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Real Estate Investing Mastery Podcast

Shoot First, Aim Later: Take Action

Hosted by: Joe McCall

Featuring Special Guest: Clayton Morris

Intro: Welcome! This is the Real Estate Investing Mastery Podcast.

Joe: Hey, everybody. Welcome! This is the Real Estate Investing Mastery Podcast and I'm with the one and only Alex Joungblood. Alex, how are you?

Alex: Good, man. The one and only Joe McCall that's beyond richer.

Joe: That's right. Don't forget it. Just kidding. So, how are things going for you man?

Alex: Good, good. I've had some cool stuff happen. Recently been using attorneys to help clean up some liens and judgments on things that didn't seem like deals would be deals but I brought in a great attorney. They came in and negotiated some hard liens. One of them, they got a $15,000 lien all the way down to 0.

Joe: So these were properties that you're trying to buy?

Alex: Yeah. Yep, for wholesale purposes. So for instance, there was a property where it was, man, it would have been almost back in the summer, that I under contract. We were ready to buy it. I was just going to buy it myself, actually. Take it to somebody to do rehab and resell it.

Joe: Uh-huh.

Alex: And what happened was a $15,000 judgment popped up from this guy from 15 years ago on a car note. I kind of almost just put it to side and even thought about going the short sale route. And then I was like, "Uh, maybe not." It kind of sat there for a while and then I got in touch with this attorney who's been working on another deal for me, getting an unreleased deed of trust released and brought this one into the mix and say, "Hey, what can we do with this?"

And this guy is so smart that what he did was, because the attorney wouldn't respond to us because they couldn't get in touch with their client so they just said all week and accept for pay-off is the full amount. So this attorney went around to the actual lien-holder or the one the company that bought the lien and said, "Hey, we would like to buy the lien from you."

Joe: Oh really?

Alex: Yeah. And so they said, "Oh okay." So they said, "Okay, send me all of the paperwork you have on this lien so we can buy this from you." And it turns out they didn't have enough paperwork to sell the lien so guess what?

Joe: You got it removed.

Alex: Yeah. So, they went around and just released it instead because they realized they didn't have the leg to stand on, I guess. Even though they were still asking for the full amount, I guess, through the attorney from the other side of things.

Joe: Well, we should, we should talk offline and give me this guy's name and number.

Alex: Yeah. I, actually, I don't know how's that work with attorneys in different states and stuff like that but yeah. I mean, it was pretty amazing. And the attorney was like, "So, how much did you want to pay the release as lien?" I was like, "Oh, I don't know, $5 grand?" He's like, "Well, how about zero?"

Joe: Wow.

Alex: I go, "Okay, I'll take it."

Joe: That's a great idea. We will do a lot of short sales?

Alex: Yeah.

Joe: That's a great tip.

Alex: I mean, it's not a short sale but...

Joe: But yeah, you could, because usually there are judgments, other judgments on the properties, right?

Alex: Yeah, absolutely.

Joe: And you could go around pretending you want to buy it?

Alex: Yeah.

Joe: Chances are, they don't, so, okay. Well, I don't want to go in too much detail.

Alex: Yeah. Yeah.

Joe: We have our guest listening in here, a very important guest.

Alex: Yeah.

Joe: I might, I might say. I just want to tell you what happened. I got a text over the weekend. Can I read it to you?

Alex: Read it.

Joe: This is from my, one of my wholesalers that I work with. One of the things I do is I do the marketing, I prescreen the leads and I send these leads to my wholesaler partners who go get the deals and we split the deals, right?

Alex: Yeah.

Joe: So he says, "Hey, Joe, hope all is well. Just got a deal of ours under contract with a spread of $32,000 total, closing this month. "

Alex: Boom!

Joe: Boom! Merry Christmas! Is that cool?

Alex: That is cool.

Joe: So, we split that 50-50. I make 16K. I don't know where this house is. Never seen it, never talked to the seller, don't know who the buyer is and it's a beautiful thing. I love it.

Alex: That's awesome!

Joe: And he's happy too.

Alex: Yeah!

Joe: He's happy too. But, good. We've got, first, I want to tell you guys, go to RealEstateInvestingMastery.com to check out our fast cash survival kit and listen to all of our previous episodes. We've been interviewing some really cool people lately and we've got another one online today. But go to RealEstateInvestingMastery.com to get our show notes and also get our fast cash survival kit. Leave us a review in iTunes if you like the show. We'd really appreciate the reviews that we'd get. So, Alex, we've got a guy on today. His name is Clayton Morris. Clayton Morris from, most of you guys know him from Fox News and Friends on the Weekends. Now, Clayton, don't be nervous. This is the Real Estate Investing Mastery Show. It's going to be okay. Don't be nervous.

Clayton: Yeah, I know, this is...

Joe: You viewing...

Clayton: This is, I know, this is nerve-wracking now. I'm going to treat it the same way I would treat it as if I'm interviewing Donald Trump or presidential candidates or just, just go easy on me.

Joe: We're pretty laid back here and you guys are really laid back on your show as well. I sometimes... I appreciate that.

Clayton: Yeah, I mean, look, I've been doing that show for almost 8 years now, Fox and Friends on Weekends. So I do the Saturday and Sunday version of the show and they brought me in because I'm sort of a fun morning show guy.

Joe: Yeah.

Clayton: I don't try to get too political. I just try to have fun and it's hey, people are waking up on a Saturday and Sunday morning and they just don't want to be smacked over the head with craziness. Although sadly, lately, we've had a lot of terrible news in the world. But, you know we try to just have fun and try to make it accessible and not. I try not to be too presumptuous and just try to be as accessible as I can for families who maybe had a busy, busy week and didn't get any news and they get to kind of catch up on the weekend. That's always, always been my goal.

Joe: Yeah, I was watching videos of this last weekend's show and you guys were talking about lead-based paint Christmas ornaments. Oh my goodness. And how, yeah, you're nostalgic of those good old days, you know?

Clayton: Right, right. Oh yeah, tinsel?

Joe: Yeah.

Clayton: Remember some of those things from childhood? I mean, tinsel, that might, the cat used to chew on and...

Joe: Yes!

Clayton: Yeah. Choke up. It's like, where did some of that Chinese-made lead-based Christmas stuff go? It was probably so poisonous but I miss those days as well. Yeah.

Joe: But Clayton, you're also a real estate investor.

Clayton: I am, I am. One of the benefits of working in the news business is that I've lived all over the country. After college, in 1999, moved out to Los Angeles and started as a producer in Good Day LA. And from there to Montana, from Montana to West Virginia, Virginia then Ohio. Lived out in Ohio then down to Florida, then Philadelphia, and then now to the network in New York City. And I just got to have a... I'm not scared to go out of state to do real estate deals and... Which can be both a good and a bad thing but yeah, I've gotten to see a lot of the country. I think early on, I realized moving across the country when I lived out in Montana for instance, I was really living on the margins.

Joe: Yeah.

Clayton: And I think people have this perception of working in TV is making tons of money. And here I was a political reporter and covering the governor's office in Helena, Montana. At the time, the Internet was pretty nascent, right? So, you didn't have a lot of access to sort Craigslist to find apartments and so I moved from Los Angeles. I couldn't afford to drive up there first and find an apartment. I just had to pack up and move.

Joe: Hmmm.

Clayton: I got on the phone and found an apartment up there. It was an old Victorian House. Right near the Capital. It was like a two-family. So the upstairs, they used it as an apartment but they never had it rented the entire time I lived there. I rented it from a couple that lived in Missoula. I think it was their first home and they moved to Missoula. So I was paying like $525 a month to live in this place and my salary every month was about $500 a month.

Joe: Oh, wow.

