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Narrator: Welcome to the REI Diamonds Show with Dan Breslin. Your source for Real Estate Investment Jewels of Wisdom.

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Dan Breslin: Welcome to the REI Diamond Show episode number seventy-four with Dan Zitofsky on passively investing in emerging markets. I am Dan Breslin, host of the REI Diamonds Show. Today, I had the pleasure of finally interviewing Dan Zitofsky. Dan and I met at the IMN's Single Family Rental Conference held in Miami earlier this year where we were both speaking. We have been trying to get this episode on a schedule ever since, but both of us have just kept missing the past, so we are finally here. For those who do not know, Dan is a high-volume investor, mostly a landlord and passive investor whose goal is to become the bank. He has selected a few that he considers around the nation's emerging markets where he first invests his own money before bringing in JV partners to share in the opportunities that he finds. You definitely want to grab a pen and pad for this episode because Dan drops a few jewels of wisdom you definitely would not want to miss, including his favorite three emerging markets in the United States, his top four deal sources and of course, a whole lot more. So let us jump right into it, shall we? Welcome to the show, Dan.

Dan Zitofsky: Thank you. Thanks for having me, Dan.

Dan Breslin: I know a lot of people who know who you are and a lot of the same circles that we roll in the Philadelphia and other markets. But for those listeners that do not know who Dan Zitofsky is, can you give a brief Reader's Digest version about how you kind of started in the business and maybe a little bit of what your business looks like today?

Dan Zitofsky: Sure. I love to. Thanks again. Basically, I started in the business about twenty-six years ago as somebody just coming out at teenage years wanting to follow his grandfather's footsteps, but really tough trying to raise my own money. I was able to start off with a rental property and from there, I grew that portfolio from rentals to-- I started wholesaling at one point. I started doing like everyone else to fix and flips and then started building up a pretty nice expensive rental portfolio in different parts of different emerging markets in the United States. What that did for me, it made me realize a lot of things. Passive income, it made me realize what I do and I do not like doing as far as property management or managing property managers, dealing with contractors or realtors or whatever it might be, down to the point of legal and taxes and everything like that. Probably about fifteen or sixteen years ago, I realized that time I had a little over 60 properties. I was self-managing in the Trenton, Philadelphia, New York, and New Jersey area.

Dan Zitofsky: I realized that point of becoming a full-time job for me and it was something I did not really enjoy doing as much. It just stuck to me that at that point, I said, "You do not want--" every time I have a problem, every time a tenant does not pay, every time a toilet bowl breaks, every time there is a roof issue. This is happening multiple times per day. I am getting three or four calls every day at minimum from tenants or rents not being paid. I said, "You know, these

banks they keep getting paid". I decided at that point, I said, "There has got to be something better to this." My goal at least fifteen years ago was to become the bank. From there, I found many ways to do that, from private lending to buying notes or non-performing assets. What I really specialized in now is I do a lot of different things in the business but I really specialize in taking a non-performing asset and turn it into a performing asset and hoping they become the bank for long-term passive wealth. I say that I do everything from by non-performing notes, I am a first guy. I do not do too much in the second business so I bought non-performing notes by tax liens. I buy distressed assets from sellers, from property managers direct like everybody else does. But my exit strategies are so much different than everyone else because everyone is looking to either fix and flip or looking to buy a property to rent it or looking to just host sell a note.

Dan Zitofsky: My exit strategy is always firstly based on get that note performing and try to retain some passive income. To the end is where most people do not want to go, I am only willing to buy enough that I am willing to put clothes on. It sounds a little crazy and when I speak at these events, a lot of big gurus out there tell me I am nuts but when I show my numbers and how I made whole in twelve to eighteen months and my returns become, essentially they become infinite at that point. People's head shake and I always tell people, and it is funny because I said, "If I tell you my returns you probably would not believe me." I mean, "I think we need to get on a whiteboard." This year has been a great year. Like I said, I have done well over. I think at this point, we have done well over 1,000 private money transactions. Over 650 rentals, 400 fix and flips. I bought and sold two hotels. I own three multifamily units that I did this year alone. So I do still pick those up, but my ultimate goal at this point is all fix and flip so that I will take that money and turn it into either private money for somebody to take down a note portfolio, to buy some tax liens because it is always geared at passive income. It comes down to my quality of life and what I love to do. If anyone has heard me speak, I am not a hypocrite. I am out there. I am not working my butt off.

