REAL ESTATE
RE
JOURNAL

$4.95 Circulated To Over 40,000 Real Estate Investors Nationwide Vol. 5 Issue 2

RE Journal Member Spotlight

Patrick Gallagher

Patrick Gallagher is the President/CEO of Gallagher Property Management, LLC, a Rochester NY property management company that specializes in City and Suburban residential, mixed-use and commercial properties. Patrick is a board member at The Housing Council at Pathstone, a non-profit that provides landlord education, foreclosure prevention, and fair housing education. He is an active member of Freedom First REIA (Rochester, NY), where he leads monthly subgroup meetings.

Please tell us a little about who you are and what you did before getting into real estate investing.

I was born and raised in Rochester, NY, where I currently reside. As a kid, I

Continued on Page 14

When the Unexpected Becomes Reality, What Next?

By Chris Kuehl, Ph.D.

The COVID 19 crisis was not expected to be this severe and quite frankly there are many that remain dumbfounded as to its impact. In many respects it seems to defy logic.

As this crisis started to emerge there were very few who anticipated the impact it would have on the economy as a whole and on sectors that would seem to be unrelated to the issues of supply chain disruption. Now it has become abundantly clear that no sector is going to be untouched and that applies to the real estate world. The range of influence will be from indirect (supply chain issues) to the very direct (consumer and investor behavior).

What started as a supply chain crisis centered in China has now become a global economic threat with at least four dimensions. The original assumption was that the damage would be limited to the second quarter and a rebound would be swift. That is no longer the assumption. The first issue is still a problem and there seems little on the horizon that changes the situation. The Chinese seem to have gained some control over the outbreak as evidenced by the visit to the stricken area by Xi Jinping. This seems to signal their confidence but the supply chain from China remains broken and it could be months before the country resumes normal business activity. For the construction community this has been a crisis that has amplified the issues that started with the trade and tariff war between the US and China. Building materials have been affected for over a year and shortages are becoming more acute with every passing day. It is estimated that supply chains will remain disrupted for the remainder of the year and perhaps longer.

Meanwhile the virus has become an issue in other nations such as the US,

Continued on Page 9

Essential Tech Tools to Work Smarter, Not Harder This Spring

By Jeff Watson, The Home Depot

We live in a digital age where keeping pace with technology is a must for real estate investors just as much as monitoring market conditions. Fortunately, by embracing tech-driven benefits from home improvement suppliers, you can work more effectively to maximize return on investment while remaining at the forefront of innovation.

Heading into the busy spring season, below are several ways to maximize existing tech capabilities and get the job done seamlessly.

Project Calculators

When determining a project budget to upgrade one of your investments, there is no room for guesswork. Online project calculators fill a critical step in property enhancement planning, allowing you to accurately forecast the cost of materials, labor and other costs.

Project calculators, like the one below on HomeDepot.com, can better help you avoid over or under ordering products and supplies for projects. Examples include:

- Tile calculator: Select specific tiles and enter the required square footage to get the right quantity and pricing when preparing for projects.
- Countertop calculator: Measure the desired countertop surface to determine the total square footage of the area you will be working on. By entering in the dimensions, the calculator can gauge the amount of material needed to complete the project.
- Mulch calculator: Spring is the ideal time to refresh landscaping. Determine the number of bags needed for proper mulch coverage by plugging in the material – wood, topsoil or rubber – along with the area and depth of space to be covered. That's all you need to obtain accurate results for your specific project.

Mobile Apps

Mobile apps are essential to help you manage almost any task while on-the-go and in an orderly fashion. The Home Depot's mobile app was recently ranked as the best in retail by market research company Forrester due to its wide range of in-app capabilities such as personalized guides, 360-degree product reviews, wayfinding and visual product selection.

The Home Depot's mobile app also includes an augmented reality feature, which can provide a 3D image to help envision what an item will look like in a space. The barcode finder is another perk of using the mobile app as it can pull in-depth information on a product. The app is free to download to your iPhone, iPad or Android device.

Image Locator

Consider this common scenario: one of your properties needs an unexpected repair requiring you to replace a specialty part. Save yourself multiple

Continued on Page 17

PRSRT STD
US Postage
P A I D
Sound Publishing Inc
98204

Rental Housing Journal, LLC
4500 S. Lakeshore Drive
Tempe, Arizona 85282

Successful People Don't Let Failure Define Them

By Rebecca McLean, Executive Director, National REIA

Being the Executive Director of National REIA and having previously owned an association management company that managed many different kinds of real estate associations, I have had the opportunity to interact with many successful and even high profile individuals. What I have learned is that they share common traits, the first being: they are all human. They are risk-takers, courageous and strong, but they also battle self-doubt and fear just like the rest of us. One common compelling trait they seem to share is that they navigate failure very efficiently, meaning they "fail fast," a phrase I borrowed from Ryan Babineaux and his book *Fail Fast, Fail Often: How Losing Can Help You Win.* Successful people have found a way not to let failure define them. They learn from it and move on quickly.

Teddy Roosevelt once said, "People who neither know victory nor defeat are cold and timid souls." Could you be considered a cold or timid soul? Can you allow yourself to be so afraid of failure that you don't attempt things that could bring great victory in your business or your life? I'm not talking about wild, speculative, unreasearched decisions or activities but those that take you out of your comfort zone and yet could produce great growth in your business or personally.

The world of real estate investing has changed a lot since our world was rocked in 2008. We have had

10+ unprecented years of growth and opportunity. But make no mistake, things NEVER remain the same. At some point the market and our world will change again. We will need to modify our strategy in order to thrive in yet another new economy. Being willing and knowing how to fail efficiently will help us stay ahead of our competition and to succeed no matter how many or how big the changes are that lay ahead.

Educate yourself; then take action without emotion. Be courageous enough to take an educated risk. Be willing to try something new and move out of your comfort zone - just like Patrick Gallagher, this issue's featured REIA member. Risk is a part of life and you don't live fully if you stay in your comfort zone all the time. The opportunities that abound right now are worth exploring. There will be many worthwhile opportunities in the future.

At National REIA and our local associations we focus on strategy. We educate you on the pros & cons and provide market research to give you confidence. We can help you embrace intelligent risk. Is it better to buy and hold investment property or to fix and flip in your market? What funding strategies might be best for you to use? What's the best exit strategy for your property? What about timing? These are all things we cover in our education and more importantly, things you can learn through networking at your local group. Each area is different and input from those active in your own local market can be invaluable.

In the ROI magazine, published annually by National REIA we highlight a few of the most popular strategies in real estate investing and we encourage you to really dig into a chosen strategy and master it before you take on too many others. I've heard some of our long time investors comment that the best part of becoming comfortable in their strategy was feeling good about saying "no" to opportunities that didn't fit their business model. In this business there seems to be a new opportunity every day. I've found that the easiest way to become overwhelmed and to lose a lot of money is to try to grab every opportunity you are presented with. However, you can also prevent yourself from becoming successful and from making money by letting every opportunity pass you by.

The best model for success is to find a strategy that fits your investing personality, that you can be excited about and that overall works for you. Spend time learning about it until you understand it intimately. You can begin by reading the National REIA publications and blogs. Visit NationalREIAU.org for some quick overviews. Attend monthly meetings at your local REIA and the ongoing additional education sessions that they offer. Network with other investors and develop friendships with people that are doing what you want to do. Listen to experts, digest information, perform serious due diligence, and consult with professionals when appropriate. Build a great team that can support you. Then get going! Seize the best opportunities for you and make 2020 your best year yet!

Rebecca McLean is the Executive Director of National Real Estate Investors Association.

Are You Ready to Fight for Ownership?

By Charles Tassell

At some point during a revolution there is typically an effort to seize property. It may be the nationalization of industries such as the oil industry in Iran and Venezuela or farmland in South Africa. In any case, the demagogues leading the revolution need to satisfy both the ever-increasing debt they are structurally developing and pacify their followers. Whether this means providing food all the way back to the days of the Roman Dole or daily sustenance as the French revolutionaries tried to do in the 18th century.

What do ancient revolutionaries and the needs of their followers have to do with the modern American political system? Absolutely everything. As the proverb states, those who fail to remember history are doomed to repeat it.

Rent control has long been acknowledged as a "taking" by property owners; literally a transfer of wealth from those who have to those who do not have, thank you Karl Marx. With the real problem being that if wealth is not being incentivized to be developed, there becomes a stagnation, and then a degradation. New York housing in the '50s and '60s is an absolute testament to this. Not only does rent control disincentivize the investment of new housing, it is one of the fastest ways to cause deterioration in existing housing. The result is an ever-increasing number of regulations, inspections, and laws to fix the market-driven consequence of investment disincentive. A legislative chase ensues in which one symptom after another is legislated against, with a complete ignoring of the cause.

However, at some point the followers of the progressive revolution are not satisfied with merely paying less, they want to supplant the current ownership. Notice I did not say they want to purchase and become property owners, rather they wish to supplant and force out the current ownership by legislative fiat.

We are seeing this unfold before our very eyes in of all places Berkeley and Richmond, California. Before you roll your eyes that of course it's California and of course Berkeley to boot, consider the anti-capitalist efforts exported from such hot beds of progressivism over the past two decades, from ban the box efforts now labeled re-entry, to the idea that rent control is acceptable. The latest idea summed up in the title "Tenant Opportunity to Purchase Act" is little more than a scheme to force property owners burdened under layers of regulation and restriction to relinquish their property ownership at greatly reduced rates with tenants offered the first right of refusal.

In fact, when this issue was tried in Washington DC and every resident had to sign off that they were not interested in purchasing, the perverse set of incentives created a windfall for each and every resident. Their credit worthiness or ability to purchase were completely irrelevant, they could hold the ownership hostage until such incentives were offered or there would be no deals. The stagnation of capital that results again leads to degradation.

So where does this this leave the current property owner, or investor? First and foremost, the astute investor had better be aware not only of the current market in which they are investing but keenly aware of the political wins shifting in their community. Second, each investor needs to make sure that they, their family, and their employees and contractors understand the benefits and ramifications of entrepreneurship or its failure.

I am not talking about get rich quick schemes, but the historically proven benefit of wealth development in America through the ownership and management of real estate. There are best management practices that can be shared within your community, and with your elected officials, that show the benefit of hard work and community investment and reinvestment.

To do otherwise is to forgo your property rights, and possibly the rights of property ownership in the very near future.

Charles Tassell is the Chief Operating Officer of National REIA.

NREIA Legislative Update

"Be thankful we are not getting all the government we pay for."
— Will Rogers

Federal Administration Releases FY 2021 Budget

The President's budget requested $47.9 billion for the Department of Housing and Urban Development (HUD), reflecting a substantial cut in funding ($8.6 billion below the previous year) for the Department, similar to the cuts proposed for many domestic discretionary programs. Senate Majority Leader Mitch McConnell and House Democratic leaders announced shortly after the President's budget was released that they will abide by the funding caps set under the two-year budget deal signed last summer — essentially making the President's budget dead on arrival.

Keep in mind (especially being a presidential election year) that actual budgets haven't really been passed in recent years. Instead, Congress has been using Continuing Resolutions. Previous CRs added a minimal amount the previous year, and kicked the debt-bucket right on down the road. As HUD has numerous contracts with built-in increases already in place, their budget has greater internal pressure, especially during an increasingly costly (in many areas) housing market.