Clayton: So I was literally going into debt and that didn't even account for groceries and gas. I went into debt. I was really making no money at all. Here I am paying rent to somebody who lives 3 hours away in Missoula and they're making $525 off of a place. And that that was one of my first, sort of, ideas about real estate that, "Wow, I need to figure this out eventually."

Joe: Hmmm, interesting. Montana's gorgeous too, by the way.

Clayton: Beautiful.

Joe: We drove through there on our 3-month trip last year.

Clayton: Ah, so beautiful.

Joe: I love that area. We went to Europe, not to brag but, yeah, to brag really. All right. We went to Europe and we went on this RV trip but you know what I enjoyed more? Was driving to the northwestern corner of the US, seeing the all the national parks up there. Just amazing. I enjoyed that more than traveling around Europe.

Clayton: Yeah I want to take my kids there. My wife who's from the San Francisco Bay Area has never been to Montana.

Joe: Oh wow.

Clayton: So I want to take them out there sometime. You know when I moved there, I move there on September 1st. It started snowing on September 21st which is the first day of fall for most normal people.

Joe: Yeah.

Clayton: And it didn't stop snowing until I moved it felt like so... You're driving on snow-pack. They don't use salt crystals because it's terrible to the environment. So you're driving on like a foot of snow most of the winter. So it's good, really good. Even though I grew up in Philadelphia, that area where we had snow. This really taught me how to drive on snow the right way.

Joe: Well the weather is not much better in New York now either.

Clayton: No, it ends up last year. And you know in the Midwest, it was just a brutal, brutal winter last year but it's, you know, we had snow on Thanksgiving last year and this year though, it seems pretty mild. It's been in the 50's and I'm just out in a sweatshirt today, this morning, after taking the kids to school. And so yeah, hopefully we won't be in for a brutal winter. I know put, where I do a lot of rental properties and things in the Midwest, to put a halt to getting up on rooftops for our cruise and getting up there doing any roof repairs because of the ice and things. So it was a brutal, brutal winter. So hopefully, not as bad this year.

Joe: Well, let's talk about how you got started in real estate. Now, I'm surprised you listen to our show.

Clayton: I love your show! You guys, by the way, provide incredible tactics and there are quite a bit, quite a few things I have employed over the years. And I have probably, like an Evernote file, of stuff from Alex and Joe of. You can literally go back to some of the early episodes.

Joe: Wow. Awesome!

Clayton: And whole tons of great data and information about just marketing and Craigslist or different things. And so I've got an Evernote file filled with searchable notes from things that I've heard on your show. I just use my iPhone, you know I'm a tech guy so I just use my iPhone and just sort of dictate notes and I'll just send it right on to Evernote. Like if I'm listening to one of your shows over the years, I would press pause on the podcast, flip open my iPhone just to the notes file or Evernote and I would just record a little voice dictation or just scroll out a note and then send it right off to Evernote so I can find it later.

Joe: That's amazing. See, no one from CNN has ever told me that you listen to our show.

Clayton: Anderson Cooper?

Joe: No, I've never gotten a call from Anderson Cooper saying, "Hey, can I be on your show?"

Clayton: But this is one of those, I think, important messages though for a lot of people. And I have to say, I do a lot of real estate meetings. So I go to a lot of real estate investing meetings here in New Jersey where I live and do wholesaling here. And one of the things that I hear from a lot of people that I meet is how they've been listening to certain shows for a long time or bigger pockets or your guy, Joe and Alex for a long time. But what they don't do is they don't take action.

Joe: Hmmm…

Clayton: And so one of the things I've been blessed with is that I've always, I've always shot first and then aimed later.

Joe: Yeah.

Clayton: Which had led to some problems. So, to get, how we got started, to answer your question in Real Estate, was a really just "ready, fire, aim."

Joe: I love that.

Clayton: When my show, that I worked on called The Daily Buzz, which was a morning show about 15 years ago or so, it was a new morning show and we started in Dayton, Ohio. And after living there for 2 years, they finally, they told us they were going to build a new studio in Florida. So they finally did in Lake Mary, Florida. We moved to Orlando, Florida and I bought my first place. Of course, this was right before the crash, it was like 2 years before the crash. So you can get a hundred percent financing and that's what I did. I bought this one-bedroom condo on the, on a golf course.

Joe: Okay.

Clayton: And it had a 1970's look to it inside. It was dated. So I lived there for 2 years. And while I lived there, I painted it; I ripped out some old wooden light boxes in the bathroom. It looked like they were made of driftwood, and it was just terrible. And took out some light boxes in the kitchen and redid it myself. I did some of my own drywall, and painting, and painting of cabinets, and put in new appliances and updated the look of it. And I bought with 100% financing at the time and I think I even, at the time, rolled in my closing cost to the hundred percent financing. So was it a 101% financing.

Joe: Yeah, I remember those days.

Clayton: That was really when I first got involved in real estate but I didn't know anything like I do now. And so I didn't know anything about off-market properties or anything like that. All I knew was you call up a realtor, you had to find your property and you buy it. Well, next door to me was a woman in a two-bedroom condo who passed away. She lived there for 30 years and smoked heavily. So all of the cabinets were covered in like 2 inches of tobacco. You can literally scrape it off, if you wanted to, and roll your own cigarettes.

And the carpeting, it was just nasty. Even the furnace, the air filters and the furnace looked like somebody had been in a coal mine for 5 years, like black one. It was terrible but the family inherited this property. And so the word spread through the condo complex that they didn't want. They knew that it needed a lot of work and they knew that they didn't want to put it out with a realtor and have to deal with all that, someone had to put a mortgage on it. So I got in contact with them and made them an offer. Once again, I did a 100% financing. So through the bank, let me do this. I even rolled in my closing costs and so now, I own two properties. I was making very little money on this morning show. I think I was making, I want to say I was making somewhere under like $40,000.

Joe: Okay.

Clayton: On a national morning show. We were on 140 cities.

Joe: So this is in the 2005, 2006 time.

Clayton: Yeah. So 2006, 2007 right in that time, yeah.

Joe: I think I remember the Daily Buzz. Was it, was there a guy with blond spiky hair, kind of a jokey kind of guy, kind of a funny guy.

Clayton: Yeah, my buddy Mitch!

Joe: Okay, okay.

Clayton: Yeah, good friend of mine. He was our weather guy.

Joe: Is he still there?

Clayton: No, the show folded, actually, last year officially. He left 3 years ago. He's actually now a news anchor in Oklahoma.

Joe: Okay.

Clayton: We were just texting the other morning. It was all that bad weather floating through Oklahoma and they were doing wall-to-wall coverage but yeah, it was a fun show. They brought us together because I had worked in Good Day, LA and so they knew that I understood fun morning TV. And we were trying to create a morning show that was sort of like a hip alternative to the Today Show, like a younger, hipper.

Joe: Yeah!

Clayton: And we did news, we did entertainment, randomness and it was just, it was like it getting monkeys together and saying, “Hey, create a morning show.” and that's what we did. It was a lot of fun. I would never take those days back. It was like, wow, we all had our ideas of what morning TV should be like and we... It was like letting the inmates run the asylum.

Joe: That’s awesome!

Clayton: Yeah. So, I bought this house in the next door to me and with 100% financing. So now I have two houses, hundred percent financing, and had rehabbed mine already. And then started, I would go to work at 2 in the morning, do the morning show from 6 to 9 a.m., come home around noon and after I had written my stories for the next day, I would come home at noon. And then just go to work on this condo and I was paint... Pull out all the cabinets, painted all the cabinets, put in all new appliances, had all the carpet ripped down, new carpet, the furnace, air filters, cleaned everything out.

