

**HOW TO GET STARTED
TODAY AS A PROFITABLE
REAL ESTATE INVESTOR**

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How You Can Double Your Annual Income by Investing in Real Estate on a Part-Time Basis

First things first: If you're looking for some sort of magic real estate formula, that's guaranteed to catapult you into the ever-growing ranks of America's real estate millionaires, you won't find it here. I want to warn you right upfront, that the real estate investment business is full of four-letter words such as: hard, work, risk, and loss. I also want you to know that investing in real estate isn't an exact science, and as a consequence, things don't always turn out the way that you expect them to. And that's exactly why this business is best suited for serious-minded, hard-working people, who have the "stick-to-itiveness" to overcome obstacles and finish what they start. In other words, real estate isn't for namby-pamby types, who want everything handed to them on a silver platter, and cringe at the thought of breaking into a sweat. But if you're an intelligent, reality-based, goal-driven, and action-oriented adult, who's willing to take calculated risks, and you're not afraid to roll up your sleeves and bust your buns, you've come to the right place. After you read, study, and thoroughly understand the contents of this book, you'll have the equivalent of a graduate level degree on how to be a successful do-it-yourself real estate investor. You'll be armed with the specialized knowledge that you need in order to hold your own and not get taken to the cleaners when you go up against seasoned professional investors in your local real estate market. But if you're sitting on the fence and waiting around for everything to be just right in your world, before you get started in the real estate investment business, you're probably going to be waiting for the rest of your life. And the same holds true for all of the overly superstitious people reading this book, who insist on waiting until the stars are in perfect alignment with their universe, before they dare to make a move.

Finally, I have just one word for all of you worrywarts who have been hesitant about taking the plunge into real estate investing because of an unfounded fear of losing your shirt when the so-called real estate bubble bursts: Relax. And stop listening to all of the Chicken-Little types in the media, who are chockfull of what makes the grass grow greener. The truth is that real estate is one of the safest investments in America, and if you always abide by the following two rules, you'll be insulated from the economic fallout of a bursting real estate bubble:

1. Never pay market value for property.
2. Never buy property that doesn't provide immediate positive cash flow.

What You Need to Know about the Real Estate Bubble Babble in the Media

Most of the journalists in the print and electronic media didn't see the tech stock bubble that finally burst in late 2000 coming. They were apparently out to lunch and totally oblivious to what was happening at the time! And a fear, bordering on paranoia, of getting caught off guard again is probably what has fueled the constant bubble babble about the imminent demise of the real estate market ever since early 2001. For example, the September 3, 2001, issue of *Forbes* magazine contains an article entitled, *What If Housing Crashed?* But to date, nothing has happened and that question that was posed in the article, back in 2001, is yet to be answered. From reading news and business magazine covers alone, uninformed members of the general public could get the impression that the real estate market nationwide is on the verge of collapse, and that every real estate investor in America is headed straight to hell in a hand basket when the real estate equivalent of a tsunami hits the market. However, based on the reality of the real estate marketplace, this is just another of many stories that the media has gotten awfully wrong. And it's no wonder, when you consider that almost all of the journalists in the so-called financial press and electronic media, mainly use stockbrokers, salespeople, and analysts as their sole sources for information, insights, and advice on investing in real estate. But the problem with using these people as sources for real estate expertise is twofold: First, their collective knowledge about investing in real estate wouldn't fill a thimble. How many of these self-professed real estate

experts have ever actually been a principal in any type of real estate transaction? Second, Wall Street is extremely envious of the bullish real estate market, and those who work there are getting more desperate by the day, and they'll say and do virtually anything to try and lure the hundreds of thousands of investors, who have pulled their money out of an underperforming stock market to invest in real estate, back to the stock market. Right now, it is investors' mistrust and fear of being ripped-off, again, that's keeping them from going back to Wall Street. They're worried, and rightfully so, that they'll end up being swindled out of their life's savings, by the likes of Bernie Ebbers and Dennis Kozlowski. As I stated in my letter to the editor, which was published in the June 27, 2005, issue of *Fortune* magazine, when compared to investing in the world's largest crapshoot, better known as the stock market, investing in real estate looks sane.