Seller Finance

A new bill, HR 5614 was introduced in the U.S. House of Representatives in January by a bipartisan group of Congressmen: Vicente Gonzalez, Jr. (D-TX), Henry Cuellar (D-TX), Andy Barr (R-KY), and Lance Gooden (R-TX). National REIA has been a member of the Seller Finance Coalition for several years, working to allow property owners to sell their own property on contract, or, more to the point to sell more of their own property, privately, without having to go through Mortgage Broker Licensing (training on how to handle other people's money). A great deal of background work has gone into the development of this bill, with a bipartisan sister bill in the Senate nearly ready for introduction as well. National REIA will utilize Voter Voice to urge additional congressional sponsorship with part of a coordinated outreach going forward.

Data Security and Privacy — CCPA Update

The California Attorney General Xavier Becerra recently issued updated proposed regulations that lay the groundwork for fully implementing and enforcing the California Consumer Privacy Act. The Housing Coalition has called for changes and clarifications to be made to the underlying regulations and continue to review the new proposal. Congress continues to look at the issue but appear to continue pursuing different legislative solutions in the House & Senate. Timing for any Congressional action is uncertain.

Housing Affordability

The Housing Coalition has submitted comments to HUD in response to their Request for Information (RFI) regarding eliminating regulatory barriers to affordable housing. Comment letters identified federal, state and local legislative and regulatory opportunities to address the nation's pressing housing challenges. The National Apartment Association and National Multifamily Housing Council deserve credit for their leadership on this issue!

Regulatory Reform

The Clean Water Act: The Environmental Protection Agency (EPA) has released a revised rule that clarifies federal regulation over waters under the Clean Water Act (CWA).

Joint Employer Standard

In early February, the House voted to approve legislation that would codify the joint employer standard that the National Labor Relations Board (NLRB) enacted in 2015. Many business organizations have fought vociferously against the ruling as it could hold businesses liable for fines if their subcontractors, suppliers, vendors and temporary staff violated Federal labor laws.

HUD Guidance on Emotional Support Animals

HUD finally released its long-awaited guidance on Service/Support animals in late January. Rather than acknowledging that the Justice Department, which handles the overarching ADA law, would be best to handle these regulations, HUD justified its own need to weigh-in under the Fair Housing Act. The irony is that they even recognized in their guidance that their previous "guidance" has caused over 60% of current lawsuits & complaints. This is due to their bastardization of Emotional Support Animals language from the very real and necessary WORK performed by actual Service Animals. So much fraud has entered this arena that over 37 states are considering or passed laws to mitigate some of the abuses under HUD's previous guidance.

While the 19-page guidance is still under industry review for its impact (as of this writing), please lower your expectations on a real resolution materializing any time soon. In fact, this one sentence on page 16 — "Housing providers may not require health care professionals to use a specific form (including this document)…" — speaks volumes. In other words, owner/operators cannot cite the guidance document that HUD is using to guide the owner/operators. With a note of sarcasm, this is something you only in see government.

State Legislative Updates

State and Local Affordable Housing

The Washington legislature considers HB 2732, which would expand the current Landlord Mitigation Fund.

Development

The Georgia legislature is considering GA S 322 – a bill concerning the application of impact fee waivers on affordable housing development.

Eviction

Florida introduced HB 321 which would prohibit a writ, process, warrant, order, or judgment relating to a residential eviction from being served during a state of emergency declared by the President, Governor, or governing body of a political subdivision. Meanwhile, Seattle's City Council approved an eviction moratorium which applies to certain evictions between December 1 and March 1, every year. The appropriateness of this policy has been seriously questioned and advocates urging for increases in rental assistance programs that are proven to be successful in keeping individuals housed. The Mayor and three Department heads urge the Council to consider alternatives to the moratorium. Washington state's HB 2453, which would establish just cause eviction requirements, is moving out of committee.

Fair Housing Immigration

The Colorado House approved SB20-108, the "Immigrant Tenant Protection Act," which prohibits discrimination in housing transactions on the basis of immigration or citizenship status. The bill has moved to the Senate for consideration.

Resident Screening — Related to Criminal

- Oakland, CA and Portland, OR enact criminal screening restrictions of applicants. — New Jersey A-1919/ S-250, the "Fair Chance in Housing Act" establishes certain housing rights of persons with criminal records.
- Washington HB 6490, which would prohibit the use of criminal history in resident screening, was defeated.

Resident Screening — Related to Eviction

- The Colorado legislature considers amended House Bill 20-1009, concerning suppressing court records of eviction proceedings. Source of Income.
- Local stakeholders are working together to defeat a source of income ordinance being considered by the Louisville City Council.
- Rhode Island is considering SB 2134, which would add lawful source of income as a protected class.
- Tennessee is also considering SB 2135/HB 2344 which would make source of income a protected class.

Landlord-Tenant

- WA HB 2520 makes amendments to how security deposits are handled and adds requirements to move-in and move-out inspections.
- TN SB2712/HB2807 requires certain landlords

Coninued on Page 4

Risk vs. Reward

By M. Jane Garvey

Many investors get into real estate because they like to know that there is something physical and tangible that they are buying. It is perceived as lower risk than some other investments. In the case of providing housing, we are providing a much-needed service, so the presumption is that there is an inherent value. In a perfect world with property rights, this is true.

One of the measures that many people use to determine if an investment is worth making is the risk vs reward. For instance, a small investment with a huge possible reward is frequently perceived to be worthwhile – putting 5¢ into the slot machine that may return $1000, or $1 into the lottery that may return $2,000,000. Even though the long odds of winning may make both of these have a negative expected value, they are still perceived by many as a chance worth taking. When played over the long run "bets" with a negative expected value will lose.

Real estate investments also come with risks and rewards. Both are less well defined and have less certain outcomes than the slot machine or lottery example above. They also frequently require more of an investment, both of time and money. Financial modeling is one of the things many investors do to try to determine the potential outcomes for a deal. If I invest $X today, I will receive an income of $Y-Y+ per month, net of costs, for the next 5 years, and then when I sell the property, I will receive $Z in net proceeds. We make assumptions in the modeling process about what rents and expenses will be, what sales prices will look like, what the transactions costs will be, and more. The devil is in the details in this analysis. Two investors can look at the same property and see vastly different scenarios. There are no right answers, except when looking at a deal in hindsight.

Many investors look at economic forecasts to try to incorporate inflationary effects in their modeling. This is not an exact science either. Today we see investors trying to predict the next downturn. Some advisors are suggesting strategies that reflect their beliefs about timing and severity. Everyone has a different opinion. Some of these opinions are even based in experience or economic modeling. None of these opinions are guaranteed.

One thing that many investors seem to be overlooking, or even ignoring, is political risk. In my perspective, this is one of the biggest risks we are facing. It has always been there, but today property rights are taking a beating in the halls of government. Rent control, restrictions on screening for evictions or criminal behavior, prohibitions on evictions during winter, fines for leaving property vacant, restrictions on using property at its highest and best use through zoning, impact fees, and on, and on. We need to make better decisions about what we buy and where we buy it to mitigate these risks.

I recommend that you start looking around and making plans. Other geographic areas may offer less political risk. Other investment types may be less of a target. Do some exploring, before you need to get out. Real estate is not liquid. It will take some time to shift, so be prepared.

One of the things we hold dear as investors is that we should be able to see a return on our investment. We recognize there is no guarantee. We are at risk to the economic conditions, the weather, changing taste in housing, and many other variables of a free market. In today's society there is an ever-increasing drum beat of "housing is a right" for those who we rent to. They do not have ownership, so they should only have the rights given to them in the contracts they sign to lease the property. Unfortunately, as investors, we need to realize that we do not have the votes to carry the day at the polls. We can also only go so far in using logic to change peoples' minds. I feel strongly that we need to include the risk of legislative change in the list of risks we are facing. The returns need to go up to account for them, and if they don't our investment money needs to go elsewhere.

In the Chicago Creative Investors Association's Code of Ethics, we state:

"…The acquisition, ownership, management, and disposition of real estate or its contracts (hereinafter the RE Business or RE Industry) is a highly regulated segment of our free enterprise system that entails substantial risks, and we who freely assume those risks are entitled to a suitable profit.…"

Unfortunately, that view is not shared by all.

Jane Garvey is President of the Chicago Creative Investors Association.

Legislative Update

... continued from Page 3

to offer security deposit alternatives to tenants similar to a recent bill passed in Cincinnati, OH.

Late Fees

- Washington considers HB 2535 which would require a 5-day grace period prior to assessing late fees for nonpayment of rent.

Maintenance

- The New Jersey legislature considers NJ S 683/A 1910 — a bill concerning the availability of maintenance service personnel 24-hours a day.
- The South Carolina legislature considers SC SB 706/HB 4197 — a bill requiring the inspection of balcony railings in rental properties.

Rent Control

- If you are in Arkansas expect rent control legislation to be reintroduced during the 2020 legislative session.
- New York considers S2892B (companion bill A5030). As amended, the Senate version prohibits eviction without "good cause" and would cap rent increases at 3 percent.
- WA HB 2779, which would implement rent control statewide and provide other requirements on rent increases and tenant-based termination, including removal of the statewide preemption, did not receive a hearing and is dead for 2020.

REAL ESTATE
RE
JOURNAL

Published quarterly for chapters, associated real estate investor associations, their members and guests.

Editor
Brad Beckett
brad@nationalreia.org

For inquiries regarding Membership, Legislative, REIA organization information or to become a industry partner, call National REIA toll free at 888-762-7342
Fax: 859-422-4916
Hours of operation: 9:00am to 6:00pm Eastern time zone

RE Journal is published by Rental Housing Journal, LLC, publishers of Rental Housing Journal
www.rentalhousingjournal.com

Publisher
John Triplett
john@rentalhousingjournal.com
Editor
Linda Wienandt
linda@rentalhousingjournal.com
Advertising Manager
Terry Hokenson
terry@rentalhousingjournal.com

The Secret Weapon Real Estate Investors Overlook

How a Self-Directed IRA Can Help You Beat the Competition

By Kent Kinzer

Real estate investors seeking a leg up on other investors in a competitive market may find an advantage from an unlikely source.

We're not talking about direct mail or marketing hacks, "proven systems" from a guru, or any magic negotiating methods.

So what is it?

3 Advantages Self-Directed IRAs Can Provide Real Estate Investors

Investors are finding they can beat the competition and win at auction or closing simply by using their retirement funds.

1 - Cash is King.

As most real estate investors know, making an all-cash offer is often preferred. Real estate investors, and specifically sellers, like cash offers for a few reasons:

- It allows the seller to offload the property with a fast and easy exit strategy.
- It's a sure thing. There are no concerns they will be paid in full.
- It allows them to easily move into another investment.
- It typically allows for a more seamless, less cumbersome sale.
- It doesn't require an extensive qualification process for credit history and other processes.

One of the benefits of an IRA is the ability to use cash in the account to purchase the property. Josh, an Equity Trust client from Indiana, discovered this on a raw land investment he made with his IRA.