Dan Zitofsky: I mean, I am sitting there and on vacation all summer and I am getting things done. What I do is basically I want to have enough time. I want have the time and money to spend with my family and friends as I choose to do, when I choose to do, and how I want to do it. So rather than making \$50,000 on a flip, I might take that property and rent it out. Then for my rental, I will hold a note, I will sell to an investor, I will hold a note for them, so now I help investors get into the business as well. There is certain ways I do that as well that we can really dig down if you want to later on. Then from there, I could sell off that note, I can keep that note and have it serviced where I do not even touch a check or I could sell partials on the note. I am really hands-off and I always tell people I can never guarantee anything. If anyone does guarantee you something, I would say, "Run as fast as you could. Do not walk." What I do guarantee is that I mitigate the risk as best as I possibly can. When I do my numbers, we are lending out way on what market value is on those properties. So what holding a note way on the market value on those properties. Our ultimate goal is the whole notes for non-owner occupied investors for multiple reasons. So I hope that kind of sums it up and what we have been doing and where we are heading.

Dan Breslin: So I want to point something out, you talked about something and I know that-- so I am trying to listen from the listeners' perspective. I know a lot of people who may be early in the

game or just getting into the business and you see a lot of the gurus kind of selling the real estate dream and the guys got the coconut bowl with the umbrellas sticking out and the straw. I need to get to be-- they are sitting on the beach, right? "Oh, you could do this from the beach." I think I have had a challenge with some newer people and their barrier to success being that they believe that picture and that image of that vacation lifestyle, but I do not think they realize always the work that goes behind it. I just want to point out, Dan, that that is not the case for you.

Dan Breslin: I see you on Facebook, you are always in these nice, beautiful tropical kind of locations and things like that but you are always grinding. I mean, you are talking about it and putting the social proof out there on Facebook. So for the people who are listening who do not know who you are, it is like you are grinding, you are out there hustling. I mean, it really takes a level of hustle to get to that point and like myself, when I am on vacation or I am sitting on the beach putting deals together on making decisions. I am on the laptop. I mean, I am certainly working as hard as I am oftentimes at my regular schedule and regular location. So I just wanted to point that out as an example there. One thing you talked about is emerging markets. If anyone is listening, can you describe what is an emerging market and can you give us an example of maybe three markets that you feel are quality high opportunity still, even though we have kind of seen rising real estate values around us where we still might find opportunities to buy and still have some upside?

Dan Zitofsky: Sure. I would love to. Great question and I appreciate that. And I guess from what you said, your wife must be as happy with you on vacation as my wife is with me, right? She had told me once [crosstalk]

Dan Breslin: Still single.

Dan Zitofsky: See, you are in a situation, but you know what? I am blessed to have a great wife, great kids and they understand what I do and they are involved. But on a side note, my wife one time she says, "We ever just go on vacation without you in a tax write-off for you to make this thing not a business."

Dan Breslin: Not a chance.

Dan Zitofsky: I try to make the best out of every situation I am in. But sure, I love that emerging market, that is a really hot topic and a really good topic. It is a little different for everybody, they are all depends on your goals. My goal in emerging market is I am-- and not to get too detailed on it, these class buildings ABCD, A in your best, B to D in your worst, crime-ridden and drug-ridden neighborhood. I am more of a Class B to C type of buyer. It means I like the blue collar working-class neighborhoods, pride of ownership. I do not even mind Section 8 as much but I like the pride of ownership. I like the neighborhood gentrification happening. Emerging markets mean if companies coming into the market, growth happening, schools getting better, infrastructure being put in, grants for companies, tax advantages for companies to come in. I do a lot of research. I am very very big into the emerging market research. I do not just take what is going on out there because every guru out there that lives in the neighborhood is telling you to buy in their neighborhood. I go as far as checking out the economic development corp. I check up the school systems.

Dan Zitofsky: I actually, believe it or not, I talk to people on the Chamber of Commerce in that market. I want to know what-- they know what is happening first. They know what companies are coming in, what permits are being filed. You want to see how salaries are going, how unemployment is going. So that is some of the things. In my business, I also look at-- when I take down non-performing notes because I am very big on non-performing notes base to paper space. Rather than buying the property, I like to buy the paper, and then have an exit strategy. When I do that, I look at other aspects as well. Besides of being an emerging market, I also want to look at the length of time to foreclose in that market, what is the eviction process. Is it a judicial or non-judicial state? These are things because when you buy an asset, whether it is a tax lien or non-performing note, if you buy something in New York, New Jersey, Florida, you could sit in that asset for three or four years not getting paid back. So you want to look at that type of stuff and it is very easy to research it. It is online, not hard. You can pick up a phone and speak to an attorney, speak to a title company. That is the due diligence I do and that is why my investors love working with us. They love joint venturing on deals with us. They love investing their money with us because they know we are not out there. I say this because it is so important. To some of the same groups I speak with, it is funny because I come out of an event that I speak at.

