Man: Welcome to the Rei diamonds show with Dan Breslin, your source for real estate investment jewels of wisdom.

Dan Breslin: Welcome to the REI Diamond Show. I'm your host, Dan Breslin. And this is Episode 190. On 100 plus units, apartment syndication deals with Stephanie Walter. If you're into building wealth through real estate investing, you are in the right place. My goal is to identify high-caliber real estate investors and other industry service providers, invite them on the show and then draw out the jewels of wisdom. Those tactics, mindsets, and methods are used to create millions of dollars more in the business of the real estate. Today's guest Stephanie Walter is the founder and CEO of Erbe wealth, Stephanie began investing in single-family homes in Colorado while owning and operating her insurance agency. She has since exited that insurance agency business and sold off all of her single-family rentals to focus solely on larger commercial real estate syndication deals. Today we are going to dive deep into those decisions, her investment selection process, and a few big recent wins, and of course, an upcoming deal. So let's get started. All right, Stephanie Walter, welcome to the REI Diamond Show. How are you doing today?

Stephanie Walter: Good. How are you doing?

Dan: I'm doing well. So I am in listeners now. I'm from Chicago, but I'm in Avalon in the offseason here recording a little bit of a change of scenery for me. Where about are you dialing in from today?

Stephanie: I am just outside of Denver, Colorado, just the suburbs. Lakewood, Colorado right at the foot of the foothills.

Dan: Nice. All right. So [crosstalk] go ahead.

Stephanie: We have a bit of snow today.

Dan: It's a little late. I think Chicago might have some snow here that we ducked out because we're in Jersey, but we're going to end up driving probably through it on the way back home. So, we're in the United States not quite out of the winter yet. Are we?

Stephanie: Unfortunately.

Dan: Cool. So I did a little research on you and your background, and I figured that we could begin with your sale of the insurance agency, what led up to that what your thoughts were, how you emotionally changed chapters, let's say, and then got on to the next place that you currently are.

Stephanie: Yeah, well, I've had my agency since 2006, so about 16 years. And before that, I was actually an insurance adjuster for eight years. So my whole working life, I've been involved in insurance in some way. And I do love it. But I also love real estate. So I used to buy and hold single-family homes and really, really loved doing that and actually became more curious. In 2016 I joined a group of people that do some education, great education, about kind of how to buy larger commercial properties through syndications. And that was in 2016. And from there, there was really no looking back I found a partner and group of people I like to work with and found that I really liked raising money. And from that just ended up working with a lot of really wealthy people and learned a lot from watching the way that they handled their finances and started changing the way that I was viewing my finances and 2018 started selling off my single-family rentals and investing that money into these syndicated deals where we were getting double-digit returns and that allowed me to replace my income in the matter of a little over two years. I sold my agency and December 2020 and so now I'm retired but I am still raising money occasionally once or twice a year for a deal and I like to talk to people about kind of changing their views on money because it was life-changing for me. Because I've been able to retire and now I can spend a lot more time with my family.

Dan: Congratulations on the sale. That's pretty cool. I imagine that must have been... I don't know. I mean, was it a decision brewing for a year, six months? Did you just wake up one day and say, "Hi, we got to get going here." This is too much weight. Was it the daily responsibility of you running and managing a team? What was it that led up to the sale, I guess?

Stephanie: I like to work a lot. I'm a nerd that way. But so I really like what I was doing. But as I continue to invest in these deals, and the money came in, and eventually it replaced what I was making in my insurance agency, all of a sudden, I was like, well, it would be nice not to be having to work every day and not having and being able to take a vacation. I hadn't taken like, over a week's vacation since 2006. So then, my eyes were opened a little bit more. And it was a little bit emotional to sell it. But, this is the direction that I'm going. And I really love helping people get into these syndicated real estate deals. And but yeah, it definitely was emotional. Because you get very close to your clients over 16 years. And just kind of that's your identity.