After searching for raw land opportunities and working with land brokers for over a year, Josh identified a 111-acre lot listed at $4,500 an acre. During negotiations, Josh learned the seller was considering a few different offers he had received six months ago.

The competing offers were between $2,900 and $3,000/acre but were using financing.

Josh knew his self-directed IRA provided him an advantage his competition didn't have.

I told my broker, "Tell them this isn't going to be a finance deal but all cash with check-in-hand."

Josh's IRA won out and purchased all 111 acres for $249,000 with cash from his IRA. His final offer came out to approximately $2,243/acre, significantly less than the nearly $500,000 asking price.

Furthermore, Josh was able to "outbid" his competition by using his self-directed IRA, despite undercutting their offer by more than $70,000.

"The only reason they took the deal is that I was a cash buyer," Josh says. "Without having the ability to do a self-directed IRA investment on raw land, I would have never had the opportunity to have this much cash available for the purchase, thus forgoing the possible return."

Josh is eyeing a significant return for his IRA investment. Two weeks after his IRA acquired the land he was offered $440,000 for all 111 acres ($1,720/acre over his original purchase of $2,243/acre).

Despite the opportunity to turn his $249,000 investment into $440,000 in just two weeks, Josh declined the offer.

He explained the property was timbered two years before his IRA purchased it and, if he holds it for another three to five years, he expects to sell the land for more than $5,000 an acre once the next round of timber is ready for harvest.

2 - "Outbid" the Competition because of Tax Savings

Investors using tax-advantaged funds from their retirement accounts can enjoy an additional 10-40-percent of flexibility than their competition that invests with taxable funds.

Where does the 10-to-40-percent figure come from? It refers to ordinary income and capital gains tax rates and the advantage IRA investors have to defer or eliminate taxes from the equation.

When the competition is running projections on their potential real estate investment, they have to factor in short- or long-term capital gains and any income tax consequences from the eventual rent or sale of the property.

Self-directed IRA investors, on the other hand, go into each investment knowing all income is returned directly to their account without being taxed. They aren't concerned with losing up to 40 percent of their profits on the sale to capital gains.

"Before I was paying 33 percent of my ROI to the IRS. Now I keep all my profit!" says Karen, an Equity Trust client and real estate investor from Ohio.

Instead of losing out on an investment property they really want, self-directed IRA investors have the option to increase their bid and potentially "overpay" an amount investors with taxable money may not be willing to do.

As private lenders, some self-directed IRA investors report a similar benefit when competing with hard money lenders or bank financing. They can negotiate interest rates with more flexibility because of the tax-saving benefits of their retirement accounts.

3 - One-Day Earnest Money and Proof of Funds – an Equity Trust Advantage

Through our online platform, myEQUITY, clients can request earnest money to be sent directly from their account by check, wire or ACH and the earnest money is processed and sent within one business day.

Equity Trust clients can also auto-generate a "Proof of Funds" letter indicating their account's cash balance through myEQUITY. A proof of funds letter is often requested by the seller during the offer.

With these features, along with a dedicated Real Estate Investment Liaison to serve as your single-point-of-contact throughout the transaction,

Equity Trust clients are positioned to act quickly on real estate investment opportunities as they arise.

As competition in the real estate market increases, more investors may look to self-directed IRAs to gain an advantage.

Special Self-Directed IRA Offer for National REIA Members Only

Equity Trust offers an incentive for real estate investors to "get off the sidelines" and be prepared for potential investments with a self-directed account. Equity Trust Company is a national sponsor for the National Real Estate Investor Association (NREIA) and is offering NREIA members and its affiliated chapter members the opportunity to experience the concept of self-directed investing with a special introductory self-directed account offer.

NREIA members can open an Equity Trust account for a discounted rate and receive bonuses worth $720 or more:

- National REIA GOLD Level Service membership (includes priority processing and an experienced client service team dedicated to GLS members) for one year
- Digital download of #1 ranked book on Amazon - Self-Directed IRAs: Building Retirement Wealth Through Alternative Investing
- Two tickets to any Wealth Building Workshop Equity Trust hosts at various locations across the country
- More wealth-building education

Visit www.trustetc.com/nationalreia or call 844-732-9404 to learn more.

Kent Kinzer is Senior Marketing Manager, New Business Development at Equity Trust Company.

This post refers generally to federal income tax brackets and short- or long-term capital gains tax rates. Every situation will vary. Please consult with a tax professional regarding your specific situation.

Case studies provided are for illustrative and educational purposes only. Past performance is not indicative of future results. Investing involves risk, including the possible loss of principal. Quotes and information included in the case studies and testimonials were provided by the investors and included with permission. Equity Trust Company does not independently verify all information provided by third parties.

Equity Trust Company is a directed custodian and does not provide tax, legal or investment advice. Any information communicated by Equity Trust Company is for educational purposes only, and should not be construed as tax, legal or investment advice. Whenever making an investment decision, please consult with your tax attorney or financial professional.

Rental Housing Trends: What Landlords Need to Know

By Kathy Fettke of the Real Wealth Network,
Co-Written by Donna Behrens

Taking on the role of landlord is much different today than it was ten years ago. There are a number of trends that have reshaped the rental market, and with the start of a new decade, it's a good time to stop and take inventory. Keeping up with these trends is crucial to get a grasp on the big picture and whether any adjustments are needed for your own business strategies going forward.

The information in this article is from a report called a Decade of Housing Trends by RentCafe. The data comes from the U.S. Census bureau, Yardi Matrix, PropertyShark, and the U.S. News World Report.

Rentership on the Rise

The decade began in the midst of a foreclosure crisis. Many U.S. consumers lost their homes and had no choice but to find rental housing. Demand for rentals mushroomed but the transformation of the industry is much more complex. While some were forced to rent, there's been a huge rise in the number of people who choose to rent, and that's created a demand for high-end rentals. As RentCafe explains: "While the recession pushed many to rent out of necessity, the economic expansion which followed, coupled with changing attitudes towards family and homeownership, lead to the rise of the rent by choice."

Let's take a look at what happened:

1 - Demand Triggered Rent Growth

The growth in demand has fueled a big jump in rents. Since 2010, the national average rent went up 36% to $1,473 a month. (It was down slightly in January, 2020, to $1,463.) Among the factors that justify higher rents are higher real estate prices, more sophisticated rental housing amenities, and a thriving job market that makes the higher prices possible. The median household income rose 27% during the same time period, but wages didn't keep up with home prices. Those rose 31%. The disparity between the growth of wages and home prices has pushed some into the rental market by necessity.

2 - Largest Cities See Highest Prices

Growth in home prices and rent was highest in the largest cities. Phoenix topped the list for the biggest rise in home prices, while Denver topped the list for rent growth. But they appear on both lists along with other metro areas, including West Coast cities Seattle, Portland, San Francisco, San Jose, Sacramento, and Los Angeles. Phoenix, Tucson, and Las Vegas also made the list -- so did Baltimore, Washington, D.C., Virginia Beach, Atlanta, and Jacksonville, Florida.

3 - Population Growth for Renters & Owners

The renter population passed a big milestone in the last decade. RentCafe says it flew past 100 million to about 108 million renters by 2018. The decade began with about 99 million. The number of homeowners has also increased from 189 million in 2010 to about 202 million in 2018.

4 - Renter Growth vs. Owner Growth

When you compare those two growth curves, you'll find that renter growth was about "double" that of owner growth. Renter growth increased at a rate of 9.1% while owner growth was up 4.3%. RentCafe interprets that as a "considerable shift in the American lifestyle." The overall percentage of renters in the U.S. rose 1% from 33% to 34%. That increase represents more than nine million new renters.

5 - Big Cities see Renter Majority

Twenty big cities shifted from an ownership majority to a renter majority during the decade. Of the 260 cities analyzed by RentCafe, there are now 82 cities with a majority of renters. The two states with the most number of cities making that transition were California and Texas. They each had three cities on the list.

6 - Northeast Claims Most Renter Cities

Most of the other cities with a majority of renters are along the Northeastern seaboard. Of the 20 cities with the highest percentage of renters in 2018, 12 were in the Northeast. The city with the highest share of renters is New York City (Manhattan), at 77%.

7 - More High-Income Renters

We're seeing more and more renters with bigger paychecks. RentCafe found that the number of renter households earning more than $150,000 was up 157% in the last decade. That's about twice the growth of high-income owner households. Study authors say it's a sign that more and more people are choosing to rent as a lifestyle option, than to become homeowners.

8 - Fewer Households with Children

The overall number of households with children has dropped significantly. RentCafe says they have decreased by 1.3 million since 2010. The decrease is more noticeable among owner households however. They are down 5.6% while renter households with children dropped just a half a percent. The statistics for families without children are more dramatic. Renter households without children increased 8.2% while those for owner households increased 20%.

9 - More Seniors Become Renters

Renting has become more popular among seniors. The percent of seniors who rent went up 32% in ten years, while senior ownership increased by 23%. For the younger millennials, there's a 3% increase in renting and a -5% decrease in ownership. The people between those generations show a 7% increase in renting and a -8% decrease in ownership. Seniors are defined as 60 years of age and older.

10 - Suburbs Attract Renters

The growth of the renter population has been the fastest in the suburbs. It grew at 17% compared to just 14% in the cities. RentCafe says the suburbs are attracting renters because they are less crowded with good schools and homes that are larger and less expensive.

11 - Single-Family Rentals vs. Apartments

The growth of renters in apartments outpaced the growth of households in single-family rentals by just .2%, but two-thirds of all renters live in apartments. RentCafe says the growth of single-family households was strongest right after the recession, while the multi-family sector has seen more consistent growth throughout the recovery.

12 - Out-Migration Highest in Priciest Cities

The most expensive cities have seen the biggest out-migration of residents. New York ranks first in that category with a loss of 216,000 people. Most of those people went to Philadelphia. The city with the highest in-migration was Phoenix. It gained about 42,000 residents, thanks in large part to former residents of Los Angeles.

13 - Millennials Leave College Towns for Job Markets

Millennials have been on the move. Ten years ago, they boosted population growth in the towns where they went to college. By 2018, they had left those towns for more lucrative job hubs. College Station, Texas, was the most popular college town for millennials in 2010. In 2018, the top city for working millennials was Cambridge, Massachusetts. The other cities on the list of millennial job hubs include: Arlington and Alexandria, Virginia along with Washington, D.C. Seattle and Denver are also on the list along with San Francisco and Sunnyvale in Silicon Valley. One other city worth mentioning is Orlando. Millennials apparently like the job growth in that area. And, I'm sure they don't mind the warmer weather.

14 - Construction Boom for Apartments

Demand for rental housing has created a construction boom. RentCafe reports that builders have delivered almost 2-and-a-half million new apartments in the last decade. The dominant trend among this segment is for high-end facilities and resort-style amenities, since many Americans are now renting by choice. The city with the most new rentals is Dallas followed by New York, Houston, Washington, D.C., and Los Angeles.

15 - Rentals Are Getting Smaller

Last but not least on RentCafe's list of rental trends is the smaller size of newly built apartments. The report shows they've shrunk an average of 57 square feet.

You can find out more by going to the original report at RentCafe.com.