The Chances of a Nationwide Residential Real Estate Market Meltdown Are Zero

I don't profess to be some sort of real estate swami or prognosticator, but I can state with complete confidence, that the odds that the United States will experience a nationwide residential real estate market meltdown, are right around zero. That's because unlike the stock market, which is a single national market, the so-called real estate market is comprised of thousands of local markets, nationwide. Granted, there are a few overvalued real estate markets in some states along the East and West Coasts, which may eventually experience corrections that could possibly see a 10 to 20 percent decrease in residential property values. But that's a far cry from the colossal financial calamity that the media have been predicting for many real estate markets nationwide since late 2000.

Why This May Turnout to Be the *Golden Age* of Real Estate Investing in America

Unless you've been living under a rock in Outer Mongolia for the past few years, you can't help but notice the real estate mania that seems to have swept most of the country. And in spite of the constant bashing that real

estate has taken over the years from the doom and gloom media and jealous Wall Street types, it's still the investment of choice for most Americans. In a nutshell: Americans are very bullish on real estate. I don't think that it would be too far-fetched to believe that we may be living in a period of time right now that could possibly go down in history as the *Golden Age of Real Estate Investing* in America. In no previous time in our history has there been such a steady rise in property values, in so many markets, over a longer period of time. For example, in the county where I live, Hillsborough County, Florida, the single-family residential housing market has had a history of being undervalued. But over the past five years, there has been a steady increase in property values. And as a result of this market correction, real estate prices here are now right about where they should be. Overall, the robust real estate market has been the driving force behind the nation's economic growth for the past several years. Six key factors that have fueled the real estate boom are:

1. An almost insatiable demand for real estate.
2. Historically low interest rates.
3. Lax loan underwriting standards.
4. A huge infusion of money into real estate markets nationwide from former stock market investors who got burned when the dot-com bubble burst in late 2000.
5. Foreign investors buying American real estate in order to take advantage of a weak U.S. dollar.
6. The tax advantages that real estate has over other types of investments.

It's Never Too Late to Get Started

In spite of what some uninformed and overly negative skeptics may want you to believe, it's never too late to get started as a real estate investor. So don't let anyone talk you into believing that you've somehow missed the boat and that all of the really good deals have already been bought up. Case in point: In 1982, right after I had left the army and returned to Tampa, I was approached by a real estate know-it-all, who told me that it was no longer profitable to buy and fix-up rundown properties in Tampa. This naysayer went on and on about how all of the good deals had been snatched up and now the cupboard was bare. At first, I thought that maybe

he was telling me this tale of woe because he viewed me as a potential competitor and was trying to discourage me from entering the market. Needless to say, I totally ignored his unsolicited advice and went on my merry way. In 1985, we both happened to own rental houses on the same street in South Tampa, near MacDill Air Force Base. I was getting \$625 per month in rental payments, while he was only getting \$475 a month, for the same size house. I know this because he stopped me on the street one day and asked me if I thought it was a good idea for him to raise the rent to \$500 per month, when his current tenant's lease expired. At this point, it dawned on me, that this guy was caught in a 1970s time warp. And our initial conversation, in 1982, now made perfect sense to me. I found out that this guy was a real nutcase who hadn't bought any property since 1976. He had loaded up on precious metals instead and was waiting for Armageddon, when the Soviet Union nuked the United States back into the Stone Age. I guess he figured that he would survive a nuclear attack and use the silver and gold that he had been hoarding to barter for property. Thankfully for Planet Earth, things didn't turn out the way this guy had envisioned they would!