Dan: Yeah, exactly. That's why I asked a question. And I use the word emotional, because I just, I know that so much of my own identity is wrapped up in the real estate business. And we are a high volume, single-family fix, and flip operation. We're in Atlanta, Georgia, we're in Chicago, Illinois, and we're in Philadelphia, Pennsylvania, anywhere to our radius there. And we did 289 deals or something like that last year, I forget what the exact number is. 283, I think was exact. Yeah, we're blessed. And we have like a really strong, large team. But so much of my day and my thoughts, and I'm kind of all consumed by the real estate thing. So I'm already in real estate doing it. But I just could never fathom the switch, like what would happen if I had to replace that thought with I don't know what would come next. And you at least have the replacement of "Okay, we're doing this switch to real estate", which is maybe this more enthusiastic about this conversation here in my mind that we're doing these deals and I'm invigorated by that. Versus I don't know, the mundane, everyday grind that must have been there. I know I'm kind of on a whim putting thoughts or words in your mouth in mind. But that's pretty cool that you made that shift. So I'm curious, you talked about hanging around starting to have conversations with these wealthier people I imagine. And they're thinking about business, real estate, thoughts, money, whatever it is to think about different and you're making this observation and I think to myself, Stephanie is this successful insurance agent, and you're buying these single-family rentals. And we're kind of told like Rich Dad, Poor Dad by assets, and we usually start a lot of us, me included, buying rental property that we understand single-family houses, I lived in one I grew up in one I rented out, it's very familiar. And then you're hanging out with this wealthier crowd, they're thinking about things differently. And you sell off all the single-family rentals and then start doing strictly syndication. So what exactly were the paradigm shifts that occurred for you that you observe these people at a higher level of wealth? Maybe that caused you to sort of like make that shift and recalibrate everything?

Stephanie: Yeah. That's a great question. I think it definitely happened over time. And I couldn't quite put my finger on it, but I knew that they were viewing money differently than I was. And because you don't see any of these wealthy people having single-family rentals with a lot of equity in them. They're not landlords that a lot of them are business owners, to businesses that they really love being a part of, or they're retired altogether. But what I found interesting, was just their mindset on money is that they view money as a tool. And it's a tool that needs to be used all the time. And they look for where that tool is going to perform the best for them. As opposed to me who was looking at my single-family rentals as well with a lot of them off, we're paid. We paid 10 years of mortgages. So we had 20 more years to pay. We were having some cash flow, but it wasn't anything that was super. And yet I had these huge chunks of appreciation that were just sitting in these properties. And then when you're examining that you're like, "Well, how much are those really making for me?" Nothing. And so to say, "Well, do I keep it in this asset where it's worth doing zero for me? Or do I take it over into a syndication deal, which largely the ones that we work with giving over a 20% annualized return?" Well, those are the decisions that wealthy people make. And then I read a book, Garrett Gunderson is killing sacred cows. And in that book, he really delves into the philosophy that I was that I just couldn't put my put words to that everybody is raised to believe that you accumulate your wealth over here, you just accumulate, it just sits there. And then when you're ready to use it when you're retired, then you budget the money so that you have enough to take now whether that's an IRA, or whether that's a rental, where equity is just sitting in it, it's one of those things, rich people don't do that. They're constantly looking at how to use their money. And I think the term that a lot of people use and might be familiar to you is the velocity of money. So they're always looking to as quick move that money from investment to investment so that the velocity of money is increasing and increasing. And the faster they can do that the faster money is made. And that's what I viewed once I changed my mindset on it.

Dan: Got you. Yeah, I think that is interesting, the observation of the accumulation pile, and then we're going to draw it down and have caught myself looking at the amount of money may be that I had saved up with that thing, like, "Oh, gosh, if you stopped working today, like and then you drew that down, how will that work?" And it was kind of a fleeting thought because I enjoy the game, the hustle in the business so much that it's not something that I'm like doing a calculation or reaching a certain number, I think a lot of people are setting out probably in the conventional sense, "Oh, I'm going to reach a certain number, and then I'm going to work in and now I can go do X, Y, Z and roll that down." Like I said, I noticed my own pattern of investing. That's one of the things that overtime for me, I do have a single family and I have small multifamily. And one of the things that I've been able to do is refinance out keep a handful of these assets. Now, I would assume that your rentals were probably in the Denver, Colorado slash Lakewood area, you're probably not going to be able to get like this significant great cash flow bump compared to the appreciation that occurred. So keeping those assets doesn't make as much sense as it did for me when I was going from these like 60-$70,000 houses to 140-$150,000 houses in the Philadelphia market where they still cash flow and cover the debt service the whole nine so it makes sense to keep the asset. So for me where I'm going with it is I think my velocity of money is viewed in, "Okay, I'm good with putting these into certain investments. I haven't done any syndications yet." Personally, that's just my thing. But then I refinance out, hang on to these assets, continue on with that appreciation, go into the apartment building, improve the set apartment building over time, and then at two or three or four years into the cycle. Again, I want to get as much of the cashback out to place into another larger property ideally. And so that's kind of like the mental plan that I've sort of constructed. So far as I talk about accumulation versus drawdown. And you did, I am wondering, you had an interesting question you sent to me in the prep, and that was, what are some reasons not to put money in your 401k? And I'm like, scratching my head because everyone should be saving, right?