Kathy Fettke is the Co-Founder and Co-CEO of Real Wealth Network. She is passionate about researching and then sharing the most important information about real estate, market cycles and the economy. Author of the #1 best-seller, Retire Rich with Rentals, Kathy is a frequent guest expert on such media as CNN, CNBC, Fox News, NPR and CBS MarketWatch.

Donna Behrens has worked as a TV news writer and segment producer in the San Francisco Bay Area for more than 25 years. She is a podcast producer and writer for the Real Wealth Show and the Real Wealth News for Investors. Learn more at www.RealWealthNetwork.com.

When the Unexpected Becomes Reality, What Next?

... continued from Page 1

Italy, South Korea, Japan and others. These outbreaks are affecting more than the supply chain as the consumer is now engaged. The decline in activity has affected a host of sectors – oil demand is way off, travel has all but stopped, consumption (outside toilet paper and hand sanitizer) has plunged and that almost guarantees a decline in GDP growth. The estimate thus far is that growth in the US will be off by around a quarter to a half point and that takes GDP to less than 2.0%. The consensus view is growth between 1.5% and 1.75%. China will likely see a decline of at least a point and a half. The consumer has only started to react but retailers are reporting declines in traffic and there are fewer people declaring their interest in new housing even as mortgage rates fall due to the lower yields for the treasury bonds on offer.

A third impact area is productivity. As people are prohibited from attending meetings and traveling there has been a drop off in every aspect of business. The advice has been to work from home but many are not in a position to do that. It is pretty awkward for a manufacturing worker to get that machine delivered to their house and salespeople are going to struggle to get their customers to drop by the apartment. Whole industries will be shut down as airlines and cruise ships already have been. Resorts are closing, hotels are laying off staff, theme parks are looking at an entirely lost season.

Then there are the markets and their continued free fall. There is no way of knowing when the panic will subside and how long it will take people to resume their normal patterns and that means months of market instability. Bond yields are as low as they have been since the recession and that has helped drive mortgage rates down but there has not been the stampede into the housing market that one would expect. The housing shortage remains acute for many communities and that has helped keep the price of homes high. The homebuyer is now more worried about the status of their job and their income and that creates yet another inhibition. The investment community has been rushing to the traditional safe havens – gold and bonds – and this affects all other levels of investment. Real estate has not been hammered to the degree the equity markets have been but there is trepidation showing up here as well. The combination of the virus reaction and other blows such as the oil war launched by Saudi Arabia and Russia means that a correction of thousands of points is very likely and recovery will be slow. Fear has taken control and investors are focused on the negatives exclusively.

Looking ahead there are three scenarios competing for attention. The worst scenario is based on the assumption the virus continues to spread and that governments will be forced to take more draconian steps such as banning any gatherings, restricting people to quarantines and the like. This quite literally shuts then economy down to the point of a full-blown recession and one that would likely last the entire year.

The second scenario holds that the virus peaks in the next month or two but the restrictions and consumer fear lingers for many more months. The reaction of the public has been to panic. The consumer response may not fade for many months after the crisis has officially passed. This is the dominant scenario with a more than 50% chance of coming to pass.

The third and most optimistic scenario holds that the crisis fades in the next 2 months or so as the weather warms up. This will then be followed by a rapid return to normal due to pent up demand and a desire to get back to normal as quickly as possible. This would have to be accompanied by a sharp reduction in the government restrictions and the sounding of an "all-clear" that people would accept. This results in a strong economic rebound by the end of the summer. This scenario has a less than 20% chance of coming to fruition.

Chris Kuehl, PhD., is an economist and Managing Director of Armada Corporate Intelligence. Visit www.armada-intel.com for more information.

Opinions published in this article are those of the author and not necessarily the opinions of the National Real Estate Investors Association, its board, or staff.

Tired of Dealing with False Service and Emotional Support Animal Claims?

Pennsylvania Fights Back, Passing Assistance and Service Animal Integrity Act

By Bradley S. Dornish, Esq.

Over a decade ago, I experienced a protracted fight between my client landlord who had a "no pet" building, and a long-time tenant who had and wanted pets. The tenant paid to certify a dog as an "assistance" animal, and had the dog wear a vest declaring this role. She asked for and got a local therapist to give her a prescription for a "support" animal to calm her nerves and aid in treatment of anxiety. The tenant bought and added to her household another dog, without training or certification, to help the first dog. She added parakeets which flew around the entire apartment, to let her know when her tea was ready or her stove was left on.

Even then, the fight to evict her went on for many months, through several courts, costing thousands of dollars. Tenants in other units complained about the dogs barking, the birds chirping, and smells coming from the apartment. The tenant was physically limited in her ability to take the dogs out, so they and the uncaged birds did their business in the apartment, which smelled like a kennel or a bird cage.

At each level, the courts struggled to require reasonable accommodations for the tenant's disabilities while protecting the landlord's property and contract rights, and the rights of other tenants in the building to a clean, safe and quiet building. There were no easy answers, and the tenant eventually got social service help in assisted living, where no dogs or birds were allowed.

Since that time, the pendulum has swung further and further toward supporting the rights of tenants and HOA residents who need service or support animals, and members of the public who seek to include such animals in public accommodations or travel. Just search emotional support turkey, peacock or squirrel to see what airlines have been dealing with as passengers seek to bring their animals into cabins, and do so without paying fees. Many support groups for those who truly need service or emotional support animals share the frustration of landlords, HOAs and business owners toward those who abuse the system to have their pets in violation of housing and public accommodation rules against pets.

My most recent case involving questionable service or support animals is going on as of this writing, and involves a tenant not controlling two alleged support dogs in a no pet building, and another tenant threatening to move because of issues involving the dogs. Service and support animal abuse in housing may not make the news as frequently as cases involving turkeys, peacocks and squirrels on airplanes, but HOAs and landlords have to deal with these issues and reasonable accommodations on a daily basis.

For the record, I am not at all against pets. I have a Bichon Poodle who greets me every morning and night, keeps me company while I work at my home desk, is on my lap as I write this article, and even comes to work with me on occasion. I allow pets in my rental units, charging appropriate fees and deposits, and requiring pet owners to control their pets so as not to cause annoyance to others. I do oppose those without medical need who use laws designed to protect and help those whose medical conditions are benefitted by animals to get around rules against pets in apartments and HOAs.

With the support of PROA (Pennsylvania Residential Owners Association), as well as real estate brokers, and many advocates for those with real need for such animals, the Pennsylvania Legislature passed the Assistance and Service Animal Integrity Act in October, 2018, it was signed by the Governor, and become law on December 23rd, 2018.

The new law defines assistance and service animals consistently with federal law, and specifically permits landlords and associations with pet policies to request written documentation of both the disability and the disability related need for the animal, unless either is readily apparent or already known to the landlord. The law further establishes minimum standards for the documentation to be provided.

That documentation must be in writing, and must be "reliable and based on direct knowledge of the person's disability and disability-related need for the assistance animal or service animal". That requirement should help to curb the use of mail order certifications. The final requirement is that the documentation must describe the disability-related need for the assistance or service animal.

The law then takes the important step of making misrepresentation of entitlement to an assistance or service animal a crime under PA law. The acts which constitute crimes include lying about a disability or disability related need for an animal in housing, and lying about a disability to obtain documents for use of a service or support animal in housing. These crimes are misdemeanors of the third degree, and can lead to jail time on conviction.

Lesser crimes under the law include creating a document misrepresenting that an animal is a service or support animal for use in housing, providing a false document indicating service or support animal status to another for use in housing, and fitting an animal not an assistance or service animal with a collar, harness vest or sign designating the animal as an assistance or service animal for use in housing. These violations are summary offenses, each subject to a fine up to $1,000.00 per occurrence.

Equally important to landlords and HOAs dealing with residents who have service or support animals, the law grants landlords and associations immunity from liability for injuries to others caused by an assistance or service animal permitted on the property as an accommodation to one with a disability.

Hopefully, the Assistance and service Animal Integrity Act will curb the attempts by some residents to abuse the designation of service and support animals in rental and HOA housing. It will certainly provide some protection to HOAs and landlords from liability for injuries caused by such animals, and an opportunity to refer suspected abusers of service and support animal status for criminal prosecution.

Bradley S. Dornish is a licensed attorney, title insurance agent and real estate instructor in Pennsylvania. He can be reached at bdornish@dornish.net.

Business Insurance is a Must

By Mark Gannaway

From one business owner to another, having the correct insurance in place is not easy and not inexpensive. For Arcana Insurance Services, we dread paying insurance premiums just like you do. But prudent business owners are always concerned about large uninsured losses that could damage their financial well-being or worse, put them out of business.

To give you an idea of what coverages to review with your insurance agent, Arcana purchases a Businessowners Package policy, Businessowners Automobile, Directors and Officers, Crime, Professional Errors and Omissions, Worker's Compensation, Commercial Umbrella and Health Insurance for our employees. That's a lot of insurance and a lot of money. But this list also reflects the many financial dangers we all face every day of the year.

Other insurance options you should consider include flood insurance for your office location; and if you are a sole owner or have a business partner or partners, Key Life insurance to fund the Company's expenses for a period of times such as tax implications.

We won't name names, but Arcana's management is always amazed at the lack of insurance discussions at the conferences we attend. Most do not have a breakout session on insurance or a continuing education program to offer their members throughout the year. Symbolically putting your "head in the sand" or making the dangerous assumption Investors hope the minimum priced insurance coverages one purchases will protect you in the event of ALL Losses. This is financial suicide.

Many of you work out of your home and believe your homeowner's and personal automobile Policy will provide you the necessary protections for your business entity. That is one of the biggest mistakes we see in this industry and in almost all cases is a false sense of security.

Any insurance policy that has the heading "Personal" in its title usually means "Not Business!"

For example, in reviewing my own personal automobile policy, which happens to be the number one consumer rated company in the United States year after year, uses "regular use" consistently throughout the Policy. What is also interesting, it isn't defined in the Definitions section of the Policy. For clarification; I went to the Business Automobile Policy (BAP) to see what qualifies for coverage. BAP "provides insurance protection for a company's use of cars, trucks, vans, and other vehicles in the course of carrying out its business. Coverage may include vehicles owned or leased by the company, hired by the company, or employee-owned vehicles used for business purposes." You need a BAP policy if you drive to or between several locations, or if a colleague regularly takes your car to visit clients. You will also need it if you drive hundreds of miles a week for business purposes.

Another interesting exclusion in the personal automobile policy states "For bodily injury to an employee of that Named Insured during the course of employment or maintaining or using any vehicle while that Named Insured is employed or otherwise engaged in a business" is excluded.

Now to the business owner who works out of the house and believes his homeowner's and personal umbrella policy protect his business for property and liability claims related to his business operations. Again, if doesn't have Commercial or Business in the title of your insurance policy, chances are you're not covered for your business.

Again, going to the Definition Sections of both my own homeowners and personal umbrella liability policies, Business is defined as: "A trade, profession or occupation engaged in on a full-time, part-time or occasional basis. Any other activity engaged in for money or other compensation." Exclusions include bodily injury, personal injury or property damage arising out of or in connection with a business and includes locations where the Named Insured "engages in or conducts business from either owned or property rented to the Named Insured." So; if someone comes to your 'home office' to conduct business and falls and is injured, your Policy will not cover the upcoming medical and potential legal suits for damages that may follow.