I had to put on 20 layers of primer to cover up the horrible smoking. It was terrible. Painted the walls, did everything and managed to, I think after 3 or 4 weeks I did all the work myself and I would go to bed at like 11:30 at night. It was horrible. Back-breaking work. And then I sold both of them. I listed of both of them and I was getting panicky because it was starting to get some rumbles at the market. Like something fishy was going on with the market.

Joe: Yeah.

Clayton: I sold both of them to two different buyers literally a week before the crash happened.

Joe: Oh wow.

Clayton: Literally before like John McCain was spending his campaign and all of that.

Joe: I remember. I remember that.

Clayton: Caught me, like, McCain was flying back to Washington, like on a white horse to save the day. He cancelled his Letterman appearance and Letterman mocked him for it. It was a crazy time. So I ended up selling them, right? I made a lot of money on it. I bought the one-bedroom condo for 70 something and sold it for 130. I had it for 2 years so I can pick up gains on it and I lived in it and worked on it. And then the other one I ended up making a good chunk of change on it as well. And then I ended up making all the mistakes, land deals and speculative land deals, right? Like during the crash, before the crash and lost, pretty much lost all of that money and went through a foreclosure... But that was my first entry into realizing the value of off-market real estate and making that connection with the family. So that was...

Joe: Yeah.

Clayton: That was my first introduction to that.

Joe: I'm curious about the land deal that you because I've had a renewed interest recently in land.

Clayton: Yeah.

Joe: What were you doing with land at the time?

Clayton: Well, it wasn't like... I know where your head's at with land and mine's been that way too. I have obviously a tendency to chase shiny objects so I kind of got into some land deals lately. And I think that they're probably great, it's just that where my attention needs to be in focus so you can do 80 things somewhat.

Joe: Yeah.

Clayton: Or you can do one thing very well. And so I had to kind of pull back on some of that. But the land that I was doing then was really like buying this parcel of land but in this community, it was about to be built. So buying a deeply discounted, pre-construction home plan in this development and then at a 100% financing or whatever it was again...

Joe: So you got even financing for it.

Clayton: Oh yeah, yeah, yeah, fully.

Joe: Oh wow.

Clayton: And then ended up, the whole community collapsed. And it was… I ended up having... You couldn't even find the developer any more. But then of course, you're still on the hook for the... I mean it was just a disaster.

Joe: Oh wow.

Clayton: You couldn’t find anyone. People just vanished into the woodwork. I wasn’t even living there anymore. I had since moved. But you live and learn.

Joe: Yeah.

Clayton: ...Too speculate of things anymore but yeah, that was a mistake. If it sounds too good to be true, it probably is.

Joe: Sure, sure. So what happened then? This was... The market crashed. When did you move to Jersey, New York area?

Clayton: After the market crashed, I ended up moving to Philadelphia. I was still reeling from having this gone through this foreclosure. Credit was hit, the whole thing, and I just… I stayed away from real estate then. Yeah I really didn't, really didn't do anything with it. It wasn't until three or four years ago. Now so end of 2015, 2016, 2012, I ended up on a flight. I’m a sort of amateur photographer and I was flying to New Zealand to see my friend who lives there in the southern island. He's one of the world's best photographers, my friend Trey Ratcliff.

So I was going to his house and flying there for like, five-day trip. And I'm on this long 80 hour flight and next to this couple who are in their mid-late 50's. They’re not retired but after sleeping and being groggy and waking up, we got to talking and I said. They asked me how long I was going and I said, “Oh, about 5 days, 6 days. I have to get back.” And I said, “How long are you going to be there?” “We’re going to be there for about 2 months”. I said, “Two months?! What do you do that you can go here for 2 months?” And they said, “I'm a real estate investor.”

Joe: Hmmm...

Clayton: So then the guy for the next 2 hours just picked his brain. And that was really the catalyst.

Joe: Wow.

Clayton: That is what opened the floodgates for me, to start down this path of education in real estate investing. And I found out that he was buying, one of the markets he was buying was in Michigan so... And he told, he doesn't necessarily work with realtors but they do different things. And he and his partner are buying up single family homes. Well, I had cash right now saved and I wanted to put it to use. I knew that real estate was the way to go. A week after I got back from New Zealand, I booked a trip and flew into Michigan. I met with a distressed property realtor and looked at 26 properties. I bought my first two, I bought 2 of them. Single family homes, I think, bought them for $25,000 or something like that.

Joe: What year was this?

Clayton: 2013?

Joe: Okay. So the market was just starting to come back in Michigan.

Clayton: Right, right. Pretty close to Detroit. Detroit is coming back now. But just outside of Detroit so near Ford and blue-collar jobs, decent school districts. Good areas, single-family homes, garage, three-bedroom one bath, big yard. So B and C neighborhoods.

Joe: Yeah.

Clayton: I bought these two from afar. A friend of mine who worked at Ford, his brother was a contractor in that area. And so he was a family friend, did a great job, I built sort of like a team there with my property management company, the whole thing, and started to cash flow those properties. But then again, I bought them through a realtor. And then I just... The floodgates start to open when I started to realize, "Okay, I want to explode this now. I want to take this to the next level." Two properties are fine. I started to think about this idea of my freedom number. And what is it to reach financial freedom? So many people have this perception of athletes and professional athletes and actors and news anchor whatever at a network where you're just swimming in cash like Scrooge McDuck. It's like… it's not true at all!

Joe: Interesting.

Clayton: Many of these, I talk to a lot of NFL athletes who come on our show and they very often, the smart ones and there's very few of them were very smart with their money and invested in real estate while they're in the NFL, which can be a fleeting career right? It can be 3 years and you're done!

Joe: Yeah.

Clayton: So yeah, they could make, I guess, the most people are not going to make even a million a year in the NFL right? What's it normally $250, $300, $400,000, what is it? Until you, you know. In fact I even talked to a professional baseball player the other day. He said, "I think most people have no idea how little you make," because even when you're in the minors, you make so little. You don't even get health benefits because you're playing for, like, a few months of the year and the rest of the year you're off. And then who's going to want to hire you for 7 months?

Joe: Interesting.

Clayton: So, like, "Oh I can only work here for 7 months because then I have to play baseball for 5." So you really have to be smart with your money. So I began to think about... I grew up with, let me just say this because I think it's so important. And I know probably a lot of your listeners suffer from this as well. I grew up with a negative association with money. One of my real missions in life now, and it's really hit me hard of the past few months, is to really help as many people as I can to shake this negative association with money.

We probably come from a place of lack. I heard routinely growing up, "Oh, we can't afford. We're not the Rockefellers." So I always have this, you know, money doesn't grow on trees. Take any one of those phrases, I'm sure we've all heard them, some more than others. There are certain friends of mine who never grew up with that negative association with money. They just sort of swim in abundance because they don't know any differently.

Joe: Yeah.

Clayton: Their mind operates towards abundance. Regardless of what you think about the secret or any of that, you meditate, prayers, any of that, it is so true that when your brain is trained around lack and competition and negativity and self-loathing, you are going to attract more of that into your life. You're constantly going to find excuses for why you can't achieve certain things. The only person that holds you back is you, the only person that does. And so I meet people at REIA meetings who are, "Ah, I've been listening for 2 years. I haven't done anything." It's because of fear. That's it. I know so many people suffer from a fear of money and a fear of action because of what it might do.

Joe: Yeah.

Clayton: Frankly, fear of success, like what would actually happen if I was successful? I'd have to let go of this narrative that I come from a place of lack. People love their stories, right? Like what's your story? "Oh, you know, I just grew up with nothing and that's how my family is. So I need the government to pay for everything. I need people to feel pity on me" Just pull yourself up. Not to go off on that, but I really began to realize that the only person that was going to get me out of this is me.

