

Bill: There certainly are people who buy a home and don't think of it as an investment. There are others who are out there buying properties, flipping and getting these low interest rate loans. Do you feel that either one of those is a better way to go?

Kendra: It depends on your financial situation and risk tolerance, and your general opinion about things.

Some people may not agree with this. They like the fact that you can leverage real estate. It's very difficult to cash flow properties unless you really put down a lot of money and buy a low-priced property in an area with high rent.

It's difficult to find cash-flowing properties, simply because real estate nationwide has depreciated so much over the last few years.

Bill: Can you bring that down to layman's terms?

Kendra: Basically, it's hard to buy a property and actually have cash flow because property values have increased so much. Rents have not increased alongside that.

When you have a strong real estate market, the rental market typically suffers. You have people who normally rent who are trying to purchase and jump on the bandwagon.

I like cash. I’m paying my properties off in cash. That way, it doesn't matter what is happening in the market. I know and feel comfortable that 10 years down the road, those properties are going to pay off for me big time.

It is not a smart investment plan to purchase properties that you have to write a check for every month, that negatively cash flow. How is that an investment for you? Not only did you put all this money down, but now you have to pay out every month. How is your money working for you? It's not.

Bill: Isn't it going to be a challenge for a young person to actually come up with the money for a large down payment or to pay cash?

Kendra: I am not recommending that people start out doing that. That’s something people should work up to.

Bill: Most of the people I work with are baby boomers who typically have children who are in their 20s and 30s. What would you say are some of the challenges of being a young person and entering the real estate or even the business world?

Kendra: I don't know. I have never felt like I was challenged.

Maybe when you're younger, people take you less seriously. You have to work that much harder and overcompensate for that to move forward in business. You may have to work a little bit harder to prove yourself.

I guess age can be a factor, but I never let that stop me. I just worked very hard and people took me seriously. That's my best advice to people.

Bill: Kendra, this is the last question. What would you say is the single most important quality that someone who wants to embrace risk and grow rich has to possess?

Kendra: Passion. Passion brings success. When all the odds are stacked against you, when nothing is going your way, if you want something badly enough, you'll find a way to accomplish it.

Bill: That's awesome advice.

Tell us when we can watch you on HGTV and where we can get your book.

Kendra: The television program, “My House Is Worth What?” airs at 10:30 p.m. Eastern and Pacific, 9:30 p.m. Central on Wednesday evenings on Home and Garden Television Network.

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If anybody would like to purchase a copy of the book, we would be happy to send them an autographed copy. They can get purchasing details by emailing Info@KendraToddGroup.com.

If anybody is interested in learning more about real estate, how to analyze and track markets, do the research yourself and find those markets, I have a series that I put together called, "The Real Estate Rolodex." It's a four-part audio series that's really eye-opening.

I interviewed some of the top analysts in the country, people you see on the news all the time. They're hired by Toll Brothers and big developers like that to do the numbers. These are the numbers that are reported to the major news bureaus.

I've gotten inside their brains and asked them to share with my listeners exactly what makes real estate tick. I put together this series that's available. If people want information on that, they can just send an email to Info@KendraToddGroup.com.

Bill: Do you work with people individually if they actually want to hire you to help them invest?

Kendra: We have a wonderful team that usually works with people. On occasion, I will work with people one on one. That's what I always loved about the industry. I still do that occasionally.

Bill: Would that be Info@KendraToddGroup.com?

Kendra: You got it.

Bill: That is great. Thanks so much for joining us today.

Kendra: It's my pleasure.

Bill: Folks, that is Kendra Todd, the author of *Risk and Grow Rich: How to Make Millions in Real Estate*.

I want to thank you so much for joining me today on today's National Retirement Planning Month teleseminar. This is Bill Losey signing off for now. Take care, everybody. Thanks for joining us.