Dan Zitofsky: The people in the event, they are actually hitting me up, asking me for money to joint venture with them. But they do not know the first thing about the market they are in or they are in 10, 15 different markets without having an idea what they are doing. So when I ask them questions about, "Who is on your team?" That is the only thing in an emerging market, you need a team. Dan, I am sure you have it. You are all over the place and you are killing it as well. You are in Chicago. You are in Pennsylvania. You are in Atlanta or I think in Florida. You are all over the place and you are not doing it without a team in place. So it is all about your people, processes, and systems, right? So that is part of my emerging market when I look at it and some of my favorite markets and obviously, I actually located in Delaware now. I did a lot in Delaware and Philadelphia. I have been all over the United States, did a lot in Arizona or Vegas. But right now, my favorite market I give you today is Cleveland. I love certain parts of Cleveland. It is funny because when I tell people "Cleveland" it melts rough. But if you have not been [crosstalk]. I mean, it is. I mean, if you tell people Cleveland, they think I am nuts, but if you have not been to Cleveland in the last five years, you do not know what you are missing. Right now, I have probably about another year and a half left there before in our price list.

Dan Breslin: How about that?

Dan Zitofsky: Yes, that is why we do-- what we are big on is I offer-- we are really busy but we offer usually two to three buyer's stores a year where we have anywhere from five to ten people show up. It is not a money-making thing for us but what we want to do is we want anyone who want to invest in those areas because a lot of our investors want to own their own portfolio rental properties for the future. It is a true turnkey investment property, a true turnkey business, but we want them to see the market. Because once they see the market, they truly understand what is going on in that market. I can go through and I probably spent three hours right now talking about why I love each market. But that is one in Cleveland I really love. I mean, I love what is going on with Cleveland Clinic. I love what is going on downtown. I love how the city is just re-

gentrifying these properties. You will see a mansion right next to a tenement and the tenements are coming down within six months. I mean, they are really putting a lot of money into this market.

Dan Zitofsky: So you have to get down to downtown Cleveland where the sports complex as you would see a whole different market. I love the Memphis, Tennessee market as well right now. For what I do, I am not looking at it as fix and flip. I look at it as a great emerging market for rental properties. There are rental properties there for \$10,000, those on the rental properties I work in. If you are into cash flow, just a pure cash flow buyer and you do not mind stolen copper, stolen HVAC systems, rent not being paid, crime in your area, you could buy those properties. What I like is like I said, the emerging part of Memphis, the class B to C type neighborhoods, a little bit higher-end, better school system, less crime, less wrongs. I will put some more money in those properties but I like that area. There is a ton going on in Memphis, Tennessee, which I can spend a couple of hours talking about all the companies coming in and the business is coming there as well. Now, one of the newest markets I really love right now and I am not there right now. Just time-wise, I happen to only get there and make it happen but I am going to stop moving into the Huntsville, Montgomery, Alabama market.

Dan Zitofsky: The Madison area is it is hitting all my numbers, right? A-rated schools, that is an A to B type area, crime is loaded a third in national average right now for a city of that size. USA Today rank them as one of the top ten communities. There is more cash flow on blue collar in certain parts of Huntsville than it is in Montgomery. So I mean, like I said, I can go on and on for each area on the amount of research I do and I do not take any investor money. But one thing with me too is I put my money up first before I ever touch investor money. So when I get into that Alabama market, the Montgomery, the Huntsville market in Alabama, I will put my money up first. What I do is I actually put teams together. So I will go down there and I will buy five to ten properties and I will screw things up and I will find the right contractor. I will work with three different property managers till I find one I like. I will work with realtors. I will work with title companies' attorneys and I will get to know everybody in town. Usually once I do that, six months to a year down the road I will have a portfolio now that I could show people and at that point we could help them out. But I mean, there is a ton of emerging markets. There is probably a good 17 right now on my list that I like. My top two right now are obviously Cleveland and Memphis and Delaware and it is going to be followed by Alabama.

Dan Breslin: So what is or what are your primary sources of deals because one of the things you mentioned was the length of time to foreclose. I would not care about that much because I am usually dealing directly with sellers and we get title insurance. So I am getting the title there. But can you describe your primary deal source, and if it is not necessarily one, maybe where are all the deals are coming from just kind of give people an example?

Dan Zitofsky: Sure. I will give you my top four deal sources. One is special asset managers direct from the bank. We deal with the special asset managers and we deal with hedge funds both. That is where we get our non-performing notes from. Okay. So we are just buying the paper. We do not own the property. The difference between what you do and we do at that point, Dan, is you are buying the property. You go to a title company, they switch title into your name, everything is done, you own the property, okay. We do not own the property. We are the bank.