It wasn't some minimum wage rate hike for $15 is going to help me. It's not that just getting an extra $10,000 a year at my job is going to help me. Or a better 401k plan. No, at the end of the day, all of that including the NFL players, it's all a paycheck. So I really began to obsess around this idea of creating your freedom number and what that means for you, because so many people say, "Oh Joe, I want to have $1 million. I want to make $2 million." It's like, "Why? Really? Where does that number even come from?"

Joe: Yeah.

Clayton: What does it mean to you?

Joe: Well a lot of people think too, Clayton, you must be swimming in a lot of money being a news anchor at a very popular network. And you're saying that it's not maybe all that is...

Clayton: It's not what you think. If you are Matt Lauer and you make, I don't know, whatever it is, $15 million a year, $10 million a year or something...

Joe: Wow!

Clayton: Then you don't probably need to invest in real estate, right? You probably have enough away that can act as your nest egg for the rest of your life and provide legacy well for your family. But for most news anchors, I'm not at the Matt Lauer level by any stretch of the imagination. I do very well and I'm very humbled by how lucky I've been.

Joe: Are you ready for this? I just looked it up. Matt Lauer $28 million and...

Clayton: Okay, so I'm way off! Not even close! But I'm humbled by where I am at in my life and I get to anchor the number one morning show in cable news in the world. I'm, I pinch myself every time I'm there and I'm sitting next to amazing people like Joe Montana or whatever. I'm just like, where does it come from? So I am very, very humbled by that but I also realize that it is still a paycheck and absolutely everyone who is in this business or anywhere, maybe you're making $200,000 a year maybe you're making $500,000 a year. When you start to analyze what your 401k will look like upon retirement and that what level you would like to live your life by, that 401k is not going to get you very far at all.

Joe: Well especially, with you and the media. I mean, one politically insensitive comment, your career is over.

Clayton: Right.

Joe: Or like an injury to an NFL player.

Clayton: Right. And I'll be honest with you; I lost my job a number of years ago. Not because of something I said or did but because the news director who came in at the time wanted sort of a hard news direction in the morning. He admitted, he's like, "Look, the previous news director brought you in because you're sort of a fun, morning guy." And I want to take the show in a different direction so we just don't see eye to eye on that and...

Joe: You're at the mercy of other people.

Clayton: Yeah! You've got a contract and "Hey we're not going to renew you". And then suddenly, that fear of money and fear of lack all comes pouring back to me. I remember at 13 years old, my dad losing his job and it was devastating to me. Because I thought the world was over. And you're beholding to somebody else.

Joe: Wow.

Clayton: So I really want to impress upon people, I know you guys talk a lot of great tactics and strategies but I really... What I'm obsessed with lately has been the higher-level, changing the way that we think about our lives and money because why are we doing any of this? I know you guys talk quite a bit about, Joe going to Prague and Alex build your house and living the life you want. Be around your kids when they come into your office.

Joe: You've seen some videos.

Clayton: I know you guys! We're cut from the same cloth. And so when I started to develop this idea of the freedom number, which is all I came up with, I'm not a genius. But I just started to talk to my wife. I said, "What would it mean for us every month, like if we took our expenses." And by the way, I put this all together for people for free, because I have so many people asking me about this so if you just go to my website, it's free. It's ClaytonMorris.com/Freedom. You can download a PDF. So if you're driving right now, you're at the gym, don't worry about all these numbers because it's a lot of numbers.

Joe: We'll put it in the show notes.

Clayton: Yes. So don't get into a car accident. So I just kind of want to walk you through what this exactly kind of looks like. So what I like to do is I think about… If you're listening right now, what is your freedom number, right? And what that is you take 6 months of your, take 6 months out of the year of your average expenses, okay? And discount the holidays which is always, you know you think you're going to spend $2,000 or $1,500 on all your presents yet spend 3. So take out the holidays, right? Because that's an anomaly of a month. So what you want to do is take 6 months of that, the average of that, worth of expenses and find the average of those months.

I want you to include everything like the electric bill, cable bill groceries, gas for the car, Netflix subscription, tuition, taxes, mortgage or rent, few dinners out, a movie, it doesn't matter. Don't leave anything out. Don't cut any corners and skip the holidays because it will throw everything out of whack. Take those 6 months' worth of expense and then find the average of those months. So let's for the sake totally of argument here, that your number is $4,500 a month, okay? Just make it easier on people. Now I want you to get a pad of paper and I want you to pad that a little bit. So add about 10%, just to give you some extra freedom.

Joe: $5 grand.

Clayton: Yeah, it could be an extra, little bit. So that's five...

Joe: $60,000 a year.

Clayton: What's that?

Joe: $60,000 a year. $5 grand times 12.

Clayton: There you go. Yeah, so that's the 10% of $4,500 is $450 bucks. So you're rounding it up, you're adding that little 10% just for travel or whatever it is. That's $5,000 a month, Alex's point. So that's your freedom number, for example. So if you had an additional

$5,000 a month coming into your house, we'd have everything covered. You would have achieved financial freedom.

Joe: Yeah.

Clayton: So when people throw out arbitrary ideas of, I want $2 million, I want this. Do you really? Maybe you live in St. Louis where the cost of living is ridiculously low compared to where I live in New Jersey, outside of Manhattan.

Joe: Mm-hm.

Clayton: With insane property taxes. Our property taxes last year are $17,000.

Joe: Oh, my gosh.

Clayton: Think about that for a moment. I know it's...

Joe: Wow!

Clayton: Right and then you go to Florida and it's ridiculously low. Or out in the Midwest, it's ridiculously low. One of my rentals out in Indiana has a $150 a year for property taxes.

Joe: You sure, is there a house on it?

Clayton: It's just a porta potty but it's…

Joe: Okay.

Clayton: It's a three-bedroom, one-bath house. So $5,000 a month coming into your house doesn't sound like a lot. Now here's the next step and this is the fun part. So this is the part where you figure out how many rental properties it would take to cover that $5,000. So most of the rental properties that I fix up and I sell to my investors is turn-key properties or I keep for myself that my wife and I do are 3-bedroom, 1-bath houses in states like Indiana, Mississippi, Pennsylvania and Michigan. Most of them rent out between $600, $900 a month. I know you guys have rentals, I'm sure it probably jives with that number right?

Joe: Yeah.

Clayton: Somewhere between $600 and $900 a month.

Joe: Yeah.

Clayton: Each of those houses cost approximately $29 to $40 grand after they've been rehabbed. But for now, we're only concerned with the rents. So for the sake of this example, let's use an easy rental average of about $700, right? Just take $700. I like to be super conservative in my estimation. So I take $700 and I want to account for an additional 40% for vacancy and repairs. Both of which are rare because we just renovated the house.

Joe: Yeah.

Clayton: Some of the best rental markets in the country where we have waiting list for renters to get in there, so that 40% you can pretty much throw out but I still put it in just to be super conservative.

Joe: That includes property management too, right?

Clayton: Oh yeah, property management and everything.

Joe: Okay.

Clayton: So in a worst case scenario, you'd be making $420 bucks a month, right? $700 times .6. You can even go down to $400 instead of $420. So now here's the magic moment that I love. I've had so many people write to me about this and I love, I love hearing this from people who never knew that they could put it this way. They're sitting at work and they're figuring out this freedom number. I have people email me all the time saying, "Here's my freedom number!" And I love it because it's usually so low.

Joe: Yeah.

Clayton: So we now simply take our expenses which were that $5,000, right? And now we divide it by that 420 and we get 11.9. Rounded up that's 12 houses, that's 12 properties cash flowing $700 minus repairs and vacancies. That's all it takes! So I think it's super motivated and all you need to do is take that first step. I just wish people would, and I get so passionate about it. This is something we never learned in school. I'd love to be able to; I want to start doing more of this, to go, like, YMCA's, to talk to intercity schools. Just to be able to go to public libraries in a weekly basis and talk to people about how they can build a real estate investment lifestyle that can totally change their life, because we were never taught this in school.