Why You Shouldn't Start Out in the Real Estate Business as a Full-Time Investor

Here's one surefire way for you to quickly end up broke and unemployed: Quit your day job and blindly jump into the real estate investment business as a full-time investor, without a viable game plan or a financial safety net—cash reserves and lines of credit to keep you afloat financially for at least six months. Yet, this is exactly what happens when “wannabe” investors naively enter the real estate business under the false assumption that all they have to do is just stick a few “I Buy Houses” signs in the ground, or place a “property wanted” ad in their local newspaper and killer deals will start rolling in overnight. But these aspiring real estate mavens soon experience a very rude awakening when things don't go according to script and the expected avalanche of telephone calls fails to materialize. Then reality sets in and life suddenly gets awful dicey in a hurry, when there's no money coming in and the bills keep piling up, and the downward spiral toward financial ruin, rapidly picks up speed. So, unless you've got deep pockets or the equivalent of a real estate sugar daddy who

doesn't mind subsidizing your foray into the business, I would forgo starting out as a full-time investor. The smart thing to do is to keep your current source of income and work in your real estate investment business on a part-time basis, until you're in a position to live off your real estate income. Trust me; real estate investing can be stressful enough without the added burden of having to worry about how you're going to scrape up the money to pay your living expenses while you're struggling to get your business up and running. And the best way to scuttle a real estate business in its infancy is to make decisions while you're stressed-out and in a panic mode. This desperate mind-set usually results in investors making bad buying decisions that are extremely hard to recover from financially. By a "bad buying decision," I mean that an investor pays more for a property than it's worth in its current condition. And once an investor is upside down in a property, they have two choices: They can sell the property at a loss or they can hold out and hope that marketwide property appreciation bails them out.

Earn Full-Time Profits as a Part-Time Real Estate Investor

Unlike most other types of businesses, which generally require full-time participation from their owners in order for them to work well, a real estate investment business can be operated on a part-time basis and still be very profitable. And for savvy investors who are knowledgeable, well-organized, and know how to manage money, time, and people, real estate can be a part-time business that yields full-time profits. The trick is to work smart so that your business always operates at maximum efficiency and profitability. You'll get the lowdown on how to run a tight ship in Chapter 4. Some of the most successful real estate investors I know are part-time investors who have outside sources of income. In fact, I know several real estate millionaires, who probably never made more than \$50,000 a year at their day jobs and invested in real estate on a part-time basis, and over a 10- to 15-year period, they became financially independent. To me, real estate is the ideal type of business for small business owners who operate home-based businesses, or other types of businesses that don't have walk-in customers or set business hours, to run as a side business. For example, over the years, I've operated my real estate investment business in conjunction with home repair, commercial pressure-washing, and publishing businesses. All three businesses have provided me with a steady source of income while allowing me the freedom to invest in

real estate at the same time. In fact, both the home repair and pressure-washing businesses put me into direct contact with a lot of property owners with rundown properties that were either in dire need of repair, or desperately needed an industrial strength cleaning. And the \$64,000 question, which I always asked every property owner who I gave a written estimate to was: “What do you plan on doing with the property, once it’s fixed up/cleaned up?” Luckily for me, roughly 3 out of 10 times, the owner responded that they wished they could just sell the property the way it was, without having to go through the hassle of fixing or cleaning the place up. Needless to say, that type of a response was music to my ears, resulting in some of my best property buys.

It’s How You Spend Your Time as a Real Estate Investor That Really Counts

First off, I want to clarify a popular misconception among most novice real estate investors who have been misled to believe that if they can earn \$25,000 a year as a part-time investor, they can surely double their income simply by becoming full-time real estate investors. Sorry, but that’s not exactly how things work in the real world of real estate investing. First off, at any given time, in any real estate market nationwide, there are only a certain number of properties that are worth pursuing. And being at the right place at the right time to scoop up bargain properties is more about which type of property search techniques you use than the amount of time that you have available to look for properties. As you’ll soon learn in Chapter 4, it isn’t about how much time you spend working as a real estate investor that counts, it’s about what you’re able to accomplish with the amount of time that you have as an investor, that’s important. In other words, what good is it to be a full-time real estate investor, if you don’t know what you’re doing and you end up squandering your time away, without ever buying a single piece of property.