We are Chase Bank, Wells Fargo Bank, Bank of America. We actually have to go from foreclosed on this property to take ownership. Okay. So that is one way we actually get properties and that could take, we are going to court and we are foreclosing. Now, there are times we get there is nine different exit strategies that we have. We do not have to foreclose. We can call the owner up and we have the opportunity that banks does not have. So I make it sound gloom but it is a lot better. Well, buying the note is a lot better than buying the property because we can call the owner up and we could do a lot. We are very flexible. We can waive some back fees. We can lower the interest rate. We could do a lot because the owner of the property performing again.

Dan Zitofsky: So if we get that owner performing again, we do not have to have to take the property and do any rehab. We just collect payments. We collect the mortgage from the owner. So when we are buying that property sometimes as low as 20 cents on the dollar. So 60, 70 cents on the dollar, we are actually, you know how hard it is to find properties these days. People now, all these new HDTV buyers are out there fitting aging [crosstalk] on the AR. I know you say it because I-- So it is not as easy to get properties as it used to be years ago and we will see a market correction. It'll get easier again. So we are getting those properties right from the aftermath. We are also dealing directly tax liens. There is about 3,200 counties in the United States. So depending on the county you want to be in, you would either by a tax lien or a tax deed. Not to get a tax lien or tax deed classes and I am nowhere near an expert on teaching people about all the counties. I just know my counties that I buy in but there is ways to buy those liens. We actually take ownership of the product. I am sorry, they take ownership at a property once you buy the deed, as long as the owner does not redeem it in the redemption period.

Dan Zitofsky: Every county has different redemption periods. So I hope that makes sense and people understand that you want to look at the county and see if there is a tax lien or a tax deed state and with the redemption periods. What your redemption period mean is if you buy a lien or deed and they do not redeem that, they have less than a year to redeem it and the owner does not pay those taxes up that time you are now own the property. So it is very important to know what the redemption period is. The only public places that I get, I do a lot of direct from sellers. I have a big name out there, especially where I live in Delaware. I got a lot of sellers come direct to me because we know the one thing you need to do is you need to be able to perform and Dan, I am sure you see this as well. If you do not perform, it is a small community and people know you do not perform and you cannot close the deal, and then I can come to you. The other thing is if you cannot close, if you are going to go in and wholesale the deals, I think it is probably becoming harder and harder to wholesale deals when you have guys like us out there that are going in.

Dan Zitofsky: We always tell people it is not that we-- we are out there to buy your property, but if some reason we have too many or it is not something we want to buy, we might sell it off. The bottom line is when we go to, we tell you we are going to pay you this amount of money for your property, we are going to close. So you have nothing to worry about. Now, a lot of wholesalers out there that are doing that, they cannot close on the deal. So it is either they hurry up and they find a buyer or they do not close. So we get properties that way too. Believe it or not, I get a lot from property managers, being in these different markets. Because a property managers does not want to lose that property in their portfolio. So they know that if an owner has 100, 200 properties in his portfolio and they want to sell it off, they will call me because they know I will

keep it with that property manager and they know I can close on that deal. So I do not waste anyone's time. If I am going to close, I closed all the time. I do not have a back out. I do not play games as long as you are honest with me about the condition and the title and the taxes and stuff like that. I do not usually re-trade a deal unless there is something you did not tell me. So those are really the four ways that I get my deals, but I would say for the most part, it is mostly special asset managers and tax liens.

Dan Breslin: Yeah, that is pretty cool, Dan, because my number one source is direct to sellers. We do an outrageous amount of marketing but then my second source is referral deals. So I have wholesalers in each market that are bringing deals. If it is something I can buy, we will buy the property. If it is something that I am not interested maybe in buying, I have a huge buyers list to send them out. We also have in that same category, referrals. We have been finding that real estate agents that happened to be in my network and they operate in neighborhoods that are, I do not know, for example 2 or 300,000. They are used to selling houses at 150,000-200,000 or more. Then they get the lead in some neighborhood that is 20, 30 grand and they are not comfortable even going to that property. Normally these agents are just kind of blowing them off. So we have been doing a significant number of deals just recently with real estate agents referring us properties and neighborhoods that they just do not want to go there and handle it, the squatters. The the same things that we deal with any low-priced neighborhoods, the squatters, changing the locks, the copper stolen, all that kind of stuff. To a lot agents, that is real scary stuff.

Dan Zitofsky: Yeah, and what is great is you are just how people here now that why you are so successful and I admire what you are doing too just the same as vice versa as you are doing with me because you have the processes and you have the persistence, process, and people in place. I mean, by far you have one of the best processes in place to do what you are doing. I have been watching you doing and I am impressed and I love it. Your process is even much better than mine and that is why you are able to do what you have and you setup the right teams. So it is phenomenal what you are doing.