Stephanie: Yeah, that's another crazy thing. And your strategy is right on because you are concerned with the cash flow. And I come across a lot of people especially in Colorado or these busier markets, and they're very concerned with the appreciation, I have people, even clients, I still talk to and talking to them about what I'm doing, and they're like, "Well, you know, they're...", but we've had this for 20 years, and it's our kids in college, isn't it? And they're just won't even consider you. Even though they're not making any cash flow, but you're being very clear that you're getting cash flow, because that's the most important thing. As long as your assets are cash flowing. You know that that's golden. But you did ask me and I went off on a different tangent there. But what was that last question?

Dan: The money in the 401k, right? Is that a mistake at some point?

Stephanie: No, that is a kind of a controversial thing to say I'm finding, but if you do any insensitive research on the 401k, and really start to think about it, regardless, I've not met one wealthy person that has a 401k that has invested in one of my deals, the whole idea of taking your money, handing it over to a financial planner, who puts it does their little no one really knows what the stock market is going to do, and just leaves it in there. And then the fees are coming out every month. But the larger surprise, someone says, "Hey, I have 500,000 in my 401k." Do you really have 500,000 in your 401k? Because in 20 years, do you know what the tax rates are going to be? I find that the 401k., there are just too many unknowns about it and too many things that are out of your control. As far as what will the tax rates be when you go to start drawing that money out, they're going to be a lot higher than they are right now. And it's not a liquid asset in any way. Nor does it give you any cash flow, you don't get a dime of cash flow out of it. So I mean, those are the big reasons that I say that either to stop putting money into your 401k or start to come up with a strategy work with a wealth planner to maybe start taking money out and paying the penalties and investing that money somewhere else where it's going to be giving you cash flow from day one.

Dan: Yeah, maybe even one of my mentors has taught me, and I have like a small, small 401k. And I just treat it like this automatic savings plan that is going to go into this thing in the stock market. It's like not money I'm counting on right. But I think the accumulation versus drawdown that you described is, that is the 401k. Right? What my concern with cash flow is is I'm kind of trying to sink this money, place it into properties where I don't have to see the asset valuation jumping all the time like you wouldn't in the stock market. But also finding the deals, I can raise the rents over time trying to make sure I pick properties that have two or three bedrooms versus studios and one-bedroom, so I don't have turnover. So there's a lot of other things, I'm looking forward to mitigate my risk. But to your point, ultimately, I would hope that in 30 years from now, 20 years if I go to retire, and the inflation has continued even at 2%, one and a half percent, pay down some of my improvements over time, like I'm really hopeful. And I have faith that my cash flows are going to far exceed exceeding anything they are today. And then it is the cash flow that I can live off of. So I don't have this accumulation versus drawdown kind of scenario unfolding for me, later in life, but one of my mentors, so we all have probably heard of the self-directed IRA, and he had mentioned that maybe it's worth it for some people to roll over the 401k into a Roth IRA now so that that's growing tax-free through this entire time period, even though that $500,000 you described I don't know the tax bill might be at $90,000. And they end up rolling 400 or even less, I don't know, because I'm not a tax professional. I'm not giving tax advice. But for someone in that situation, he suggested taking that to the tax professional sitting down and figuring that out, because it might make sense to get pay the tax on the seed now versus paying the tax on the harvest at some potentially larger tax bracket down the line. Do you have any experience with the Roth 401k in the role or the Roth IRAs, the rollover process, or even self-directed IRAs with any of the people that you've had invest, Stephanie?

Stephanie: Yeah, I have. When I first started syndications, I had people that had those lone 401k's with a past company that they have worked with for several years and in my industry, they tell us a lot. Go ahead, have them put that in their self-directed IRA because again, They don't have to pay taxes on it, and stuff like that. But actually seeing that in practice made me kind of reconsider that as an option for my investors. I certainly will do it if someone wants to. But I also want them to know all the drawbacks to that. The drawback is when when you roll that into a self-directed IRA, you put it into an asset that gives you cash flow, that cash flow goes right back into the 401k, you never, you never get to see it, which that would be good, you're saving for your retirement in the future. But the other thing is when we go to sell that commercial asset if you are just a regular person that puts your money in, outside of the self-directed IRA, you're taxed at a capital gains rate. Okay, the person that's in that self-directed IRA, once they get to the point of retirement, and they're able to start drawing from that, they're going to pay taxes as ordinary income on that. And the differences are significant, it's double what they would have paid. It's double in the self-directed IRA as ordinary income as opposed to capital gains. So as long as they understand that, and they're, fine with that, that's good. I just don't like people to have surprises down the line. And again, it's just rather restrictive. So I always have the mindset that to use to pay for the penalties now and get into syndication and yeah, and deal with that.