The Internet Has Levelled the Playing Field between Part-Time and Full-Time Investors

I consider the Internet to be the single most important invention for individual real estate investors in America. I feel this way because before the

Internet (a period of time that I refer to as BTI), whenever a real estate investor needed to research a property, they had to go traipsing downtown to where their local government is headquartered, and then go from office to office begging surly, bored and often incompetent civil servants, for real estate related information. But today, thanks to the Internet, any investor with a personal computer and Internet connection can have instant access to just about *every* type of real estate related record, 24 hours a day, 7 days a week, right in the comfort and privacy of their home or office. And for part-time real estate investors, who previously had to risk life and limb in a mad dash to government offices after their day job ended and before the office closed at 5 P.M., the Internet has leveled the playing field between part-time and full-time investors.

Real Estate Service Providers Can Perform Tasks for You during Business Hours

Nowadays, there are a slew of real estate service providers who offer every conceivable type of real estate related service to the public. For example, in most areas, there are mobile notary public services that will come to your home or office and notarize documents for real estate and loan closings. There are also freelance title researchers who you can hire to do title searches at your county's public records library. And these real estate professionals can perform tasks for you during business hours when you're not able to do them yourself. In Chapter 2, I give you step-by-step instructions on how to check out real estate service providers so you don't end up hiring a dud.

Most People Have Never Calculated How to Earn a Million Dollars in a Year

I've often wondered how many wannabe real estate investors have ever actually sat down and run the numbers and calculated exactly what it would take to earn a million dollars a year (before taxes). In case you haven't crunched the numbers yet, for you to earn one million dollars over a 12-month period, you would have to take in \$2,740 per day (\$1,000,000 divided by 365 days equals \$2,740) or \$19,231 per week (\$1,000,000 divided

by 52 weeks equals \$19,231) or, \$83,333 per month (\$1,000,000 divided by 12 months equals \$83,334). When a million dollars is broken down this way, aspiring real estate investors can see exactly what they need to make on a daily, weekly, and monthly basis to earn a million dollars in a year, before taxes. As you can see from the calculations that I've done here, earning your first million dollars in real estate isn't going to be quite the cakewalk that the get rich quick in real estate crowd, makes it out to be. In fact, a successful, hard working, full-time real estate investor, with average luck, would be hard pressed to earn a million dollars after taxes, within a five-year period. An investor would have to net \$200,000 per year, for five years. In order to accomplish this, an investor would have to do 10 \$20,000 deals or four \$50,000 deals, or any other combination of deals, which equaled \$200,000 a year. I don't care what those slick-talking real estate hucksters on TV say; earning \$200,000 for five consecutive years in a row, as an individual real estate investor, is difficult to pull off in any market. The only possible way for the average successful investor to earn a million dollars in less than five years would be to buy a million dollar income-producing property and substantially increase its net operating income and hold it until its value increased enough for the investor to pocket a million dollars after taxes.

Your Goal as a Part-Time Investor Should Be to Double Your Annual Income

First things first: The reason why state lotteries are such a rousing success financially is because most Americans—more than 51 percent—worship the trappings of wealth and are constantly daydreaming about becoming millionaires. And the average person generally views winning the lottery as their only chance of ever grabbing the brass ring and living high on the hog. I am by no means a goody two-shoes, but I've never purchased a lottery ticket in my life. In lieu of squandering my hard-earned money on lottery tickets, I've chosen to make regular contributions to the pension fund of the hardworking Germans, who slave away at Beck's Brewery in Bremen, Germany. At least this way, I always get to enjoy the "fruits" of my labor. Don't get me wrong, I happen to think that a serious, "I want to be a millionaire mentality," is one of the prerequisites for making it big in real estate. But as I just told you, most people have no real concept of what