Dan Breslin: Thanks, Dan. Yeah, and thank God for the right people. I mean, you probably know like any successful person is finding the right people to play the positions on the team is critical. Without some would say luck, I would say the hand of Providence introducing me to the right people at just the right time in their career/life as the same time in my career/life where I had a great opportunity for these partners who showed up and the people on my team. They happen to be at a place where they were looking at it because you know how hard it is. So, it would be like me coming to you, Dan. So you are a highly successful individual and I am like, "Hey, Dan, you want to come out and do XYZ on my team?" You already got a bigger opportunity going. So a lot of times, the highest quality people are already too busy to join the team. Then if you have somebody that is not of the caliber to perform the part trying to join a team and kind of get jammed up. So you need just the right person who is just on that upswing of quality, at least I found, for us to succeed long-term and I really am blessed with a great team. So speaking of the team, do you have a team around you? Have you been getting all these deals done so far, Dan?

Dan Zitofsky: That is great you say that and I was laughing because I just literally got off the phone with my coach because I use the coach as well and I believe everyone should have a

coach. My coach is actually that is what he is an expert in. That is what I have actually switched over the last, I got to say a little last year I really taking my team on steroids. I do have teams in each market. You are right, the problem in this industry as I was telling him the same thing is and I will tell you that this is the toughest thing and everyone who is listening just understand you not going through this yourself. Toughest thing I have gone through in this industry is getting the right people in place. Friends usually do not work out. Family does not work out. You want to help them so much but I have always been big on building businesses. When I coach other people because we do coach and we get sent out to organizations and we coach them, I always teach them the same thing. It is just take your time hiring but fire very quick.

Dan Zitofsky: But in this business with your team, you have to realize you are looking, the problem that everyone has is they are looking for somebody to do too much where they are not qualified and that is where my problem was. I had people coming in and I was trying to get them to do different things that they were not qualified in. What I learned is you have to get people on your team to do what they are good at and that is it. Get them to focus on what they are good at and that is it. If somebody is good on your acquisition manager, stop having them do construction. Stop having them handle contractors. Stop having them handle property management. Stop having them handle marketing. Their your acquisitions person, have a marketing person. So I do, I have a marketing person I brought in. She is phenomenal, blessed to have her. She holds me to the fire because I am horrible at the market. That is not my strong point. I have acquisition managers in each area that I am in. So in different markets I am in, I have two to three acquisition managers in each market. Here in Delaware, I have two acquisition managers. Their job is to go out, look at the properties, access the properties, and they both have contractor experience which is huge for me.

Dan Zitofsky: So but their job is not to do anything else but acquisition manager. I have property managers, people that just handle my rental stuff. I have people that handled my legal mail. So they just handle legal documents. So especially with me handling tax liens and non-performing notes and handling allonges, assignments of mortgage, dealing with the attorneys, those type of things. So what I have is right now we have a team. Our team is probably I do not even have exact, I think about 26 or 28 people in the pre-markets we are in. What I have done and what I have changed so greatly is I focused in and that is where my coach is an expert in. He is closing 100+ deals a month and does not even touch anything, see anything, do anything. That is really where I had to go with this market. So if that can help anybody out there just understand the problem in this industry with people in your team. Then, Dan, that too is that the people you are looking for are people you want to have that entrepreneurial spirit. The problem is most people would entrepreneurial spirits are out there doing themselves. I always laugh about this.

Dan Zitofsky: I said, "In a market, if we ever got together and put a couple of us entrepreneurs together, we take down the world. But we are all out there doing it ourselves because we have an entrepreneurial spirit. We do not work for somebody else." But then on your other spectrum, you get the people that are just lazy and do not want to do anything. That drives us nuts because we think they should be entrepreneurs. So it is we have to get out of our own way. The bottom line is get out of your own way, figure out the hardest thing to do is self-reflect. Look in the mirror, see what you are good at and what you are bad at and do not do what you are bad at at this point. Okay, because that is the biggest problem. A lot of people are trying to do too much or they

realize here's another big one. They say this, "I am not going to hire somebody till I make enough money to hire them." You will always be chasing. You will always be behind the eight ball. Unfortunately, the hardest thing to do is hire your first person. Once you do that, you ramp up so fast you do not even know what to do yourself. Okay, my next thing, my next person I will hire is I want to hire human resources rep that they can handle all the people because I do not even want to hire them. I do not like doing it. I do not want to do what I do not like doing.