They go further in both policies by defining and excluding coverage for any employee or employees of the Named Insured. An employee is: "an employee of an Insured, or an employee leased to an Insured by a labor leasing firm under an agreement between an Insured and the labor leasing firm, whose duties are other than those performed by a residence employee.

Most Homeowner's insurance policies also have a limit of not more than $2,500 coverage for business property within the home. As you can see, Homeowner's insurance and Personal Umbrella Policies are not your "friends" when it comes to your business.

I hope this little insurance exercise clarified the differences in business verses personal insurance needs and what to discuss with your insurance agent at your next visit. Always remember if the answer cannot be found in your insurance policy, make sure your insurance agent puts it in writing to you.

Arcana offers members of National REIA multiple insurance products specifically designed for Investors and their tenants. Features include no underwriting or inspections, 24/7 desktop & smartphone certificate delivery system, outstanding claims management service, and a very knowledgeable & courteous staff to handle your insurance needs. Learn more by visiting www.nreia.arcanainsurancehub.com.

Mark A. Gannaway, CPCU, is the Chief Executive Officer and Founding Partner of Arcana Insurance Services, an all-lines property and casualty managing agency that's been working with real estate investors since it began in 2005.

Top 5 Bookkeeping Pain Points for Real Estate Investors

The Most Common Issues for Industry Pros and How to Fix Them

By Gita Faust

A bad habit a lot of real estate professionals maintain is keeping accounting and bookkeeping on the back burner. While it is entirely understandable that managing the operational aspect of your business takes the forefront, disregarding your finances can easily turn into a one-hit K.O. if you are not careful. We get it; numbers might not be your forte, but once you figure out how you want to handle your bookkeeping and accounting, it is just like riding a bike. However, similar to riding a bike, if you aren't pedaling and putting in the effort, you won't get anywhere.

Many real estate investors and other professionals face the same major issues. When asked about the greatest pain point that businesses in the industry face, an overwhelming number of professionals responded—and many of the responses were identical.

1. PROCRASTINATION

Procrastination is one of the worst behaviors across all industries, so it is no surprise that it is prevalent in the realm of real estate and property management. However, it can be extremely detrimental to the wellness of your business. When you let the work pile up, you'll start drowning in it, and when tax time rolls around, you and your team need to scramble to get it done. If that's the case, the chances are that your numbers will have some errors, and that is a whole other story (or rather a nightmare).

But why not just stop? The reasoning behind procrastination boils down to a number of factors, some of which are included in this list, but no matter the cause, it can wreak havoc on your ability to complete your work efficiently and effectively. Some elements popularly feed into investors' procrastination habits:

Fear or nervousness. Once the work starts building up, it can become extremely intimidating, and many professionals do not want to deal with it. I mean, who would? However, if you let a molehill grow into a mountain, that mountain can topple over and crush you… metaphorically, of course.

Low confidence. Similar to the first, the work can seem nervewracking, especially if bookkeeping and accounting are two things that you have never handled before. Stepping out of your comfort zone takes a lot of willpower, and that is exactly why so many people never do it.

Underestimation. One of the worst proponents of procrastination is underestimating the amount of work that actually needs to be done. Sometimes people look at their financials and say, "Hey, I can probably get this done in a week before tax time," but what they don't realize is that maybe they could do it in a week if they don't sleep or focus on anything else.

Lack of interest. Some professionals just really do not like doing their accounting. Think about how enthusiastic you are about cleaning your garage or taking out the trash (or whatever your least favorite chore happens to be); it is equivalent. They just keep putting it off because they would rather spend their time doing anything else, and then it comes back to bite them.

Procrastinating once or twice isn't too bad, but when you let it go on every year until tax time, it can cause you so much unnecessary stress. Try spending a little bit of time every day or week organizing your financials; doing it in small spurts and resting assured that everything is recorded is much better than taking on the workload all at once.

2. LACK OF KNOWLEDGE

When people don't know much about a subject, they typically follow one of two paths: make the effort to learn more about it, or ignore it, tuck it away, and pretend like it doesn't exist. Unfortunately, many people opt for the second option when it comes to bookkeeping and accounting.

If you do not go to school for finance or if you did not teach yourself and turn it into a profession, it can be difficult to acquire the skills and knowledge necessary to do it on your own—difficult, but not impossible. However, there are still those who refuse to learn what is essential to the maintenance of their business, even if the information is critical to making important business decisions.

So what can you do about a lack of bookkeeping and accounting knowledge? You can learn! Duh! Whether you decide to teach yourself or learn from a professional, having the ability to handle your finances and understanding the data at your fingertips is priceless.

3. NO "FREE" TIME

This is a very common pain point for a lot of people in the real estate industry. Whether you are managing properties, investing in real estate, or whatever else, your schedule is probably super hectic and always full of meetings—and when you're not in meetings, you're doing more work! It's an endless cycle, and you find yourself with very little free time to spare.

As we mentioned before, your focus should be on the big picture of your business, but you should not ignore the details that go into creating that picture. Accounting is the language of business, and the real estate industry is no exception. But still, what do you do if you don't have any free time?

Groundbreakingly, you should not be spending your free time on bookkeeping. Find a way to squeeze

Continued on Page 13

Top 5 Bookkeeping Pain Points for Real Estate Investors ... continued from Page 12

it into your work schedule, whether you use 5 minutes a day or 30 minutes a week. And if you genuinely don't even have that much time? Consider hiring outside help.

4. RECORD ACCURACY

The mistakes that investors can make while recording their financials are endless, but there are a few errors that seem to be a pattern in the real estate industry. Not only do people just not record all of their revenues and expenses with the appropriate details, but they also don't understand how important it is to keep accurate records in the first place. There are three cardinal rules of bookkeeping that many people overlook:

Separate your business and personal expenses. If you don't, this will come back to haunt you during an IRS audit

Ensure that you have backup documents and receipts. You want to be able to fact-check your information if you suspect there is an error

Do it correctly and consistently. As we said before, regularly updating your data can be a lifesaver when tax time rears its ugly head, and reconciling the numbers for accuracy saves you trouble during audits

There are so many other reasons as to why keeping your books clean and organized is so important, including the ability to make impactful decisions backed by actual data. Knowledge is power, and in this case, knowledge is rooted in the numbers.

5. NO PROFESSIONAL HELP

For some reason, a lot of people are wary of requesting help outside of their company; some people don't trust outside sources and others just don't deem it necessary to consult a professional. There are plenty of horror stories to scare you away from subcontracting a bookkeeper, but unless you hired an internal accountant or are one yourself, the back-office can get more than a little bit messy.

The expertise given by a professional (especially one who regularly deals with clients in the real estate industry) is invaluable. All you need to do is make sure that the person you hire is reliable, which is why you should always read reviews and, if you are able, get recommendations from colleagues or other investors.

If one or more of these pain points sound familiar to you, it might be in your best interest to hire someone outside of your company (unless you really want to get into the nitty-gritty numbers yourself). When you hire a professional accountant or bookkeeper, you can get some expert insight into your numbers, ensure that your books are always ready for an audit, and spend your time doing what you do best: running your business.

Gita Faust is the founder & CEO of HammerZen, which helps businesses save time & money by keeping track of The Home Depot purchases and efficiently importing receipts and statements into QuickBooks. National REIA members receive discounts on QuickBooks services and software. Learn more by visiting www.hammerzen.com.

Member Spotlight - Patrick Gallagher

... continued from Page 1

was a very good athlete but school did not come easy. I had to work at it and even then, I was a C-student. In high school, I wanted to be a truck driver or a police officer. I wasn't following any of my family member's lead. I thought both could be interesting career paths for me. After graduation, I went to a community college and majored in Criminal Justice. This is when I got my act together and made the Dean's List. After those two years, I transferred to a four-year school and graduated with a BS in Criminal Justice.

At 22 years old, I was fortunate enough to get hired by the Monroe County Sheriff's Office as a police officer. Although I loved the profession, I wanted more. At that time, I was married with two kids. Morgan is now 17 and Jack is 16. It was during my 12th year on the force that I began searching. I didn't know exactly what I wanted to do but I knew that working for the rest of my life, with two weeks' vacation, and a 401k, was not enough.

I remember sitting on the couch, flipping through channels before a real estate infomercial appeared. For those of you who have been around, it was the free 2-hour session where you learn just enough to have to come back. They got me, but only for the 30-hour course. Then it all made sense, I was seeking freedom. I wanted to be on my time. With real estate, I was on my way to making that happen, but I did not quit my job. I needed to serve 20 years in order to get the pension and medical benefits, so I did both.

Where is your current market and what is your focus or area of expertise?

My current market is Rochester, NY. I do have thoughts of expanding in Buffalo and Syracuse, but I am quickly reminded of how busy I am in Rochester. Property management is my #1. Compared to any other niche in real estate, property management is the most evolving, challenging, and rewarding of them all. It's also the hardest. However, I've made the largest impact, and/or helped more people (property owners and our residents) in this area, than any other. In real estate, one rarely works alone, I am blessed to be surrounded by the strongest, most dedicated team members around. I am very grateful for their contributions, and ongoing involvement to improve each and every day.

How did you get started?

The 30-hour course (which cost $1,500) was the beginning for me and I put the cost on a credit card. Soon after the course, I started to read a variety of books; The Rich Dad Poor Dad series was extremely inspirational and a wakeup call for me. I looked in the mirror and decided that it was all up to me, it was my choice to either remain on the sidelines or take action. Thank God I took action! For the first 5-7 years, I was strictly an investor successfully doing flips, buy & holds, etc. Property management just fell into my lap. I wasn't looking to enter this arena. I was running my own portfolio and doing just fine. However, through years of networking, it became apparent that investors were having a hard time finding honest, reliable, property managers. My background in law enforcement was a plus. So, I decided to take on property management for others, and what a journey it has been.

Daisy, the "gentle giant"

Pat and Beth at a Miami Dolphins game

Describe a typical work week for you as a real estate investor:

There are days that I am up at 3 am and other days that I choose to start at 10 am. This is why I love real estate, it does not feel like a job. It's on my time. My property management team consists of approximately 20 full-time employees. I have a few meetings (each week) with my supervisory staff where we cover a variety of topics.

These topics could be our: leases, property management contracts (with owners), legal updates, current market trends, and other operational issues. There is never a dull moment. My personal portfolio consists of long-term holds. Lately, I have been purchasing a lot of short-term holds in which the properties need some work to get them up and running. Once all work has been completed, I'll offer them to owners in my property management group or put them on the market. Off-market deals come to me on a daily basis. I still love to go out and personally evaluate these deals and price out the anticipated rehab.

How long have you been investing in real estate?

I have been in this field for approximately 17 years. It began with single and multi-family homes to keep as buy & holds. For deals, I started with the Saturday real estate section of the paper, and then graduated to other sources for leads. This is where the networking started, once you put yourself out there, relationships develop organically.

As those blossomed, doors started to open. Realtors and the wholesale folks would call me with leads. Not only was I looking at more properties, but the experience of working with others, brainstorming and/or bouncing ideas off each other was extremely beneficial to my growth. I learned to keep an open mind and let the information flow in. It was very interesting what others were doing. I was able to dig into that more.