Joe: Yeah.

Clayton: Ever. And we still...

Joe: You know, it's also, if you take $200, a month, income from a vacant lot, you only need 25 vacant lots.

Clayton: Oh, boy. Here we go. This is where I've been thinking about.

Joe: With no tenants, or toilets, or house...

Clayton: Right. Then you go down to this sort of a road and that's certainly a way to do it too. It's how you find those pieces of land. Then you take the neck but you know then you have them for 10 years...

Joe: ...Same either way, if we stick to what you're saying. It just depends on what vehicle you want to use.

Clayton: Right. You could accelerate that if you got multi-family. So you've got multiple apartment complexes. I just spoke to an investor the other day; he's got 10 units in Miami. And he's interested in one of the house I've got in Indianapolis that we rehabbed and he's rented. He cannot believe! I always try to get at a minimum, 12% ROI for all of my buyers, on any of my properties. So he's like, "This is insane! You just cannot find this down, down here." He's paying $300,000 to get something that of equal... It's just no way.

Joe: Well, we've talked, that is so… You are so absolutely 100% right on. Because you... And this is something I've learned a lot from over the years from guys like Steve Cook and Sean McCloskey where you design a vision for your life. What do you want your life to look like? Just, and then you break it out to what you need as a minimum to live a comfortable life if you didn't have any debt.

Clayton: Right.

Joe: And that number is surprisingly low. Just like what you were talking about. It's very, very low. People think that they need to have millions of dollars saved up by the time they're 65 before they can finally enjoy life.

Clayton: Right.

Joe: But it doesn't have to be like that. You can live the retirement lifestyle today, for the most part; you know what I'm saying, today with very little income. I mean, you're looking at $5,000 a month, how much would you have to have saved up in a CD to get that kind of income? Probably a couple million dollars.

Clayton: The average American has about $70,000 saved in their 401K upon retirement. So when Alex did that number of $60,000 a year, how are you going to live off of that? I mean, we're living longer than ever. So if you retire at 65 or 64 or 65 and a half, are you going to live off of that till you're a hundred? And that's almost like a third of your life existing. There's no way! And then you want to travel? And live out life. So your point, Joe, even Tim Ferriss wrote about this number of years ago in the Four-Hour Work Week, right?

He and a bunch of friends got together and one of the things he talked about was we didn't want to be that guy driving a sports car when we're 65, with an extra paunch around our waist and now we're starting to live our life for the first time. We wanted to drive that sports car and live the life we want at 33 and 35 and 40 instead of 65 when your body is breaking down and you can't travel around and walk anymore and “Oh, I don't want to climb up those castle steps because of my knee I've got arthritis in my knee. I'd rather sit in this coffee shop.” You want to design the life that you want; you have to work backwards from that. Reverse engineer it.

Joe: Yeah.

Clayton: You have to start with, “Why do you think you need $2 million?” You don't! You can easily get there if you focus on it. Now, I hear, I can hear the echoes coming through the microphone here which is from people,” Well, I just don't have the money for it.” And I would challenge you on that because a lot of people don't think they do. But when you begin to look at the ways in which you can leverage this in ridiculously low interest rates right now, in local markets, so I would encourage people to use local banks and local markets. For instance, one of my buyers right now on one of my properties, he had spent a lot on this 10 units and he wants to use one of our local banks in the town. You’re able to get 70% financing on a rental property or 75% financing. They’re not going to give you the normal 20% down cause you’re not living in it.

Joe: Yeah.

Clayton: Take out a loan! So instead of $700 a month, is what you might pay cash for if you pay cash for the property, maybe you’re making half of that and half of that is for paying down the note and you’ve got a renter in place. Then you just snowball it from there. Or you’ve got a 401K, most people don't even know that you can borrow from your 401k not take it out, borrow.

Joe: Right.

Clayton: And here’s a little secret. A lot of people where I work, lot of high-level investors do this every year. So when you say. “Oh that’s a mistake. That’s a huge mistake.” I’m telling you, it’s not. We’ve done it and we’ve bought two properties with it and it's been fantastic which is to borrow from your 401K. Most allow you to do it up to a certain point. I think for me, you're allowed to do it up to 50k.

Joe: Okay.

Clayton: Now it's not a penalty because you're not withdrawing it. You're borrowing, you're taking out a loan against your own 401K and then you're paying yourself back the interest.

Joe: Right.

Clayton: So it's like a double whammy! It's your interest that you get to write of as a loan on your taxes. Plus now, that money that was just sitting there, doing nothing for you, has now bought you one or two properties. And now it's bringing in $700 to $1,400 a month now and you're paying it back out of your payroll over the course of a year or so. You set the terms of how you pay it back. Usually it's about 12 months to 16 months or you can do it up to 2 years of a pay back. But that was your money!

Joe: Yeah.

Clayton: That's the beauty of it. That was your cash that was sitting there in your 401K plan doing nothing for you. So when people start to really wrap their heads around being able to do this, there's always going to be people who say they just can't do it. And if you say you say you can't do it, you're going to find, you're going to keep enjoying that narrative in building up for their walls on being able to do it.

Joe: What a great opportunity for you where you're at in the industry, where you can give this message to people, you know what I'm saying?

Clayton: Yeah. If I have one gift, maybe it's being able to talk. I'm nothing else. I'm terrible at math. My wife handles all the CFO stuff in our family and she's fantastic and. But to be able to communicate this message to people, and I started to notice as I was talking to friends and family that it started to carry on beyond friends and family, like wanting to buy real estate for the first time. So, people would send my e-mails, "Hey, I heard from John that you do this."

And it started to take off on its own where I was wholesaling in New Jersey to buy rental properties out of state. And then I just had doctors, lawyers and other busy people coming to me. Other reporters and anchors and stuff then say," Hey can I buy three properties? Can I do this?" And then they're like, "Now I bought 3 properties, can I have two more?" So to communicate this message to people and to make sure that people aren't held back by these limiting beliefs, I feel like over the past few months, it's really taking shape for me. As a message, I just want to keep hitting people over the head with it because I think it's so powerful.

Joe: That's excellent. Can we talk a little bit about wholesaling?

Clayton: Sure.

Joe: How do you find your deals? How did you get started on wholesaling?

Clayton: I was only... After the show on Saturday morning, I was listening to John Lee Dumas' podcast.

Joe: Yeah.

Clayton: Entrepreneur on fire. And it was a Saturday episode and I was coming back and I was kind of sleepy and I've fallen asleep on the train. After a four-hour morning show and...

Joe: Yeah, that she will do it for you.

Clayton: Right.

Joe: I'm just kidding.

Clayton: After four hours of who knows what...

Joe: No, I was making fun of not your show.

Clayton: Oh, oh, oh!

Joe: I was making fun of how they do miss the show. Sorry. Sorry, John Lee Dumas out there, if you're listening, which he's not.

Clayton: He would talk to a lot of entrepreneurs and so a lot of them were just kind of over my head because there's like startups and venture capital and that stuff just doesn't interest me. I'm not into, interested in that. Although I did create my own iPhone app which sort of felt like I was in that world a little bit.

Joe: All right.

Clayton: So I was listening and he had on Matt…

Joe: Oh yeah, yeah.

Clayton: For him to have on Matt of epic...

Joe: Epic Real Estate.

Clayton: Yeah, podcast. Yeah. He's out in California, I'm sure your audience is well aware of Matt. And he's a great guy, and very articulate and I was half-asleep listening to him talk about his real estate investing. And he normally wouldn't have anybody like this on his show

Joe: Right.