Dan: Got you. Yeah, it's funny, I mean, even the IRA I have, I started it this year, it takes it from a little salary, and I don't care about it, or put my very much effort into it. And I made the decision. I mean, I've actually been in the business since 2006, also doing real estate. So we're like, we're on the same, you know, trajectory there as entrepreneurs. And I like decided not to spend a lot of time building this self-directed IRA, figuring out how to grow the self-directed IRA, and focusing like, no energy whatsoever on the IRA for certainly last four or five years when I could have maybe should have peeled a little bit off and threw it in there for later. And I did that intentionally because I was trying to reserve my decision-making energy, my creative investing energy, I wanted that to go into my main business of buying, fixing, and selling houses. And I can look back and say, I think that was the right choice, it's paid off for me and for the people on the team, for sure to do that. So I'm kind of with you, I'm not 100% sold on saving, putting it into the IRA, and kind of like dealing well, it's great, but what else is great, getting a large number of units and continuing to refine and recycle my money, which also has a little bit of a tax advantage, and so to 1031 exchanges allow me to continuously build momentum in my investments to get to larger and larger and, quite frankly, each time it gets to this next larger investment like it. For me, it's like a scary thing, man, we're gonna look at this other deal. Like, it's gonna be bigger than anyone that maybe I've ever done before, just to kind of like park these savings. But then a year or two later, I'm happy that I did that. And you look back and always, like, "Oh, man, I'm glad then." But like, at the time, it felt like I was overpaying for these things. And it was like, the first year I'm like, "Oh, man, this is nuts." But to your point, right? I know, I'm going on a couple of different tangents. But it's like, I'm not convinced and sold on the IRA. And I'm not convinced whether we should take it all out and sell it all. Sell or sell off the stocks cash out, and pay the fee, and I'm not sure what the right answer is. And I think everyone would have to kind of evaluate their own positions, maybe with somebody who could help them out to figure that out to make the decision whether or not that's right for them.

Stephanie: Yeah, absolutely. Absolutely.

Dan: So, you'd mentioned talking with professionals, I think people who are like, probably not doing real estate syndication, so many examples that you throw out there was someone who has a single-family house for 20 years, it's well appreciated it. We're looking at it like the accumulated pile that's going to be drawn down to pay for the kid's college. What are the biggest mental blocks that like maybe not just that example? But people who are professionals who are new to the real estate investing space syndications? What are the biggest mental blocks that they have to overcome that you see before they end up actually pulling the trigger investing?

Stephanie: Yeah, well, I think it's just the lack of knowledge, lack of ever hearing about syndication like most people are like, I've never even heard of the syndication. But the syndications have been around for hundreds of years, actually, the insurance companies, pension companies, banks, and the very wealthy have used this type of investing for a long time. So it has been around a long time. So, I think it's more explaining the structure of the syndication than just kind of wrapping their mind around how it works. And that's usually the longer conversation that I have too, and then they get to know me and my partner, they feel comfortable investing in our first deal. And then once they see how it works, 99% of our next investors come from our past deals. They just invest over and over and over again. Yeah, I have a lot of professional people that have not, don't exactly have never heard of syndication. And I think there's a little trepidation. But then once they get in and see how they work, then they're like, "Oh, this is great." I have a person who sold one of his rentals, and now he's like, "I'm just gonna sell them out because I don't want to deal with being a landlord." And I like getting this check every month. So yeah, and that's one of the benefits of I know, I talked to an investor this week, he got his PE one from the property that we purchased in November, last November, and he's like, "Is this right? You have to call and explain this to me." Because we did what's called a cost segregation study, we all have our properties, which is essential, for the layperson it's depreciating kind of on speed, it's you, you shorten the depreciation window. extremely short. And by doing that, they get a very large loss. I say loss, it's a phantom loss, they don't ever experience a loss but for tax purposes, they get a loss when they buy and they are a member of our syndication for multifamily property. And he was like, "Wow, I can't believe how much is gonna help me on my taxes." And I'm just like, "You know, a lot of people have never heard of this." And the taxes people that invest in syndications or even real estate, like what you're doing, they don't really think of the tax benefits, but there are so many tax benefits to investing in real estate. And that's a big one.