Tell us about your first deal.

My first deal came right after I finished my 30-hour real estate class - a friend of mine bought a double that needed a lot of work. He offered the house to me for what he paid for it. I ran the numbers and based on what I just had learned, it seemed like a good deal. I remember weeks before closing on the house, I had doubts and I was not getting good feedback from family. Plus, I needed to borrow the funds from the bank to buy and rehab. I didn't have any contacts with private money lenders.

Pat's son Jack and daughter Morgan

Pat with his grandfather

However, I qualified for an unsecured personal loan at 18% interest, so I took the bank's offer and got started. My wife at the time was not talking to me and my parents couldn't help but shake their head at my ridiculous decision to venture into real estate. I was working my full-time job with a 2-year old and my second child on the way; my wife was a stay at home mother. Talk about stress! In a four-month time period, I was able to rehab the house and get the bank to put a new mortgage on the property. This property was free and clear and I needed to cash out the equity. At closing, I was given a check for 80% of the bank appraisal, which enabled me to immediately pay off the 18% personal loan and all related rehab expenses. There was still 15k left at closing that went right into my pocket. Furthermore, after both units were rented, there was a monthly surplus of $300 per month left over after all expenses and mortgage were paid. This turned out to be a total win. The naysayers went silent. I stepped out of my comfort zone and it worked. I was now in the game!

How do you fund your investments?

I have funded my investments by using the equity in my personal home and rental properties. Unsecured bank loans can be attractive, but you have to shop around. I have self-funded and also used hard money (private money lenders). In my early days, I did use my credit card for a cash advances. You have to start somewhere because new Investors do not have many contacts. Those relationships take time to develop.

Do you have a real estate license?

Member Spotlight - Patrick Gallagher

... continued from Page 14

Before (left top and bottom) and after (right top and bottom) photos of one of Gallagher's properties.

Yes - I am a New York State Licensed Real Estate Broker.

What projects are you currently working on?

On the property management side, it’s constant. Our management agreement, resident leases, and all of our legal paperwork we scrutinize and review with our Attorney to make sure we stay one step ahead of the ever-changing market. Local, state, and federal laws do change so we have to remain compliant. Our number one goal is the safety and protection (from all outside sources) for our property owners and our residents. In my spare time, I am working on several short-term holds where I acquire (usually from off-market sources), repair, and fill with residents. Then sell them back to my owners, or place the home(s) on the MLS. I have also been selling homes to buyers who are looking for “owner-occupied” homes.

How much time do you put into your real estate education?

This is the area that I really do love. Even though I have been in the field for over 15 years, there is still a ton to learn. A few times a year, my management team and I attend classes and seminars from various speakers/topics. The majority of these classes/meetings are locally based. I personally attend 2-3 meetings per month. I make it a point (one to three times a year) to hit national events to see what others are doing. The education never stops. I would say that I’m spending more time on education now than ever before. We share all related information with our team members to ensure that all of us at GPM (Gallagher Property Management) are up to date with legal, accounting, customer service etc.

Has coaching or mentoring played a part in your success?

I have never signed up and paid for “coaching.” For me, it was a combination of lots of books, classes, seminars, and in Rochester, our Freedom First REIA group. That group really set me up well for success. I can’t thank all of the members enough for just how insightful they are and their willingness to help others. Through the REIA, I have met bankers, attorneys, realtors, investors, property managers, wholesalers, private money lenders, etc. All are willing to help. I think in terms of “mentoring,” I have spent considerable time with others in my field. We would toss around ideas (we still do) and share with each other, what has been working and what does not. On top of all of this, I have been working on my personal growth and development. Again, the learning never ends. People such as Tony Robbins, Gary V and Ed Mylett have all really made a difference in my life.

What are your current and future goals?

My current goal is to assist GPM in “growing.” We have our policies and procedures in place, and are adequately staffed to not only grow, but to grow effectively and efficiently. As for my future, I will add residential units to my portfolio and I am going to get involved in commercial purchases. Rochester has plenty of small businesses. There is a need to find a place to store and work out of. I would like to own a fairly large commercial space that would house 4-5 (or more) small businesses. Also, apartment buildings of 15 units or greater have always been on my radar. I want to increase my passive income while GPM steadily grows in Rochester and possibly into other markets.

What has been your top struggle in this business?

Where do I start? When you open a business (any business) in New York state and maybe other states are similar, there is no handbook. It’s trial by error. And if you make an error, it will cost you. Just having the proper insurance was a chore. It took a long time to not only get the proper insurance with sufficient coverage but how do you afford that? We adjusted our pricing so we could keep up on our expenses. Hiring the wrong employees can really cost you, too. We had a year and a half period where we let go of 15 employees. We only employ a total of 20!.

So, we did some major restructuring and if you were not on board with our vision, GPM was not the place for you. It was as simple as that. This all came after we encountered some growing pains. I hired a consultant to come in to help and what we identified was eye-opening. A complete 180 from what was acceptable, that become no longer acceptable.

The other struggle is time; How to best utilize my time in the most efficient, productive way. I had to break my old habits of spending too much time in the field helping my guys. My role is to grow the company, I have to stay focused on that.

What do you like most about what you do?

I absolutely love helping my propetry owners. That can be finding and evaluating potential deals, assisting with insurance, financing, and getting the property(s) to perform as they should. Also, I love helping my residents. I want their living experience with GPM to be like no other. We work hard to give them an outstanding product that they can call home. We enter partnerships with our owners and residents. I am very grateful for the relationships that we have.

Do you have a tip or advice that you would pass along to other investors?

Yes - Do the work, Put in the time and Network. Successful real estate investing doesn’t happen overnight. Do not be one of those individuals who offers to buy lunch so you can pick the brain of a veteran real estate investor. An investor who has put in the time, spent the money, and is actually doing it will not share all that he or she knows, for a free lunch. Listen to podcasts – they can be invaluable. Another word of advice that I have is to be “nice”. Be nice to everyone. You would be surprised at how many deals were offered to me from others that I really did not have a connection with. If you are “likable” others will naturally bring deals to you.

How important is joining a local REIA to a new investor?

As I said earlier, I attribute the majority of my success to my local REIA group. I was in the business prior to joining but once I became a member, my real estate investing career took off. Fast forward to today and I now lead a monthly REIA meeting and regularly speak at other sponsored REIA events. So many doors have opened for me from being a vendor member at Freedom First REIA group in Rochester, N.Y.

What is your favorite self-help or business book?

I do not have one favorite book. It’s a combination of several. The Rich Dad Poor Dad series can get your wheels turning. It has great stuff that introduces non-traditional ways to increase your wealth. I have attended a few Tony Robbins seminars and his business mastery class. That course work has been great for me to look back on and review. I have also found great value listening to: Dean Graziosi, Gary V, and Ed Mylett.

Do you have any interesting hobbies or something unique that you like to do?

I wouldn’t refer to myself as “unique.” Actually, I think that I’m pretty boring. I love to work. I often get up early, stay late, and work weekends. Whatever it takes. That being said, up until about 5 years ago, I was an avid soccer player. It’s great cardio and I had a lot of fun with my teammates. Persistent low back pain (and surgery) sent me into retirement. I now get fulfillment by going to the gym to lift weights. For extracurricular fun, I purchased two ATV’s. My goal was to ride them, but so far, they have remained parked. My girlfriend, Beth, and I make it a point to attend at least one NFL game per year and we regularly attend AHL hockey games in Rochester. I do manage to make it to a few Buffalo Sabres hockey games each year as well. Hockey is my new passion. It’s a cool hobby that allows me to shut off work for a little bit and enjoy the game. Lastly, I always had a dream of owning a large dog, which has become a reality. We are the proud owners of a one-year-old, 110 lb. Great Dane named Daisey. We refer to her as the gentle giant.

Does your business have a website?

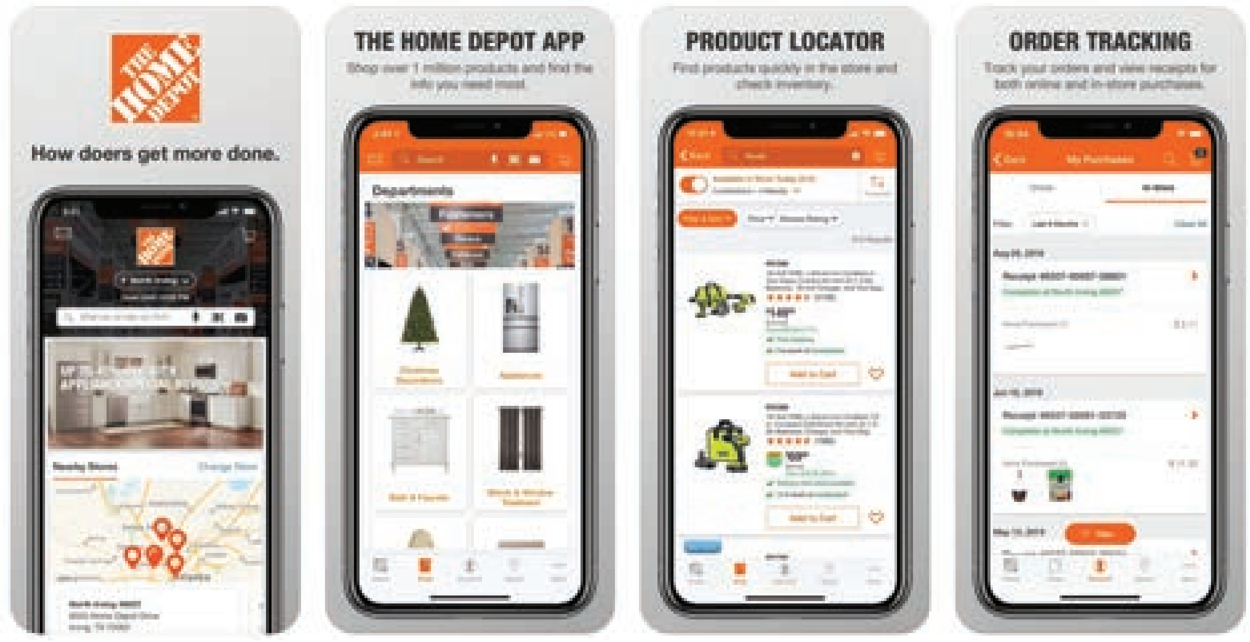
www.gallagherpropertymgmt.com

How can people find you on social media?

Facebook: https://www.facebook.com/

Essential Tech Tools to Work Smarter, Not Harder This Spring ... continued from Page 1

trips to local stores with an image locator, another feature on The Home Depot's mobile app. It can help determine the specific product you need, and fast. Just snap a photo of the product and the image locator can find the make of the product, the nearby stores where it's available for purchase, and the exact aisle and bay it sits within the store. Being able to quickly verify if a product is in stock before making a trip can not only save you time and money, but it can also help keep your properties in line.



Connected Products

With tenants seeking to integrate more technology into their spaces, connected products are crucial to ensure your investments stand up to evolving consumer expectations. There are a number of products out there that can help your property stand apart, like thermostats and smart security systems. Partnering with supply houses that keep their inventory current with top products allows property owners and investors to offer their current and future occupants this same advantage.

