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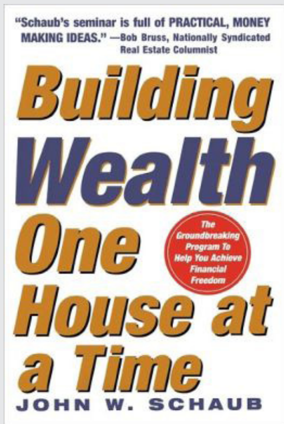
abbreviated principles




# Building Wealth One House at a Time

## The Groundbreaking Program to Help You Achieve Financial Freedom

John W. Schaub
McGraw-Hill, 2005
231 pages

## Rating

9

- 9 Importance
- 8 Innovation
- 9 Style

## Focus

- Leadership & Management
- Strategy
- Sales & Marketing
- Finance
- Human Resources
- IT, Production & Logistics
- Career & Self-Development
- Small Business
- Economics & Politics
- Industries
- Global Business
- Concepts & Trends

## Take-aways

- Buy high quality properties that you simply manage and control, and striving to pay them off inside a ten-year period.
- Focus on making small offers you could understand and control.
- Quality tenants are what you should attract as they are loyal, make less trouble, and promptly pays rent.
- Go with the neighborhood where prices are just right.
- It is better to buy a house than an apartment, tenants stay longer and tends to be cheaper. Houses have lower vacancies than apartments.
- You want to rent to tenants that are not good at bargaining or have lawyers: avoid companies and commercial buildings.
- Don't buy from another investor, he may be a better negotiator than you.
- Don't sell to an investor, sell to someone who likes the house, he'll pay more.
- Diversify, Invest in cheap houses and more expensive houses.
- Public records are online, compare neighboorhoods of houses you like.
- Buy in a town which grows in population.
- Your first investments should be starter houses 1000-1200 sq.ft, 1-2 small bedrooms, no goodies... easy to rent.
- Nicer houses gets nicer tenants, who take better care of the house.
- Long term tenants have a lots of furnitures, they like 3 BRs houses the best.
- Avoid houses with pools, jacuzzi, fancy backyards, corner houses.

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## Relevance

**In this summary, you will learn: 1.) How real state works 2.) What is 10/10/10 rule 3.) How to negotiate**

## Summary

### Buy One House, Then Pay it Off

*"Buy one, rent one, then and only then look for the next deal."*

Buy one house at a time, and then pay off that house as quickly as possible. If you bought a house for $100k 20 years ago, and assume a very conservative market appreciation of 3.5% per year since then, that house would be worth $198,980. Even if you bought that house in an average neighbourhood, and rented it out for 20 years, it would have doubled in value. The great thing about this approach for me is that it is low-risk. You aren't worried about market fluctuations in the short term because you're holding on to this property for the long term. This means you can sleep a bit easier when the markets get jumpy. If you focus on paying off the house instead of refinancing it or selling it short term, then you significantly reduce the risk of losing money.

### Balance the quantitative aspect of a deal

Balancing the quantitative and the qualitative is not easy. Many investors are attracted to very cheap prices on smaller, inexpensive houses. They seem more profitable and safer just because the price is lower. But many times a higher quality house in a better neighborhood would be more profitable and safer, even buying at less of a discount from retail.
Invest only in quality houses, in strong neighborhoods, that attract long term, good paying tenants that maintain your properties. Avoid low end rentals that attract high maintenance tenants.

### Rule when making offers

Making offers & professional negotiating are the essential steps for successfully getting the best deal out of an investment property.

"10/10/10 rule"- focuses on property profitability.

The rule simply means:
put less than 10 percent down payment
buy at least 10 percent below market
pay less than 10 percent interest

This is a very good indicator because you can ensure you get the best combination of price, leverage, and cash flow, thus maximizing the income your property will generate.

### How real estate works

Get your profit from a combination of market-wide appreciation, negotiation of a better-than-average deal, lease options, and smart selection of the best neighborhood.

### Negotiating for a deal

Since negotiation is important in making offers, one of the key questions to ask before you start to talk is "How are you going to convince the seller to sell his or her property?

### More on negotiation

- Don't let a seller simply refuse an offer, ask him what he is ready to accept.
- Don't let a seller "shop" your offer == use it to show it to another buyer.
- Make the offer valid only for a short period of time (today only!, don't let them time to find a higher offer) before making the offer, ask the seller is he is ready to sell the house today.
- Justify this because of course there is another house you are interested in and you can't offer to buy both. This one is your favorite house, thus your first offer.
- While negotiating the price, never tell a price first. Offer what you want to pay (at least 15% lower). if the seller comes with a counter offer several thousands $$$ lower

> he wants to sell.. make a small increase on your original offer and keep going.

> if the seller comes with a counter offer very close to his original... he is not ready to sell yet.

> Negotiate the least important first (repairs, keeping washing machines, fridge....) and lose.... then invoke fairness when negotiating the price.... plus the seller will be happy to have won before, and would have been thinking about selling to you for a while already (after having negotiated a lot of small points)

> Be careful of sellers that try to be your ally, and 'help' you do an offer that 'his manager' will accept. He pretends to fight for you! Car sales do that systematically, when they know very well, since the beginning, what the minimum sales price is. They are professionals. Turn them around, have them bid against themselves, call another salesman from a dealership of the same

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brand, and ask him if he can beat this price. Then tell the seller in front of you that you like his dealership better and if he could do better, you'd go with him.

> Short term lease option contract (some kind of owner financing, but safer for buyer who do not qualify for loan). Good option to sell the house for more. The buyer pays a small down payment, then pays a rent, till he qualifies for a bank loan and pays off. Give them advise on how to improve their finance or credit score so they can get a bank loan soon. If the buyer doesnt qualify for a bank loan within the timeframe in the contract (1, 2 years). You get the house back, and keep the money. It's better to offer the buyer to pay for a small options, low rent, but high buying price, he'll see less risk, and you get more chance to sell your house for a good price. (advertise $5000 moves you in) => since the house price is fixed, you take the risk that the house value increases during the contract, so shorter is better (you can do 1-year extension with higher house price and rent price, at least +5%, if the market doesn't raise so fast you can lower it) A monthly amount goes towards a credit that the buyer will receive if he buys the house within the contract period

> use $100/month, a low amount avoids that the buyer buils equity, then don't buy the house but claims or feel entitled to shared- ownership.

> about 50% of these sales close, for those that don't close, make the buyer a good tenant, extend the contract, don't force him out, give him half of hist deposit back to move out without doing problems.

## About the Author

**John Schaub** is a real state investor, coach and president of Florida Coast Realty of Sarasota, Inc.