Dan Zitofsky: Ultimately, I am the laziest and you tell people I am grinding. The reason I like my passive income is because I am lazy. I want to sit in my coffee shops. I want to sit on the beach in the summer. I want to hang out with my wife and kids and coach softball and football and that is what I want to do. That is the lifestyle I have been able to give myself. I am not sitting there drinking out of a coconut and telling people to buy a course for me. I do not sell a course. I am just a lazy investor. It is funny because off-side track a story, just recently one of my properties here in Delaware that my wife is actually handling my stuff in Delaware. She is a phenomenal property manager. Yeah, but one of my properties, the washing machine, broke and we a washing machine at another property and was good. We just add a new one. So we had it in the garage. She was like, "We have got to go to the property and pick up that washing machine and bring it to the other property." I said, "I am not, why would I do that? Get my son Johnny to do it." She is like, "Well, why are we going to send him over there?" I said, "Pay him to do it. Pay him 50 bucks. That is why we pay anyone to do it because I am not going to wait three hours. I am going to do so. She goes, "You do not want to do anything." I go, "Exactly, I do not want to do crap."

Dan Zitofsky: That is why I am in this business. I have done it for 26 years. I do not want to be a hypocrite. I hired a team to do the job. If I cannot make more than \$50 in three hours, well, I better go get a job somewhere because I am doing it wrong. You just have to and it is real important. So not to get off that topic but hiring a team is that is why it is so important, but you are right. The hardest part is finding that right person. I do not know the answer to that. Just really dig down deep and look for that person and make sure the other thing you do when you hire somebody, give them a job description. That is the other thing I used to do wrong. I did not give them a job description. I did not tell him what they had to do. I did not hold them to a standard and if you do not do that, people do not know what success and what not success is. When you have an investor and you bring them in, you should always ask them what kind of return are they looking for. Because if not, you have no idea if they are a qualified investor or not for you. Just getting out of your own way, it is probably because you are screwing things up if you do not have a good team. It was me, I was humbled. My butt was kicked by my coach and I was humbled.

Dan Breslin: I want to switch gears here a little bit. I do want to talk about some examples of let us say I have some money, Dan, and I am going to come to you and we are going to do a joint venture together. I want to make 25% on my money. You let me know if that is unrealistic or what would you offer. I am only saying 25% because I am going with something outrageous and honestly, I guess it just sounded outrageous. So I want to go with that example.

Dan Zitofsky: Well, that would be a pretty quick call. You would not be a qualified investor online. I would ask you, usually I ask some more questions. I understand what your goals are and

then saying what your capacity is if you need your payments monthly, if you are looking to stay in the deal a year, two years, if you are okay with the non-performing notes page. The thing with the non-performing notes page, there is no way to guarantee it. Any investment, I would never guarantee any return to anybody. But a non-performing notes page, there is times I can make 12% for my investor. There is times I can make 50% for my investor. The problem is when you make that 50%, 60% for your investor, you may expect that every single time. I always under-promise and over-deliver, but I usually tell my investors, I said, "Listen, I cannot promise you anything about returns. What I can promise you is I am going to do this, this, and this." I lay out all my due diligence, the market I am in, the team I have, why I am in the market and experience.

Dan Zitofsky: Secondly, what I do tell them as I said, "Here are some of my past investments. Here is what my goals are. Most of my investors are happy making 8 to 10%." At this point, I have investors telling me they are happy with 6% in a stable market because what is happening with the stocks, mutual funds, banking, you put the money in the bank, their CDs are quarter percent for five years. They want to see their IRAs grow. But what we do is our joint venture deals, we work them so many different ways. Ultimately the way we work is my joint venture partners, they will put up all the funds, the funds to acquire the property or the asset I should say. Not a property paper, to do the due diligence, to do the workout, the rehab, get the property performing, and then we do either a 50/50 or 60/40 split, whatever it might be. For me at this point, you will see a lot of new investors out there going crazy to raise money for me. I am very particular who I raise money from for reasons I do not really need the money from most people. We have a lot of money behind us right now because we have been doing this so long. We have done such good amount of deals with the returns.

Dan Zitofsky: The hardest thing for us is getting the money on the street, not getting it. Once you return investors' money, they are actually upset. They want that money in flight. So I look at it like this, if I can raise money at 6, 8, 10%, do I really want to work with you? If it is somebody I really like and they are not a pain in my butt, yeah, because maybe I could take down some more assets that way. We have done funds before. We are probably after the New Year going to start a new funds. I will take down some more assets and then at that point, yeah, maybe we will take some more money and we only work with qualified investors. We want to make sure we are not taking somebody's last 50 or \$100,000 and they need that money to pay their bills because we do not want to make rash decisions on our deals because somebody needs that money back right away. So we are not the right investor. We are not new. So we are not like these newbies out there running around, take money from anybody. They do not know the industry. So they just need money, take down deals and then they figure it out later. I know because unfortunately I stopped coaching some of those people. But that is kind of how it is. If you tell me, "Listen, I want double digit returns." It is more realistic, I would be okay discussing it further if you came to me and you said, "Well, because what I would say is what kind of returns you look for? You say 25%, there is no need for you to be in our deal."