These continually evolving technologies can be multifaceted, and for support, some suppliers retain on-call experts to answer questions and provide guidance throughout the entire process, beginning with installation and setup. Capitalizing on this expertise and variety of products can strengthen the value proposition of your investment, letting you bolster your portfolio and put properties on the market with confidence.

If you need help with the installation or maintenance of a product, The Home Depot's local service professionals are available to help with a range of needs. This includes replacing an outdated water heater with a smart one for significant energy savings, as just one example of many. The Home Depot's Home Services is backed by licensed and insured professionals and a range of affordable financing options, allowing you to rest easy knowing that cost-effective, quality service is going into your property.

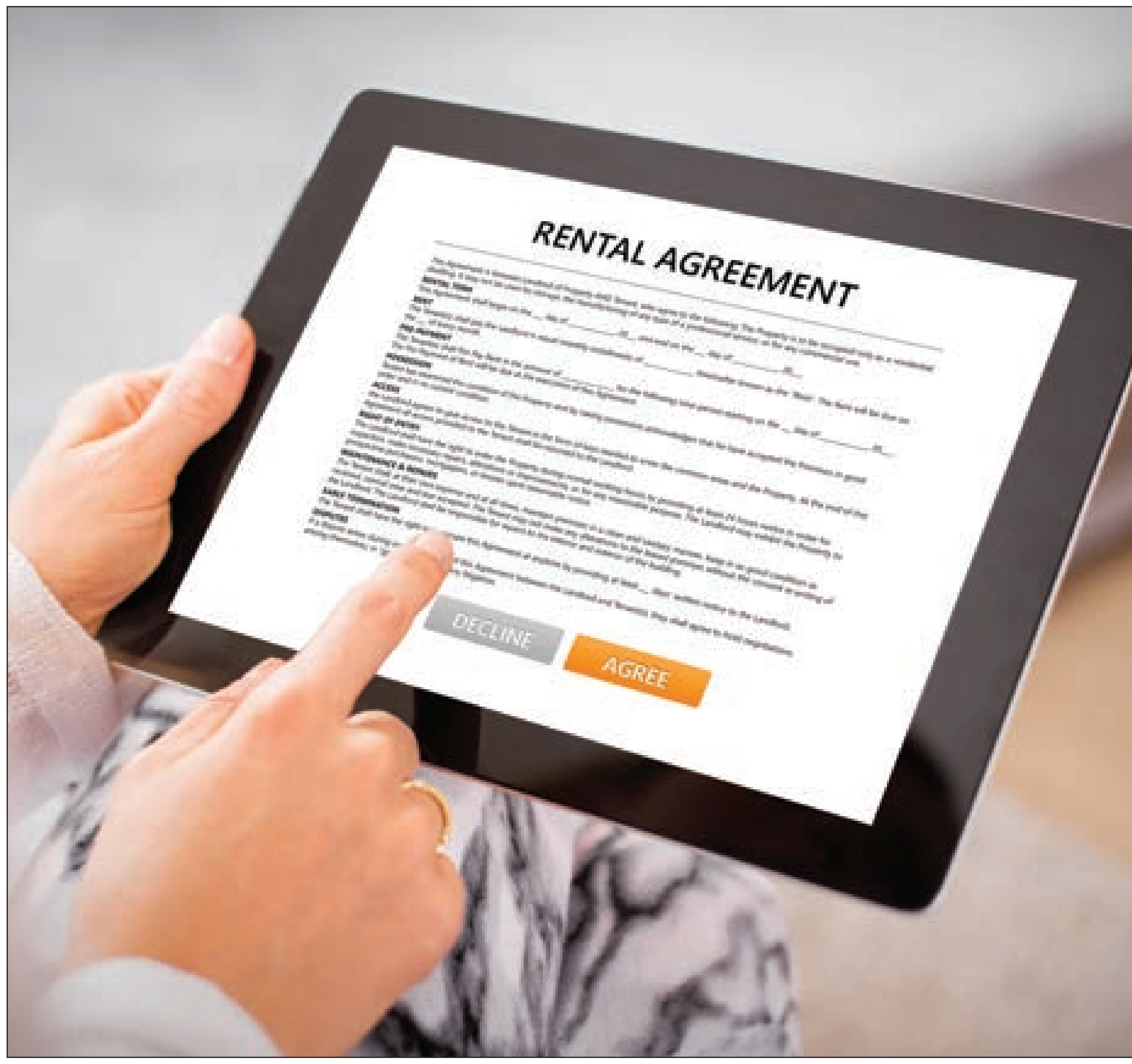
With much of the world depending on technology, it's fair that real estate investors ought to incorporate leading innovation to make sure their properties not only stand apart but are managed efficiently. The best part is you don't have to be well-versed in technology to tackle this head on. Working with a trusted home improvement partner can not only help you be armed with the technology suitable for your property, but also the expert knowledge and capabilities to put your investments on a pedestal for years to come.

Designed by professionals for professionals, ProXtra is The Home Depot's loyalty program that helps you save money, manage your spending and grow your business. In addition to the program's standard benefits, National REIA members also receive a two percent annual rebate, 20 percent off paints and primers, volume pricing and more. It's free to join, so check it out and get started today.

Jeff Watson is the Director of National Sales for The Home Depot and supports organizations including the National Real Estate Investors Association.

You'll Never Analyze Rental Applicants the Same Way

By David Pickron



Millions of criminal history profiles…that's how many my companies have analyzed over the last 25 years. Even though these are "arm's length" transactions, there are a lot of characteristics found in someone's background that allow us to know them in a certain way. The overarching characteristic, the one that proves out time and time again, is how responsible the applicant is in all parts of their life. With that in mind, it is paramount to your success as a landlord to identify the most responsible applicants and put them in your properties. When considering responsibility, most people fall into one of these three categories; let's start with the easy ones first.

1. "No Smoke, No Fire"

Never committed a criminal offense or serious traffic offense, like a DUI, or at least has never gotten caught. This report is the easiest to analyze because there is really nothing to analyze. An applicant in this category usually has a good driving record, good credit, carries insurance, owns a home, or has good rental history and a decent job. Their rental and job verifications are perfect, with no red flags. The complete analysis shows signs of responsibility in all areas of their life; I wish they were all this easy.

2. "Career Criminal"

Drugs, theft, assault, and robbery are often the main culprits of someone who exhibits no responsibility and is continually repeating their criminal cycle. This applicant is easy to identify with a lengthy rap sheet of repeat offenses. If they did not learn the first, second, or third time, it's difficult to think they have finally learned their lesson now that they are taking possession of your property. As an investor, these are clearly individuals that may jeopardize the value and return on something you have worked hard to acquire. And remember, even though there may be three and four years between offenses, not everyone gets caught every time they violate the law.

(This is where things get tricky)

3. "One and Done"

As a sixteen-year-old, I received a blow gun for Christmas. After growing tired of shooting wood targets, I wondered if I could stick a blow dart in a car tire. My curious mind led me to try it out on our neighbor's van where I quickly realized that yes, a dart would stick in the rubber. I thought nothing of it until the next day as I watched my elderly neighbor struggling to change the tire I had used as a target. I was afraid to admit my responsibility and in a crazy way, it still haunts me to this day. I wasn't a bad kid with ill intent, I was just a kid who did not think everything through and made a bad judgment call. For me it was a lesson learned and helped me say no when friends later wanted to vandalize or destroy other people's property. We all know a person in this "one and done "category; they live a good, clean life but there is that one skeleton in the closet that still haunts them and puts you on high alert. As an investor it can be tricky to analyze their information and determine if they learned from their mistake. Since we cannot crawl inside their head or heart, we must rely on enough time passing by where there has been no relapse into criminal behaviors. Most people in this category usually make small mistakes like losing their temper, getting into a fight, stealing a product or service, or joy riding, and they don't think about any major consequences. Age has a huge factor as we look at these crimes. It is much different to get caught illegally smoking marijuana at age eighteen than it does at age forty-five.

Like myself, sometimes good people do stupid things. The difference between the "one and done" and the "career criminal" is we learned our lesson. Only time will allow us to prove who we really are. As you analyze your criminal history reports, regardless of the category your applicant is in, some of the most powerful measurements of responsibility are listed below:

1. Verify job stability. Most repeat criminal and drug offenders cannot maintain a stable job.
2. Verify a good, clean rental history. The ability to prioritize the roof over your head goes a long way with a landlord.
3. Look at the severity of the crime. Was it a mindless quick decision like shoplifting, or a planned event like armed robbery?
4. Consider how long ago the crime happened. People do learn their lesson and prove it by not committing additional crimes.
5. Consider their age when they committed the crime. My often-careless years of college are nothing like the professional life I lead now.
6. There is no law against reviewing their public social media profiles. If you see a marijuana leaf as their profile picture, it might tell you something.

Finding a responsible tenant who will pay their rent and care for your investment shouldn't be a roll of the dice. Although fair housing rules want to ensure that everyone has a fair shot at getting a roof over their head, you don't have to rent to applicants with criminal history when there is evidence of the kind of serious and more recent activity that would put you, your unit, the neighbors or others in possible danger of harm. You can decline them if you have performed an individual assessment by thoughtfully going through the above suggestions.

As a side note, Fair Housing has suggested that seven years is enough time to make an informed decision on whether someone will repeat a criminal behavior. You may disagree, but that is their basic guideline. Having a general, consistent criteria, coupled with staying away from the words "NEVER" and "EVER" can help ensure each applicant is treated similarly and fairly. Review your criteria with your attorney to make sure it does not violate your state or federal law.

Finding responsible renters becomes easier when you use the right data in the right way, sprinkled in with a healthy does of common sense. You'll probably only analyze a few hundred files as a landlord investor, but with the right tools, you will protect your property like a true professional.

David Pickron has been a licensed private investigator for over 20 years, specializing in tenant screening for real estate investment owners and property management companies. His company, Rent Perfect, an Investigative Screening Company, helps clients onboard tenants from the initial background check to leasing and payment collection.

The Battle Ahead

By Jeffery S. Watson

During a recent National REIA legislative update call, we discussed a modern-day version of a “communist housing manifesto.” It made the hair on the back of my neck stand up. It projects that over the next 10 years or so, through an aggressive and massive re-education campaign, they can change the entire landscape of residential housing across America.

This “manifesto” begins with a fundamental premise that housing is a right. From that premise, various groups further maintain that massive changes need to be taken relative to how real estate is bought, sold, taxed and owned to make it far more equitable for everyone. The plans include taxing (at nearly 100%) all recognized gain, appreciation and profit earned by those who hold title to real estate.

Here is what I believe to be the correct perspective and antidote for this poisonous line of thought that we are seeing infused into the progressive socialist agenda in our country. The first part of the antidote can be introduced by a statement made by my friend Pete Fortunato. He says that there is no situation, no matter how dire or desperate, that government is not capable of making worse.

If you think like I think, you understand that government is a necessary evil and, like fire, needs to be kept as small, contained and controlled as possible. Those who support this manifesto to which I’ve referred believe big government is good. The bigger, the better. Even scarier, they want to be the ones working in the various government agencies who control, manage and mandate how you, the owner of the property, can handle and will be taxed on your property.