Clayton: In the real estate world. And he was talking about wholesaling and that's how he got into it for the first time. And he realize doing this thing called wholesaling and doing these deals and I just sat straight up to my seat because I had been looking for a way to really kind of get back into real estate the way that I was in Florida but I had been limited by the foreclosure and other things. And so wholesaling for me just, it was like a rocket. And then I started listening to you guys, Sean Terry and then my, who is now one of my best friends in the world, our mutual friend Tom Krol.

Joe: Tommy Boy! Tom Crawl. I love Tom Krol.

Clayton: And one of the great, great coaches in this country, by the way. So he and I will talk for three or four times a day. It's crazy! He and I had become best friends, I feel like we came from... Separated at birth or something.

Joe: Tom is awesome.

Clayton: So he's amazing and so just that whole environment of diving deep and it really is amazing. Especially my dad was a realtor growing up and so you just don't know any of this. I call it the under belly of real estate, how to do things your own way to find off-market real estate deals. So I started doing my first deal, it was off of craigslist. So when people say they can't do deals off of Craigslist, they're full of it.

Joe: Yeah.

Clayton: My first, before I ever send out an email I got on the phone and this is the other thing I always find too when I go to real estate meetings, like the other night I was in a real estate meeting, this guy, nice guy, and I won't mention names cause I'm sure he's probably listening. But he's like, "Hey, I noticed you didn't email me back." I'm like, "I did email you back." We're kind of going back and forth it over email but I was trying to help him as much as I could but he kind of didn't want to listen to what I was saying. I was telling him exactly how he needed to get started with wholesaling and what he needed to do.

And he needed to get on the phone. That's the first thing! Just get on the phone and learn the script. Learn how to talk to people. So often people are worried about setting up their websites and their business cards and their logos and all that garbage and it's such a waste. There was actually a period I took my website down for like a year, and it didn't affect anything. Well because no one cares! Sometimes it's good for people to like, get direct mail piece or to kind of go and check it out a little bit. But if they're doing their investigation on your website, then they're not motivated.

Joe: Exactly right, yeah.

Clayton: So, he told me that he's like, "Yeah, I got a lot of stuff set up. I signed up for Pat Live." And I said, you signed up for Pat Live?" I'm like, for those of you audience who doesn't know what Pat Live is, it's an answering service.

Joe: Right.

Clayton: And I said, you haven't even made any phone calls yet. Who are you hiring to answer your phone calls for you? Here's an answering service that I know people have tried over the years and I don't know if it works well or not but you have got to be the person on the phone. And you don't start building out those systems until you have those systems well-built internally.

Joe: Yeah.

Clayton: Like Michael Gerber you need to know your systems before you can build them. You need to know how you want your business to work. And I said, "Get on the phone. Call Craigslist. Get on there." And he said, "Well, a lot of them seem like investors." And I said, "It doesn't matter!" There's going to be a lot of investors in Craigslist, the key is to not read the ads at all. Just look for the phone number and call. Don't even read the ad.

Joe: Yeah.

Clayton: You're going to build up a whole contact list of investors, wholesalers, Realtors who use the For Sale By Owner section when they shouldn't be, you know?

Joe: Yeah.

Clayton: Which is common lately, I don't know what it is.

Joe: Oh yeah, it is.

Clayton: And I like to joke with the realtors. I talk to them on the phone so I'm, "Oh yeah, I saw this on the For Sale By Owner Section. Must have been a mistake. I'm sure it was just an oversight but you know... Oh, I don't know how that got in there." Yeah, it's convenient. So, don't look at the ad at all and just get on the phone and learn your script. Learn how to talk to sellers. And as soon as you find out that this is not a motivated seller, that it's a wholesaler or that it's a buyer looking for deals, or that it's a realtor, just pivot immediately. Learn the power of the pivot. "Oh, I see, you're an investor, also. Great, great. Where do you usually like to buy properties?"

Joe: Yep, yep.

Clayton: Just pivot the conversation immediately, you don't have to get all flustered and nervous and continue on with your script when they just told you that they're an investor. Just take a deep breath and actually listen to people. Make 100 phone calls a day.

Joe: Now guys, listen to this. Because this is coming from Clayton Morris who probably had enough money to do a bunch of his own direct mail.

Clayton: Right.

Joe: But you're not above getting on the phone, are you, Clayton?

Clayton: No! And it's, I don't like to cut. I mean, look we all like to look for the better or the easier way to do things, right?

Joe: Yeah. Sure.

Clayton: But often the shortcuts are at the expense of revenue. They're often at the expense of the results. Just look at trying diet pill or any of those other garbage, right? Just doing the basics, the fundamentals, of course. As you talk about getting back to the basics.

Joe: Yeah.

Clayton: It really is so important.

Joe: Sure.

Clayton: My mistake though, I will say that, then so, I started doing direct mail and that helped explode things for me. My first deal off of Craigslist, I think was like $2,700. My next one I did off of craigslist, I did two back-to-back and was like $15 grand. And then my 3rd deal was $43 grand.

Joe: Wow.

Clayton: And then it just sort of snowballed from there. So the mistake that I made is that you sometimes forget the basics or what got you where you are now.

Joe: Okay.

Clayton: And you start chasing shiny objects, right? You start finding out that people are doing this way or that way. Or trying this thing over here and signing up for Pat Live and it can be so seductive to think that that's what you need to do. People forget what got them there. So if you're just starting and you're having success, you've done your first three deals and someone's telling you now you need to go and do this. Or now you need to go and do that. I'm so susceptible to it and I know now, after a few years of real intense understanding of myself and meditating on it and deeper understanding, journaling about it and figuring out things that... Don't be drawn into that. And I love Jim Collins' quote. It's one of my favorite quotes. I have it up on my whiteboard, above my desk. If you have more than three priorities, then you have none.

Joe: Interesting.

Clayton: And people very often, and if one of those priorities is your family and the other one is your health, then that leaves one. So you can't, if you then start putting four, five and six. You want started adding land deals and that becomes a whole separate business. And I made that mistake. My attention towards doing land deals totally took me away from wholesaling and wholesaling houses. And then you have to set up a whole other infrastructure for that.

It's a totally different; it really can be a different dynamic. Some people say, "Well, it's not really, it can and can't." Because on the marketing side, you're going to market it differently on the back-end then it ends up being different, two different type of buyer. So there are whole bunch of different variables but any time your attention is taken away from what got you there, then you've won of the risk of going down on a rabbit hole that is not.., it's going to take l2 months for you to get out of it.

Joe: Yeah, that's key. That is really important. Focus the... I thought of another quote I heard the other day, and I think I talked about this before. The definition of an entrepreneur is somebody who finds something that works and stops doing it and does something else.

Clayton: Right, yeah.

Joe: You know what I'm saying?

Clayton: Right!

Joe: I'm totally guilty of that. Totally guilty there.

Clayton: We all are. I think as men, sometimes it's hard for us to admit. We put on this facade that we're impenetrable, that we can't sort of feel pain. But we do! When your wife looks at you like she did a little while ago and she said, "What are you chasing? You've started nine different projects this summer. I counted them. What are you chasing?"

Joe: That's a great question, yeah.

Clayton: It really is. I mean I grew up with my dad and my mom, but my dad, we'd be at a dinner party at our house or something. Kids are going to open a birthday present after dinner and someone would say to my dad at dinner, "Oh yeah Don, you got to check out this new entrepreneur book. You got to, it's really great." He was the kind of guy that would literally get up from the dinner table after dinner and go to... My mom is like, "Where are you going?" "I'm going to buy this book." "As if that would change his life right now." I'd be like, "Well, it's a birthday party tonight. What are you doing?"