Dan: Yeah, the cost segregation depreciation. Like I think for real estate professionals, I think that can be completely written off against actual income, is what I'm pretty sure my accountant told me it's very exciting. You also mentioned monthly distributions, which sounds exciting because so many syndications are like a quarterly distribution. Maybe it would be helpful if you talk about a current deal that you have cooking to kind of layout all the examples with something that's real. If you have one cooking right now, Stephanie, I think that might kind of paint a picture of syndication on an actual deal.

Stephanie: Yeah, we have. I'll go over the one because I do have one that's in Florida right now. And it's very exciting. But that's not necessarily a real traditional deal for us. So a traditional deal is we find a multifamily property that is undervalued in some way. The rents are not where they should be, they're not running it efficiently with their property manager. All those good things, we take it over. And we correct all of those things. And then, within the first two or three months, we start sending our investor's monthly distributions and the way that and obviously, these numbers change depending on on the year, but for the last four years, we give our investors 8% preferred return. So every month, they get a check for 8%. return until we sell or refinance the property. Once we sell or refinance the property they get in and the annualized return, which we do is definitely for this property is 25%. So, to figure out the total returns, you've been receiving the 8%. So you minus eight, from 25. And that's the chunk of money that you get, depending on how long we've owned the asset. But the one in Florida right now we're doing it's more of a development deal, a kind of an exciting one. So that one is not offering preferred return. But it is offering a short hold period, which is about three years, and we're promising a 30% return, annualized return on that. It's a small group of homes that are built in Broward County, which is just insane right now in Florida. And there'll be 24 homes that are built.

Dan: So it's gonna be a build and then sell retail or is that a... Okay.

Stephanie: A build and then we'll be selling the properties, eight of them are already under contract. And then we're just kind of holding off on selling the others until we build the first eight to kind of drive the drive costs up. Drive the profits up.

Dan: So the 30% return is that like a projected annual return and then it's paid out at the very end, but it could go higher or lower if the project goes better or worse?

Stephanie: Yeah, with this one, it's a little different than what normal syndication is. But the numbers were so good, I couldn't turn this one down it just it's kind of the right place at the right time in the right setting. So this one actually, if you put say $100,000 in, you will get your whole $100,000 back within the first 18 months. And then as each house sells, you will get a percentage of those sales until all of them have sold, which we predict will be between two and three years. And that will be giving the 30% annualized rate of return on that.

Dan: Got you. So the initial $100,000 return on capital would come from? I don't know what 8-10-12 of these sell in that first 18 months? Is that how it works?

Stephanie: Correct. Yep. So there's not like a preferred return. But on every other deal, most of the other deals we do, we offer that 8% preferred return.

Dan: Got you. And that one also like so we were on the traditional value add multifamily deal with the 8% preferred return it might go 20% or if the project does better, maybe it's 23%, or if interest rates go up, maybe it's 14-15%, hopefully?

Stephanie: Yeah, I mean, my partner and I have done seven syndicated deals together and not one of them, we've accepted less than 20% for the investors, so and many of them are much higher than that. And that just has to do with that we're very selective like there's a lot of syndicators that do four or five deals a year, we do one or two. And those deals are exceptionally good deals. And so because we're both my partner and he was a real estate, a commercial broker for 35 years. And then, of course, I was an insurance agent. So we know how important our investors are. We treat them like our clients, and we want to make them so happy that they want to invest with us over and over again. So that's why our returns tend to be a little bit higher, I think.

Dan: Got you. So how do you bet the projects is this you and your partner actually doing the development project? Or is there an operator biller partner who's kind of also involved there on let's say, the development?

Stephanie: Yeah, there is a developer, a builder essentially that is working with us on this project. But usually, it's just myself, Vino, and then we have some staff that deals and do all the underwriting and run the deals from start to finish. The reason we're pretty heavy into Florida is that's where Vino is from, my partner. And Florida has been terrific to COVID, I know a lot of people were like, I don't want to invest in multifamily, because of these moratoriums on evictions and stuff like that. But honestly, we have not felt that at all. And I'm sure it has a lot to do with that our properties are largely in Florida, in Texas, and we just simply haven't felt it. And honestly, that's been a great reassurance that this is the right place for me to have my money because I don't think you could get more fluctuation in the market in a bad way than we had last year. And to have been able to continue everybody's distributions through this whole process has just proven to me that everything that I've always thought about multifamily, which is it is a great stable investment.