While in law school, I realized that the significance regarding real estate law was more with the dirt, not the structures built on or under the dirt. You see, structures can be altered, moved, torn down or rebuilt, but the actual physical location of the dirt cannot be changed. For centuries, government has managed to figure out some way to tax the ownership of that dirt.

That power is present today in our country in a force greater than ever before. With that fact comes the obligation of each of us as citizen taxpayers to do our best to manage and contain that government fire.

How many of you pay attention to what your local, elected officials want to do relative to your rights over the ownership of dirt and the structures built on that dirt? You better be paying attention! It’s at this level of engagement that the battles over the next decade will be fought.

In the work I do on Capitol Hill, the members of Congress and their aides tell me over and over that they want to hear from people in their districts about the issues we are there to talk about. Remember, politics begins at the local level! Those of us who own real estate must be engaged with those who want to tax and supervise the way in which we own, manage and maintain our property.

For starters, we can keep the interference of government to a minimum by not having any building or housing code violations. We can minimize the disruptions to our neighbors by making sure we only put good tenants into our properties who will take care of both the inside and outside of the structures.

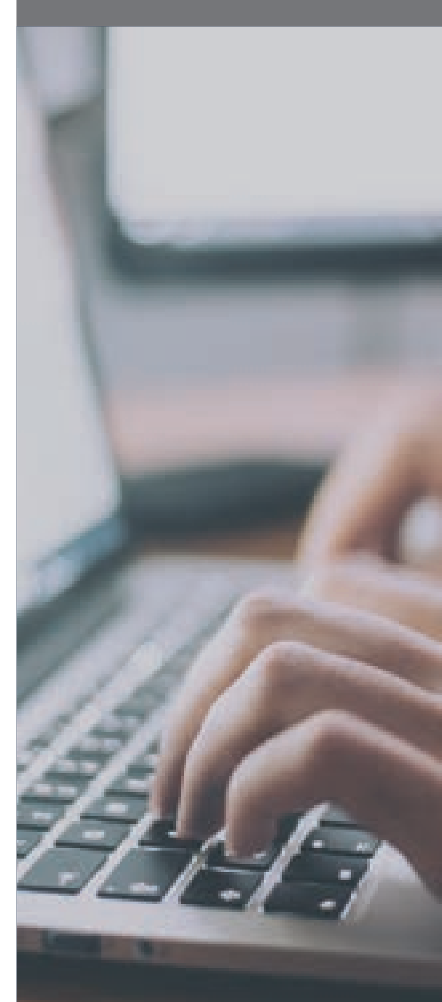
These are goals we should all strive to achieve. If we cannot self-manage and self-govern, we open the door wide for others to do it for us.

The second part to the antidote is my version of the Golden Rule: Do the right thing (or more specifically, investors, do the right thing). In your dealings with your property and with people, do the right thing! Be honest and diligent! If you struggle with areas in your business such as management, organization or accuracy, find people to help you get things done right.

The way you deal with your tenants is so important. Make sure you are taking care of your properties in a diligent manner, and connect with your tenants in a polite, professional manner so they feel respected while still knowing their boundaries. Be able to show that from the beginning of the landlord-tenant relationship, the tenant was informed in writing when their rent was due, received communication in a professional manner, and was given opportunities to correct any problems that may have arisen.

Real estate investing over the next decade is not going to be for the faint of heart or the lazy. The fact that some of the ideas put forth by extremists are obtaining an intellectual foothold in our culture is appalling, but it is the result of what I consider to be decades of investors not doing the right thing. It’s a result of the lazy investors and landlords who put substandard housing on the market, refuse to respond promptly and timely to legitimate tenant concerns, and rent to the wrong tenants. This gives the rest of us a bad reputation and gives the skin of credibility to many of their outrageous claims. Those of us who want to remain in this arena need to fight hard to protect our rights and fulfill our responsibilities.

Jeffery S. Watson is an attorney who has had an active trial and hearing practice for more than 25 years. As a contingent fee trial lawyer, he has a unique perspective on investing and wealth protection. He has tried over 20 civil jury trials and has handled thousands of contested hearings. Jeff has changed the law in Ohio four times via litigation. Read more of his viewpoints at WatsonInvested.com.



Talking But Not Listening

By Alex Goldfayn

I am shopping for additional disability insurance, and the local agency I work with here had me talk to their disability insurance specialist.

For the first 10 minutes of the call, this guy talked without interruption. He would ask me questions and then answer them himself.

He would take guesses about my situation without actually pausing to let me explain my actual situation to him. (If you don't let the customer speak, the only option is to guess!)

On multiple occasions I would start to speak, and the sales guy talked right over me, bulldozing his way to still more airtime.

The only thing that saved this guy from me cutting the call short is that I like the agency and its owners, and want to keep my business with them.

You cannot be a successful salesperson if you do all of the talking.

In fact, in a sales conversation, about 25% of the talking is the right amount for us salespeople.

Which means the customer should be allowed to think and speak for three quarters of the conversation. This is the only way you can learn about the customer's situation and needs.

Too many salespeople talk far more than this.

What causes this?

Ironically, it is the salesperson's own discomfort and fear.

They are afraid of saying the wrong thing, so they keep saying different things.

They don't want to offend the customer so they plow through every silence and do exactly that.

The customer is not uncomfortable.

Only the ceaselessly yapping salesperson is.

How to Talk Less & Listen More

Here the keys to cutting down on the useless chatter that fills so many silences:

-Know your great value and behave accordingly.

Salespeople who keep talking don't know how good they are. They don't believe they can help the customer tremendously. All the talking is, in part, to convince themselves. If you know how good you are, you are confident enough to be comfortable with silences. You know that the customer is not quiet because they are angry, but because they are thinking. Let them think.

How do you get your own tremendous value? Ask your happy customers about it. They'll tell you. Ask them what their favorite things are about working with you. Believe what they say. Buy it from them. And then behave accordingly: with more silence in your conversations.

-Ask a question and count (or sing a song) – but do not talk – until the customer answers. Ask a question and do not speak until the customer answers. Why would you interrupt their thinking? Furthermore, why would you interrupt their answer. So many people do! It's easy to stand out in this crowd. Ask, and then stop and listen.

-Pause for three seconds after the customer stops talking. During the give and take of conversations, one person stops talking. It is in this space that a good salesperson should pause and not speak immediately after the customer stops. Rather, count one-thousand-one, one- thousand-two, one-thousand-three. You'll find that many times, the customer will think of something to say into this silence that you don't even know to ask about. Thus, you will uncover valuable insights and information helpful to your sale.

Give your customers space to think and breathe.

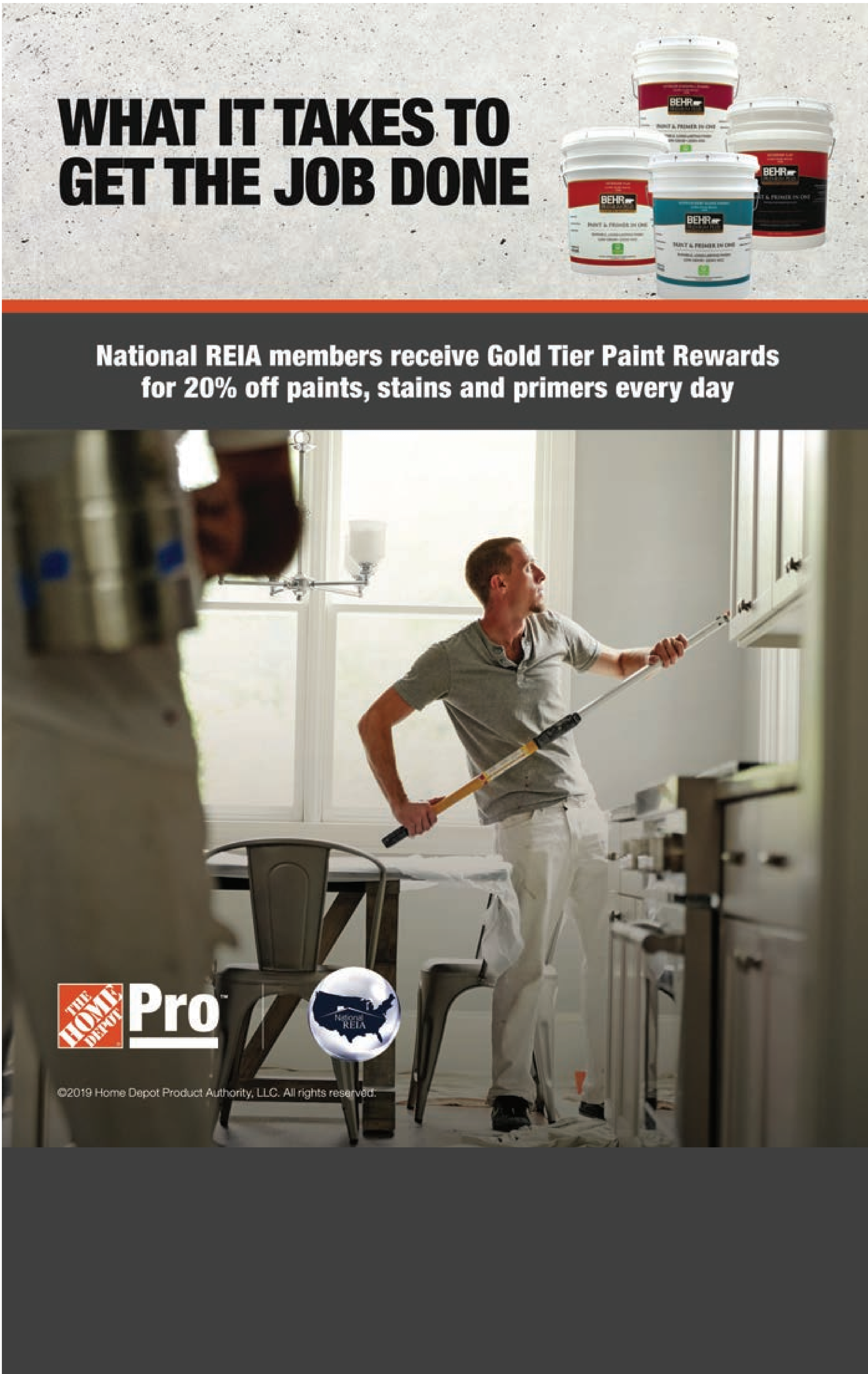
Don't fill every silence with your nervous chatter.

Ask a question and wait for the customer to answer it.

That's one of the great keys to sales success: listening.

And it's impossible to listen if you are the one doing all the talking.

Alex Goldfayn is the author of the Wall Street Journal bestseller Selling Boldly. He is the CEO of the Revenue Growth Consultancy, and his clients average 10-20% new sales growth annually when working with Alex. Call him at 847-459-6322 or visit www.Goldfayn.com for more information.


WHAT IT TAKES TO
GET THE JOB DONE
BEHR
National REIA members receive Gold Tier Paint Rewards
for 20% off paints, stains and primers every day
THE HOME DEPOT
Pro
National REIA
©2019 Home Depot Product Authority, LLC. All rights reserved.