Joe: Oh wow.

Clayton: I need you to get this. Cause he thought like, this is the thing that's going to do it for me. This is the thing that's going to change everything. And he was constantly chasing things. But he had everything he needed, right in front of him. He had a great family, middle-class house, nice house in Redding, Pennsylvania, went to a great school, his kids did great. My sister and I went off to college and have good careers. It was really hard for him to see that he had everything right in front of him. Constantly chasing things. Glad to have this awareness now. I mean, he's 81 and he still sort of chases things but I saw myself becoming that. And I wanted to stop it in its tracks. I mean, look, it's a work in progress but I'm sure so many of your audience suffers from this and chases things for chases sake and it's so destructive.

Joe: That's interesting cause one of the things you said when we were talking about the show is how you want to talk about how doing the less listening leads to massive success. It is about focusing on the simple basic things, isn't it? Which means doing less and we talked before too, about the Pumpkin Plan book.

Clayton: Right.

Joe: Honestly, I read that book thinking this is an amazing book but I want three different pumpkins, you know?

Clayton: Right, right? Yeah, because, I'm sure your audience knows by now if you talked about Mike Michalowicz great book, The Pumpkin Plan, which cutting off those smaller pumpkins in order to feed, the vines feed that one big pumpkin.

Joe: Right.

Clayton: But man, they creep up. Those little pumpkins they start like, "Oh, I'm just going to take this little thing on right now." But you can't. You've got to say no. Saying yes to things means saying no to everything else.

Joe: Even if you offend to people, you're going to offend people when you say no, but you've got to do it.

Clayton: I just interviewed on my podcast, I just started a new podcast that launched officially 2 weeks ago.

Joe: The Empower podcast.

Clayton: Yeah, it's called Empower and it's really a passion project from me about helping people break free of these limiting beliefs. And I'm interviewing some incredible people on there. People live Byron Katie who's like a sage living among us. People like Deepak Chopra and...

Joe: Lewis House.

Clayton: Lewis House, we just had on the show, from the school of greatness. But one of the, why I bring this up is not to pimp my own show but to mention this one book by Greg McEwen called Essentialism. Your audience particularly would love this book and the interview that I did with Greg was fantastic. He's a British guy and he was just on the verge of a mental breakdown. He would literally, I think he mentioned to me but I can't remember the exact context, he left his kids' school, an event to go take this conference call that ended up being worthless. But his boss is like, "You've got to do it. You've got to do it."

So he's like, bailed on his family to go and do this. And that's when everything changed for him. And the book called Essentialism; it's like how to live an essential life. And what he talks about is when you say yes to something, you literally have to say no to everything else. The book walks you through how to set this up and he compares constantly the non-essentialist versus the essentialist. And almost overwhelmingly, he's describing these non-essentialists, it's me! Or has been me. It's eye-opening. So I would encourage you guys to pick up the Essentialist, or Essentialism.

Alex: You know it's something that I struggled with because a lot of times that I catch myself going into the direction of, "Man, I need to have three acquisitions people and I need to have this big wholesaling operation here and I need to have ten deals a month that I'm doing.". And then I look at it and say, "Well, I've got my new construction deals going on or whatever and that provides nice income and I do my wholesales in my different markets and my hotels here and it produces a great income. So do I really need to have all this stuff...?

Clayton: Right. I think, let me ask you this. I bet you because you do this podcast and you're certainly plugged into the real estate world, so you have these great guests on your show on a regular basis who have big infrastructures and they talk about their teens. I'm sure there's like a jealousy thing and it's a comparison thing, right?

Joe: Yeah, yeah.

Clayton: Yeah!

Joe: This guy down in Atlanta, he's got a team of 20 people and everything is just smooth sailing.

Clayton: First of all, you don't know what his life is like at all. I'm speaking from experience. This is my struggle so this hits close to home when you talk about this. And it's like, "Oh, I need to open an office!" and which I did.

Joe: Yeah, that's it right there, opening a new office.

Clayton: I opened an office two years ago and I was the only one that would go there. I tried to hire an acquisitions person and it just was like, "What am i doing? I don't need to have the office. I'm just doing it because I think I need to or because someone said so on a podcast that they have it, so I'm chasing what they want not what's important to me."

And so, I was going after wholesale deals I was always so stressed and anxious when I first started. Trying to make deals where there weren't deals or forcing deals where there weren't deals and or as deals were even coming together and I knew it was a great deal and certain things will start to fall apart. I would just be losing sleep at night about it.

Joe: Wow.

Clayton: And meanwhile, this is my second, I still have my main job. But this is because I've always wanted to push through what my dad, as an entrepreneur, maybe couldn't do and push through. It was like, "I've got to make this work. I've got to do this." So all of this stress and anxiety, trying to push through and do these things. And I just had it. And my wife's like, "What are you chasing?" Oh maybe this kind of direct mail, if I do this, this is going to work. Or if I stick this sticker on my car, this is going to work. Or all of these other things.

And when you get back to basics, I just stripped it all away. So my wife and I went to nap and I write about this actually on my blog at ClaytonMorris.com. I have this blog post called "I had a breakdown". It's like my first... I just can't explain what happened and we're sitting out there. She's from that area so we just left the kids with her mom. We drove out to Calistoga for 2 days and it was just one of those transformative... Yeah, grew up going up there with her mom, like on spa weekends. She's like, "You're going to love this." I'm like, "Oh, my God."

So we were just having wine and just talking, I literally was crying, tears, during this breakdown. And she's like "You have everything you need right here in front of you." Even when you don't think you do like, "Oh I don't have enough money". "Yes, you do!" You have your health, you have your brain. Put it to good use and make things happen but do it in a focus, calm, intentional step by step, one leg into one pant leg at a time, way. It will all come together. So right after that, I started doing some wholesale deals and I literally stepped fully back. And I totally went through them. I didn't adopt any of the anxiety of the seller, any of the anxiety of the buyer, any of the anxiety of the lawyers involved, anything. And just step back from that whole process and you know what? They still closed.

Joe: Yeah.

Clayton: They still closed with the same efficiency as if I had stressed the whole time, wandering around in circles in my office.

Joe: Your home office, right?

Clayton: My home office. I keep walking in circles thinking, "Oh my God. I got to make sure the title company... Oh I don't know what this lien means. Is that going to...? Oh, I got to get on the phone, send an email, five e-mails." This anxiety! For no reason. And it's, it's just so wasteful and things end up happening on their own the way they're supposed to anyway. You just can't force things. And when you force things, you're just robbing yourself, taking years off your life, probably.

Joe: Yeah, you could.

Clayton: There was a study that came out last week about people that have anxiety. It takes 5 to 7 years off your life.

Joe: Wow.

Clayton: So...

Joe: Well, you're talking about doing less, right? Essentialism, the pursuit of less. I'm looking at the book here and I scroll down, there's a full book that you can get, right. And then there's the summary version of the book, that's like a 15-minute summary it's called here by somebody else. So what should I get? Should I get the main book or the 15 minutes summary version of the book?

Clayton: I would just get the main book. It's on audible as well so if you're not into reading, if you're into podcasts, it's a great place to grab Greg McEwen's book on audible and just listen to it while you're driving to work.

Joe: Done! I just did it.

Clayton: He reads it so...

Joe: A man of action.

Clayton: British voice and it's great. Yeah, it's one of those things where I think when you start down that path; you've got to do it as a daily practice. Spending that time, maybe 5 to 10 minutes in the morning when you first wake up, sort of practicing gratitude, opening up a journal. I know this may sound hokey to real estate investors but it really is the key to exploding your wealth and your abundance.

Joe: Yeah.