Dan: Yeah, I probably have to take my hat off and commend humanity in the United States in general. So you're not the first multifamily syndicator we've had on in the past couple of weeks. Who has reported the same thing that you have, which is the same experience that I have with my own rentals that most people pay their rent, they figured out some way to get the rent paid, and they didn't do what we were all afraid that everyone was going to do. So like COVID came the moratorium and we thought 40% of the people were going to kick back and say, COVID, I'm not paying around and like, I gotta hand it to humanity like them, but the large majority in a very, very small minority did that and it was a much smaller number in everybody that I've talked to. It's been a much smaller number. Certainly, than any of us had anticipated. So congratulations, humanity.

Stephanie: Yes, exactly. Exactly.

Dan: That was really cool. So you mentioned doing refinances are investors staying on as an equity partner after that cash-out refinance event on those value add? Or do you cash them out, and that's the end of the investor's tenure in that deal.

Stephanie: We talked to the investors and break it down for them, if they're cash flowing that amount, many times, they're just happy to stay in the deal. And they want to stay in the deal. So we usually put it back to the investors to sort of vote, and whatever they decide is what we do, we have cashed them out in a refinance, but we've also kept them in the deal as well. So, it's kind of a case by case but we always leave it back up to the investors for them to decide.

Dan: So is this like a vote that if 60% want to cash out, all the investors cash out? Or do the other 40 who say let me stick around, is there a small change in terms of partial cash out like, what does it look like? If there's a split decision and it's not unanimous?

Stephanie: We actually haven't had that case happen yet. It's surprising. It's been unanimous in both ways that we did that. But I know from working with my partner, we would be as accommodating as possible if half of them wanted to be out on the other end, we would find a way to get probably those other investors out of the deal and keep the other ones in.

Dan: Yeah, because I think from one of my things, I like building the portfolio the rentals because it was kind of this like a never-ending thing once I got it rolling. And the syndications I've probably stayed away from because it's going to end at some point, and then I'm stuck having to find another investment and re-evaluate the market, the operator, etc. And I'm sure once the investment pays off once twice, and you've got a couple of trophies in the form of your experience and exited deals, you probably don't have that fear is probably for me another one of those mental blocks may be that I have about syndications, which is, "Oh god, I'm gonna have to put that next 120-140 whatever it is, I'm going to put that back to work when that capital is returned." And what if there's not another deal that's quite as good versus I've got these units that are increasing in cash flow year, over year, over year? So it's like this nice steady growth that doesn't have an end date. Maybe you dealt with that with some of selling off the single families or some of the wealthy friends have kind of shed light on that.

Stephanie: Yeah. I think that there are always deals. I mean, it's easy to get into that mentality of maybe this isn't a good time, or maybe there won't be something else. But I've been in this business and I just saw someone sent an article that was just talking we're supposed to be going into the golden age of multifamily right now is what they're saying. But honestly, as long as I've been evaluating and looking at deals, I've been in an up-market. Since I've been doing syndications. It's always been up, it's never been down. I hear the stories of the people that got into this in the early 2000s and went through some pretty tough times. But certainly, it's done nothing but go up as long as I've been in it, yet, we're still able to find these new deals. And the people that look for these syndications, the good ones, they are calling people there, they're getting deals that just aren't available to the average person and so I think that there, there are always deals and those wealthy people, they're happy to stay in a deal, but also they know that there's another one around the corner. And honestly, the returns in even average syndication or are pretty nice, in the upwards of the, I think some operators, I don't think I've seen returns less than maybe 15% a year annualized. And so that that still is a that's not a bad number.

Dan: You're right about that. You're right about that. So I guess I have limited experience with multifamily for a long period of time I haven't owned them. So like mine is just an outsider's observation in a sense, but we've had a lot of people on the show who described coming through 2005-6-7-8-9-10-11. And multifamily performed a-okay all the way through, it wasn't like this catastrophic gutting of value in that asset class. And in that space, they never described that. And I think a good book to read is Robert Ringer, Winning Through Intimidation data print, get the one that's out of print with the yellow pages, if you find it on Amazon. Robert Ringer was a commercial real estate broker. And he went into the business, maybe he was 21-22-23. He was very young at the time. And I think it was maybe the 70s that he went in. So timeframe-wise, it was during a period of time where a lot of real estate was done for the tax benefits, there were much greater depreciation benefits, the way it was structured. And these developers were billed these new very large, you know, you're in some of the stuff we're probably trading now, with the operators that discuss multifamily on the podcast here. But he described a shift in the way that the depreciation was taxed. And it was catastrophic to the values and a lot of people had to sell like very quickly, and I don't know how if it went down and then recover, but I know that there was that, that risk of legislation, the tax law change, and that abruptly changed things. And I think through the 70s, and into the 80s, I knew one developer in my family who got clobbered because the interest rates went from whatever 10-12-15-18% they went way up, he ended up recovering in the 80s. And he put together a really nice portfolio and came out on the other side, but there were tough years there, as well.