it takes to actually earn a million dollars. And that's exactly why your initial financial goal, as a part-time real estate investor, must be a dollar amount, such as your annual income, which you can easily relate to. For example, if your annual income is \$50,000, your goal should be to earn \$50,000 in real estate, which would give you a combined annual income of \$100,000. I realize that \$50,000 may be chump change to aspiring real estate wheeler-dealers, who spend the majority of their time sitting around fantasizing about doing million dollar deals. But as far as I am concerned, thinking that you're going to earn a million dollars your first year out as a real estate investor isn't just a matter of being overly optimistic, it's downright delusional and a classic example of the pie-in-the-sky logic that fuels unrealistic expectations on the part of so many beginning investors.

How You Can Double Your Annual Income by Investing in Real Estate Part-Time

Over the past 26 years, I've observed many knowledgeable and hard-working investors who were able to double their annual income, year after year, by investing in real estate on a part-time basis. And these were mostly people, who weren't born with silver spoons in their mouths. In fact, many of them weren't even born in the United States. But the one thing that they all had in common was a burning desire to succeed and the persistence and dogged determination to keep going when most people would've called it quits and thrown in the towel. And when it comes right down to brass tacks, whether or not you're going to be able to double your annual income as a part-time real estate investor, really depends on:

1. Your desire to be a successful real estate investor.
2. Your ability as a real estate investor.
3. Your financial resources.
4. The amount of time and energy that you have to dedicate to your real estate investment business.
5. Where you're located geographically.
6. The size of your local real estate market.

7. Local real estate market conditions.
8. The segment of your market that you decide to invest in.

The number of real estate transactions that you'll need to complete in order to double your annual income will mainly depend on your geographical location, number 5 in the list. For example, if you're located in Yazoo City, Mississippi, it may take you five \$10,000 deals, to make \$50,000. On the other hand, if you're in Bellingham, Washington, you could probably earn \$50,000 from just two \$25,000 transactions. And if you happen to live in a super expensive real estate market, such as Southern California or Northern Virginia, you could probably make a \$50,000 profit from buying and reselling a single property. You must also understand that just as there are no guarantees in life, all real estate investors aren't going to experience the same type of results. And due to the learning curve, many investors will be hard pressed to double their annual income their first year in business. But so what if you "only" earn half of your annual income during your first year in business. That's money that you otherwise wouldn't have had if you weren't involved in real estate. And I am willing to bet an ice-cold case of my favorite adult beverage that most of the people reading this book could put a 50 percent increase in their annual income to very good use, especially if it enabled them to payoff their bills and become debt free.

Buy 3 Out of 10 Properties That You Make Offers on and You'll Be a Success

I realize that it's much easier said, than done, but in reality, all you have to do in order to be successful in the real estate investment business is to buy 3 out of every 10 properties that you make offers on. That's right, if you're able to close roughly a third of the deals that you attempt to do, you'll never have to worry about where your next meal is coming from. To illustrate my point, I'll use the analogy of a major league baseball player, with a career batting average of .300, which means that he got 3 hits for every 10 times he went to bat. Or put another way, he failed to get a hit, 7 out of every 10 times at bat. And in major league baseball today, an excellent all-around player with a career batting average of .300 or above has a realistic shot at being inducted into the Baseball Hall of Fame. For example, I buy properties directly from owners during the *preforeclosure* stage of the foreclosure process. And to date, I am batting right around .400, which means that I

buy 4 out of every 10 preforeclosure properties, that I make offers on. I also specialize in buying small—2 to 12 unit—mismanaged residential rental properties from burnt-out landlords. So far, I am hitting a solid .300, by buying 3 out of every 10 rental properties, that I put offers on.