Dan Breslin: That makes sense. I guess I chose an extreme example. I mean 10, 12%, 8, 10, depending on the JV 50/50 sometimes knock it out of the park. So I am obviously out here doing the work and seeing returns like that of my business so that is why when I am going to work on myself. But then some of my returns are also eating up because I will pay my investors the same 8, 10, 12%, what have you? What capital amount, Dan, would you say somebody you would be

qualified for? Someone comes to you with 25,000 you put a deal 50, 100, what are your minimum capital requirements?

Dan Zitofsky: Usually I do not take less than 100 but minimum I would do is 50. The reason why is you can get involved with notes or tax liens with 15 to \$20,000. But then you are buying those type of assets in markets I do not want to be in. So it is not the right fit to me. If I want to be in markets where I do my due diligence and I have my teams in place and I am pretty sure without guaranteeing anyone a return, I am pretty sure we are going to get nice returns and we have a great exit strategy, then anything on the 50,000 just it is not a right fit. If you are under that price, you are probably not a qualified investor. So it might not work anyway. Because I will tell you that once somebody hands us 50,000 and we do a great job, the next time they are like, "We got about a half a million dollars to work with you."

Dan Breslin: As an aside, not part of our interview here but I just want to mention it because it is apparent for anybody listening. We talk quickly here about the self-directed IRA and if anybody is interested in finding out more about that, I will link in the show notes of this episode to a previous episode we did with Carl Fisher and we dive into that at a little bit of an intro level. So I will make sure I link that for the listeners and get some more information about setting up, moving your IRA to self-directed and really getting some clarification on kind of how to be a private lender to invest in deals like Dan is describing here. So Dan, I am going to switch to our questions which we ask every guest who comes on the show. The first of which is who would be the most successful real estate investor or developer that you know and why do you believe they are successful?

Dan Zitofsky: Some of the most successful people I know right now are Grant Cardone, which I am sure a lot of people have. He has a level, he has a mindset that most will never attain. I love his mindset to the 10x rule that everything he works on, on every deal. What I love about Grant is what he thinks outside the box. I am very similar to Grant like that. We both think very much outside the box and that is what sets us apart in this industry. In fact, just a side note, before this, I got a coaching call this morning. One of my students who does non-performing notes like myself, he just wanted to deal with tunnel vision and almost lost the property to get out of it rather than actually think outside the box, take the deal, find multiple ways to make money on that deal. Because his goal was to have the lifestyle that I am living now, that I am aspiring to get. So I am still not exactly where I am going yet. So I have some pretty big goals. His goal and he did not think outside the box. He had the tunnel vision. So what I love about Grant is Grant will take a deal that nobody else would take and he will find a way to make it happen. He is always stepping up his game. He has always challenged himself and the guy is worth a ton of money. He can retire now and be the most successful multifamily investor I know out there. I have had the chance to meet him and he does not stop. So he is somebody right there.

Dan Zitofsky: The other one I have to say is Mark Evans who is my personal coach. I mean, Mark is just he is a vision, man. That guy is awesome. I am sure a lot of people here know him. He set up a team virtually and his team, his process, his systems are amazing. The guy is doing 100+ deals a month in markets he does not even go to. He does not even look at the properties. He does not talk to anybody. He does not deal with contractors. He does not deal with tenants. He does not deal with property managers. All he did was set up that team. I should not say all he

did. He set up the team, processes, the systems. So he is somebody living the life I want to aspire and what he does great he gets out of his own way to do what he loves. Once again, I think everybody out there should find a coach for everything in life, whether it be investing, your relationships, health, whatever it might be. He is my personal coach. He told me what I am good at, not good at, and so I was able to handle real estate investing the right way because he is handling me like steroids right now. Those are the two people I look. There is so many more I look up to. I mean, Les Brown. I mean, there is so many that I can keep going on and on about coaches and things like that and developers. Your Donald Trump's and and it can keep going but those two come to mind when I saw those questions. So yeah, those two are the ones I follow immensely.

Dan Breslin: I probably have a guess of a few of them. Do you have two or three you would consider life-changing books, maybe real estate, maybe business, or mindset and success-related?

Dan Zitofsky: Yeah, definitely. That was actually a tough question because I could rattle off probably 50 and it is hard to decipher which ones I like more or less as know what is going on. On the real estate side, one of the biggest things for me was George Antone's Banker's Code, being that I am passive guy and being the bank. He laid it out really simple and he is another person I was lucky enough to bust up, to speak on stage with or speaking at the same event with. George is great guy, has a great story. So I love that book by George Antone, the Banker's Code because anyone that really likes that passive income and being the bank, you really want to pick up that one of George's books so you have got a chance to hang around. I also love like everyone else, I think I have to say I just started rereading it probably for the tenth time is the 4-Hour Work Week by Tim Ferriss. That is probably I got to say that is my number one book. I mean, I have it. I think the pages are folded. They are written on.