So for me, one of my only other hesitant risks is going to be there is a risk of interest rate fluctuation, long term, and multifamily. And the other thing is, I kind of have a reservation about one cost segregated depreciation is taken off the table. So if the current administration decides that this is too expensive, tax-wise, I think we're going to see a little bit less appetite for the transaction volume that we're seeing, since a large chunk of the appetite is coming from that cost. So it's a lot easier to run a deal and fund the deal and justify a slightly higher valuation when we're doing a cross-cost segregation study. And we're knocking off this large amount of depreciation at the top. So I think there are risks and we've been in an upmarket, but generally, the government wants to see that there's housing for its citizens. And so there is a lot of caution around accidentally ruining the market. Certainly, they're not going to intentionally ruin the market from the National taxation level. But just some kind of back in mind risks, I guess, that pop up for me that that may be having a little bit hesitant to just run out and do syndication. I love the idea. I think it's good. I think it's great. I think at some point, I'm going to be investing in syndications because timewise, running the single-family flip machine, versus trying to build some rentals, like it's not the best use of my time to build the rentals personally, just like it wasn't for me to get really good at working in 401k self-directed either a couple of years ago. So you mentioned Killing Sacred Cows by Garrett Gunderson. I mentioned Robert Ringer, Winning Through Intimidation. And Winning Through Intimidation is kind of a funny book, you'll see how he lays this all out and became successful and it's a really enjoyable read. But aside from those two books, definitely, are there another one or two books that you'd recommend to the listeners to get some value out of?

Stephanie: I like Garrett Gunderson a lot and another one is What did the Rockefellers do? And that one might be out of print as well. But it's a fantastic book about, well, especially if you like history, just the comparison contrast between two families, the Rockefellers and the Vanderbilts. And just goes back to explain how much money each of those families has, and what they did with some planning and some real intention. Just some intention of keeping their family wealth intact for many, many, many, many generations and the other side that didn't have any plan and now they have nothing. And so I find that interesting. It's not so much not really at all about syndications. But just more about being intentional about your planning, being understanding the taxes, I know you talk a little bit about taxes today, but I think the wealthy are much more aware of taxes and how to mitigate them. Whereas the average every day, Joe, we don't think about them. And yet, that's an enormous amount that can eat into our retirement. So yeah, that I find that one interesting for sure.

Dan: It's nice. I like it. I tried it. I listened to the audiobook, The Vander, one of the Vanderbilt biographies. And I read the paper version of Titan by Ron Chernow. And that's the biography of John Rockefeller. And the contrast of the two personality types as well. It's a thick book, Titan. But the audible on Vanderbilt was equally cool, but the personality types two are very stark and contrast like, I'm pretty sure it was Vanderbilt was kind of this like steamboat guy. And he was literally like fist fighting people out on the docks like a real rough and tumble kind of a business guy. And John Rockefeller was like standing in church, like literally counting out ties at with this precise accounting method, trying to figure out who in the church it was that needed for him to let and he would like kind of sneak up and just give him an envelope full of cash at the end of the church, but he had an eat accounted for all these certain amounts, and like thought through in great detail all of his giving, and ended up kind of putting together a little bit of probably what I would say, the philanthropy manual, that creating a business out of the business of giving away the wealth, he was kind of one of the first if not the first person to do that, which we now see [inaudible] Warren Buffett in which they see this as like a very kind of good thing for society, ultimately to solve very expensive problems that our free market can solve. So yeah, but not with the tightening recommendation more for you know, I don't know that there's gonna be like a great lesson there. But it was really cool to see how Rockefeller put that company together. And those habits or things are really described in detail.

Cool, so crown jewel of wisdom. This is the REI diamond show, the diamonds are supposed to be the jewels of wisdom, Stephanie, today, I'm going to take you back to 2005 you're getting ready to start the agency or maybe it was already started. And just as you were putting that together becoming an entrepreneur, or is there anything that you would do differently back then knowing everything that you know now?

Stephanie: Oh, boy, that's a tough one. I mean, I loved insurance, and it got me to where I am today, for sure. I think I would have probably my regret in this business is not doing it sooner. So I think I would have just gone straight into real estate. And the more the commercial side the syndication and, and skipped insurance altogether, as sad as that is. Because I feel like I'm really doing what I love right now.