How You Can Use My Nine-Step Process for Buying and Selling Real Estate

Over the past 26 years, I have developed and refined a nine-step process for buying and selling real estate. In Part IV of this book, you will learn the details of how to use my nine-step process and avoid the pitfalls and problems that plague most uniformed and unsuspecting novice investors just starting out. Here's a summary of my nine-step process, along with a brief description of each step:

Step 1: Find Property Owners Who Are Willing to Sell Their Property below Market Value

In Chapter 15, you'll learn how to use the Internet, property-wanted ads, bird dogs, finder's fees, and direct mail to locate the owners who are most likely to sell you their property below market value.

Step 2: Perform Preliminary Due Diligence on the Property

You'll receive step-by-step instructions on how to perform preliminary due diligence on a piece of property in Chapter 16. You'll also learn all of the nitty-gritty details on how to use your personal computer to access the numerous real estate public records that are available on the Internet in order to find current information on a property and its owner.

Step 3: Conduct a Thorough Pre-Buy Property Inspection

After you've finished Chapter 17, you'll know how to avoid being bamboozled by unscrupulous owners who are trying to unload a lemon of a property. This chapter also comes with 12 ready-to-use checklists, which you can use to conduct your own pre-buy property inspections.

Step 4: Accurately Estimate the Property's Market Value

The single most important aspect of the entire buying process is accurately estimating the market value of a piece of property, so you don't end up paying more than what its worth. And that's exactly what you're going to learn how to do in Chapter 18.

Step 5: Prepare a Purchase Agreement That Protects You

In Chapter 19, you'll learn, how to prepare purchase and sale agreements that protect your rights and interests during a real estate transaction. There's also a sample purchase agreement that you can use as a template, when you're having your own agreement drawn up.

Step 6: Negotiate the Best Possible Deal for Yourself

To be a successful real estate investor, you must know what to say and how to act, during face-to-face negotiations with buyers and sellers. And in Chapter 20, you'll learn how to negotiate the best possible deal for yourself.

Step 7: Obtain Financing to Purchase the Property

Chapter 21 is filled with ways that you can finance your real estate investments, even when you don't have a six-figure income, a hefty bank account, or an 850 FICO score. You'll learn about a myriad of loan programs that are available to real estate investors.

Step 8: Fix Up the Property for Maximum Curb Appeal and Resale Value

In Chapter 22, you'll learn how to fix up a piece of property so that you're able to maximize its curb appeal and resale value. You'll also get the inside scoop on how to finish the job on schedule and within budget, without getting ripped off by tradesmen and contractors.

Step 9: Package, Market, and Resell the Property for Maximum Profit

Savvy real estate investors make their profit upfront when they buy a property, but they don't actually get paid, until they resell the property. And in

Chapter 23, you'll learn how to package and market a property, so that it can be resold for maximum profit.

How to Contact the Most Accessible Real Estate Author in America Right Now

Unlike 99 percent of all real estate authors in America, there isn't a phalanx of gatekeepers between me and my readers. I answer my own telephone and e-mail and I am fully wired to communicate from anywhere within the United States. You can e-mail me directly at tjlucier@thomaslucier.com. Or, you can call me direct at my office in Tampa, Florida, at (813) 237-6267. If there's something that you still don't understand, after reading this book twice, please feel free to e-mail your questions to me and I promise to get an answer right back to you. No other real estate author in America offers readers this type of free one-on-one personal service! However, if for whatever reason, you fail to read and study this book, please don't expect me to spoon feed the contents to you. My web site, www.thomaslucier.com, is the companion resource for *The No-Nonsense Real Estate Investor's Kit* and has direct links to all of the web sites that are listed throughout this book. I also offer telephone consultations to investors who are seeking in-depth advice on real estate investing. To learn more about my telephone consulting service, log onto my web site at: www.thomaslucier.com/consultations.html. After you've finished reading my book, I would greatly appreciate you taking a few minutes of your valuable time, to write a review of *The No-Nonsense Real Estate Investor's Kit*, at your favorite online bookstore.