Dan Zitofsky: They are messed up, but eventually I will probably get a new one of these but a friend of mine shared it with me years ago. This is my second version already so I do not know why he shared it with me, but that is probably one of the best books. I think that is my number one. Another real estate one is obviously going to be everyone should read Rich Dad, Poor Dad by Robert Kiyosaki. That should be a mandate in schools right now. That will get you mindset changed, but obviously I do not think schools want you to read that. A mindset book I really love which I do not even know if a lot of people read it or even know about it, but I got a chance to meet these guys too. There is a book Lifeonaire by Steve Cook and Joe McCloskey. For me, like I said, there is so many books. But this one really hit home because it is actually people want to be millionaires but they do not know how to be lifeonaires. This really for me it embodies everything I work towards. That is a great book to pick up. These are great guys. They run their own little events too here and there but the book is phenomenal. So that is one of the books I really like.

Dan Breslin: Yeah. Tim Ferriss was an eye-opening, changing experience for me to read that book. I love when it comes up on the topic because I also a few years later read. I got such great results from Tim Ferriss. He has a podcast. I have gotten a lot of great cool ideas from his podcast as well. Maybe I should link to that in the show notes, but he had the 4-Hour Body which I read about a year ago and I lost 25 pounds in maybe a 50 to 60-day period as a result of

directly what was in that book. So he just puts together some really powerful information. So you would not think weight loss and business would go hand-in-hand. I did it without, I mean, it was like I went on the treadmill one time, Dan. It was like, no intense cardio. It was not like the typical things you would hear about weight loss. It was like a very comfortable and easy thing for me to do at the time. So yeah, that is really cool. I like to mention that pretty [crosstalk]

Dan Zitofsky: What was the name of that book?

Dan Breslin: That is 4-Hour Body by Tim Ferriss and then the other one that he wrote recently, which I am reading now which is it is about the size of a Bible. It is called 4-Hour Chef and that one actually dives deep into the process of learning new skills and things like that. He is a Princeton grad. So he gets pretty deep and detailed and has a lot of great examples and a lot of great information to share. I have not finished that book yet so I do not know how good or bad that one is as far as recommendation. But 4-Hour Body, if weight loss or health overall, improvement in health is something that you want to do, even if it is not a weight loss issue. It is not a weight loss book. It is more of a health and lifestyle redesign which was kind of the same tone of the 4-Hour Workweek for anybody who did not read it. So those are, I mean, they were two great books. I think they are both available in audible. So if you want to just listen instead of reading, I mean, they are both great information there.

Dan Zitofsky: That is awesome.

Dan Breslin: Yeah. Absolutely. Cool. Dan, if you could share the Crown Jewel Wisdom with your 18-year-old self, what would that be?

Dan Zitofsky: That is why I got a couple of those. It is find a mentor who you want to emulate and always challenge yourself. When I say that, I wish I found a mentor years ago and that is so many mentors. I wish I found someone years ago that can actually challenge me. The other thing is really when I say challenge yourself, I always tell people I love being the dumbest person in a room or a meeting. Because if you are the smartest person in that room, you are definitely in the wrong room. You always got to reach out further and always challenge yourself to get a little bit better because if you are stagnant, your business is stagnant, you are going to go nowhere. Okay, and then I always tell people that find a mentor and challenge yourself. That is ultimately what it comes down to.

Dan Breslin: Nice. Then if anybody is listening, wants to get some more information about you, do you have a website, phone numbers, emails, anything you would like to share with listeners?

Dan Zitofsky: Sure, they could go to my website. It is Zitofsky, Z-I-T-O-F-S-K-Y, capitalmanagement.com. That is our new site, or they can get me at Dan@Zitofskycapitalmanagement.com. Shoot me an e-mail. I am pretty good about getting back to you within 24 hours or less, unless I am traveling. I would love to help out any way I could and I think that is pretty much it.

Dan Breslin: Cool. Then for the listeners, I will add that website address URL in the show notes as well. So if you did not catch that and write it down, you can always check out the show notes

and get that information. Hey Dan, I have a couple pages, three or four pages of notes here I took while we are on the call. A lot of great information. I am intrigued to check out some of these other emerging markets myself. It is always great to hear the perspective of successful people like yourself and I appreciate you taking the time out of your day to come on the show.

Dan Zitofsky: And I appreciate you having me, Dan. You got a great show and I love your business as well. I appreciate, I am blessed that you actually I want enough of us to bring us on for your listeners. Thanks so much.

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