Dan: It was a little bit of a loaded question. I thought you might say that, and I felt a little bit guilty putting it together before the show, but I'm glad you answered it, just like you did. That was cool. So if anybody listening to Stephanie wants to get some more information about you or Erbe Wealth, where should they go?

Stephanie: Oh, you can go to my website. It's www.erbewealth.com. That's E-R-B-E wealth.com. And I have a report on there now, that's nice. If people haven't really considered syndications, it breaks down the five reasons that passive investing might be for you. And you can also schedule a call or if you have any more interest, I'm always happy to talk to people. We have a VIP investors list as well.

Dan: Nice, nice. What does Erbe mean for everybody listening?

Stephanie: Erbe actually is German for legacy and legacy absolutely drives me. Well, my grandfather came over from Germany in the 20s. And he was that was back in the days where you had to be sponsored and he worked for a farm. Some farmers out in Iowa and once he fulfilled that he opened up a series of little ice cream and candy shops, and I was so he was the first of the entrepreneurs here in America and then my dad did the same. The out here in Colorado had very a lot of different little businesses. So I am definitely a legacy of those two great men and so I wanted to kind of honor them in The name of my company.

Dan: Alright, pretty cool. Hey, I got a ton of value of wisdom here. I really appreciate you coming on the show. Thank you, Stephanie.

Stephanie: Thank you. I enjoyed it. Thank you for all the good questions.

Dan: So are you interested in doing deals with no money down? You know, creative financing. That sounds like a good idea, right? And you might consider diving deeper into the mortgage note business. The mortgage note business is the creative financing strategy and real estate. First, negotiate no money down deals with sellers, then find a buyer willing and able to put some money down and continue making payments until the deal is paid off with the profit for you and in between. And one of the things with creative financing is that you can sell properties for much higher prices using creative financing. So here's an example. I bought a package deal a few years ago. And as part of the package, I think there were five houses that I really wanted because they were in the right area. And there was the sixth house for $20,000. Not in the right area, that house that I had to buy for $20,000. As part of the package, it was worth about $20,000. And I tried selling the house on the market for $20,000. Plus or minus leaving the room for the commission, but to no avail, the House did not sell. So I removed the listing, and I wrote a Craigslist ad offering that same house for $45,000. And this time I added creative financing. So the deal sold for a price of $45,000 with a $500 down and $443 per month for 10 years. So the deal was off my plate collecting payments. Now if the deal runs all the way through the 10 years, I'll end up with a total of $61,660 on a deal I couldn't sell that I had to buy for $20,000 which amounts to a profit of $41,660. Not a bad deal on a deal that I couldn't even sell to break even right. So what's the best way to learn about creative financing, no money down deals, and the mortgage note business.

Well, you're in luck, my friend Brian Lochner is hosting a full-day virtual workshop and a few weeks on exactly that topic. And normally this costs $97 to attend. But as an REI diamond show listener, you can attend free when you register at reinoteschool.com. This class is a full day of content, tons of examples of real deals. And of course, many of these deals are the crowd favorites, no money down and extracting a nice chunk of cash upfront, followed by years of additional payments. So go check the schedule and sign up at reinoteschool.com. Thank you for tuning in to the Rei diamond show. Remember to review and subscribe on your podcasting app just search our AI and click subscribe. If you are interested in receiving my weekly big idea email where I provide the most valuable jewels of wisdom I discovered during the recording of the most recent episode. You can sign up at reidiamonds.com And at that site, you can also access the 190 episode archive. Again, that's reidiamonds.com. So far, my house flipping company diamond equity investments has bought and sold 99 houses, well, mostly houses have fewer apartment buildings, and we currently have another 148 more in our inventory either under construction. We're under the agreement and waiting to close and I say that to say this. Here are two ways that you and I can do business. Number one. Are you interested in having access to the best real estate deals in your market? In other words, access to deals you can buy as low enough prices to actually profit after renovating and reselling? If so, go now to accessrealestatedeals.com and number two accredited investors who are interested in double-digit returns can sign up for private mortgage investment opportunity emails at fundrehabdeals.com We are at the conclusion, my friend. Next up we have Adam Gilbert sharing how to become a real estate developer. Adam is a commercial real estate broker and developer from the red hot Palm Springs California market and that's hot in more than one way and he definitely brings the heat so you want to stick around for that one get you next time.

Man: Thank you for listening to this episode of The REI Diamonds Show with Dan Breslin. To receive email notifications of new weekly episodes sign up at www.reidiamonds.com.

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