Clayton: Is to be grateful for what you have now and where you're coming from so you can see where you're going. So many just people to spend their wheels and they don't know what they're doing. They're doing 80 things and they're not doing any one of them well. So it really is at a high level for real estate investors. We can talk tactics and strategies and mail pieces and all of that which is important but you can't do it well if you don't have your head straight first.

Joe: Well, you know what's kind of crazy is you're supposed to replace yourself. That's how you have a real business, right? With your job or with, I should say this wholesaling gig. But the thing is, when you get to that point, and you start replacing yourself, then you are forced to grow. In fact, you have to continue to grow.

Clayton: That's a great point.

Joe: Or else the whole house of cards will come down tumbling on you if you don't act right.

Clayton: You're absolutely right, Alex. I was just reminded of, I was listening to somebody and I think it was Tom's brother, Todd Toback who was telling me about this. He was listening to this interview from a guy. Oh I wish I could remember what this was. He has a huge business but he keeps it really, really simple. It's just him and one assistant. He said he looked at business; he looked at all of his friends who are very successful and make a lot more money than him. But at the end of the day, you look at how much they take home; it is not any more than he is. But he's working...

Joe: The gross revenue, right?

Clayton: Yes! The gross revenue is such a lie. It's what you actually take home. When you're looking at a project or a new thing that you want to do, you don't need to think about how much I am going to make from this. But you should be asking yourself how much is it going to cost me?

Joe: Right.

Clayton: To do this, right. And so, his whole idea was, and this was a guy, Oh I forget what it was. But he was, you might have even heard of him but he keeps his business small intentionally because he can see his friends who have big, successful businesses, the stress that it takes away from them. When they finally do sell their business, which is the goal of every entrepreneur eventually, just sell your business, then they can live relaxed and take a breather and live. By then, it's probably too late. Why not just do that now?

Joe: Right.

Clayton: I think it comes back to something Alex was saying also about comparison. So, you're comparing yourself to somebody else. I like to think of the 1800s. I was a history major in college and I like the idea of like, what would it look like to wholesale in 1850s. Like in the 1850's Oklahoma or something like that, right. You wouldn't know anybody around you. You wouldn't know podcast, you wouldn't know all of these different comparisons and people and you would just do what you think you need to do and you do it well.

You'd either be a success or you wouldn't and you'd change course based on your success. You'd be watching the fruits of your labor. But you're so often hearing how this person did this and this person did that. And so you're trying new tactics and strategies on a regular basis and you're never doing any of them well because as soon as you start one of them, you've got 20 pumpkins growing instead of just focusing on the one pumpkin. Without cellphones, or without computers, all of these things, you'd probably just be focused on the essential things. Like you say, brilliant at the basics.

Joe: Well, okay, can I bring this a little personal here. For me, since I've got you guys on the phone. I have really lately been interested in land, okay? Buying vacant lots. Let me rewind a little bit. I've been really interested in starting to build my passive, income portfolio, okay. My income personally comes from wholesaling and from my info-business. And I'd like to add in something else for passive income. I don't want to own a ton of rental properties. So now I'm looking at maybe buying some land and selling them on terms.

Clayton: Okay.

Joe: Selling them with notes. And I see we've interviewed a few guys, Mike Podolski, great guy. Jack Bosch, great guy. And I'm friends with these guys. And I know a few others that are actually making a lot of money in land. They're doing well, it's not hyped. Everything that we've been talking about here, is this something that I should not be looking at? Because I'm already making money wholesaling, I'm already making money in my info-business. Should I add another...?

Clayton: I think they're from different buckets though, Joe. So you've got your active income bucket and your passive income bucket. So if there's nothing in the passive income bucket, you could possible add something to it, to be passive.

Joe: Right. Are you doing anything with the wholesaling business? That's the question, I come back to the three priorities and if you've got family as your main priority and maybe health is your second priority...

Clayton: I don't know what your priorities are if you have it in your whiteboard.

Joe: Sure.

Clayton: Is wholesaling the second one? Is the education business the third? Then is land the fourth? And then it's...

Joe: Yeah, it could be kind of like that. I could say real estate is my priority, my third or fourth priority. But inside real estate, I have different priorities there, right?

Clayton: Right. And so, but all of those take enormous attention.

Joe: Right.

Clayton: Because you're not just some guy who's a middle school teacher who wants to buy a plot of land once every 5 years. You're going to want to go big or go home. I'm sure you're going to want a marketing campaign. You think about it from top to bottom, the marketing campaign, I've gone down this rabbit hole with land and certainly the calls come in, absolutely. But it's like, okay. Then what happens to the calls you're fielding on wholesaling?

So, in the infrastructure, the acquisitions side, so the calls come in, the marketing is different. The, where you're doing the research to make sure you're getting the white pieces of land, how you're structuring the notes on the back side so that you're getting the passive income from someone. And then there are also those weird signs that I talk to a number of people on the finance world. I mean, high, high level who are just scared crap less about 2016 and what's about to happen.

Joe: Huh. Really?

Clayton: One of the things that's always sustainable in those down markets is rental real estate. Rental, real estate with brick and mortar. And land is usually one of the first things that people dump.

Joe: Yeah.

Clayton: And I saw this during 2007, 2008 with what happened with the things in Florida and North Carolina where we're doing land. So, and then, no one's renting them. No one's paying those fees to rent that land. To go there and ride their ATV on it anymore. So, just questions like that, I just think you're setting up the whole infrastructure which I'm sure you certainly know a thing or two about infrastructure so you're not... It's not like it's your first rodeo, you know how to do it. You may have an easier time doing it than most people. But I'm telling you, if I get a phone call and someone says, "Clayton, we've got to try land. It's so seductive." I mean, I go into it. I've had to learn the hard way over the past few years to step back from it and slow down. Sleep on it for a few weeks and then see if it's something that's still drawing me to it.

Joe: Well, I've been sleeping on this for about four months.

Clayton: Yeah, I heard you talking about it even over in the early parts of the summer. When I heard you talking about it, it's like when I had kind of come out of the fog of land so I was... And I heard you talking about it and I said, "Oh..."

Joe: Well, Tom Krol keeps on telling me, "Don't do it!" You know how passionate he is. He yells at me. "Don't do it!"

Clayton: Well, to be honest with you, he and I did it together.

Joe: Oh really?

Clayton: He and I formed a...

Joe: Okay, but you guys were just wholesaling them. You weren't selling them on terms.

Clayton: Well, we were and we weren't. So that's two different eggs of strategies but yeah, we were doing it in different states. We had set up the full infrastructure and calls and phone calls and mail and everything and it just... You know, Todd by the way warned us against it.

Joe: Yeah?

Clayton: Todd Toback warned us against it. Here's one of those guys who just stays laser-focused it what he's good at, right?

Joe: Uh-huh.

Clayton: Which is wholesaling. And he just stayed laser-focused on it and when things, when Tom had mentioned we were going to start doing this, Todd said, "Great. You'd be the guinea pig, let me know how it works out for you."

Joe: But I've talked to Tom about it and first thing I thought was, "Well, you weren't doing it right."

Clayton: Right. Well, sure and I'm sure that's probably part of it but how much of a learning curve do you want to spend?

Joe: Ahhh.

Clayton: You know it's one of those things. And I'll come back to something you said off-handedly which is why you don't want to hold more rental real estate. Like what you said, 'I don't want to hold, I don't want to have rentals.'

Joe: Yeah.

Clayton: And I just would ask, I'm just curious why.

Joe: Well, I had a bunch of them, in 2008, when the market crashed.

Clayton: Leverage?

Joe: Yeah. They were all way over leveraged. And so the vacancies just, I couldn't, I lost sleep, it was stressful. Now, I bought them wrong so I get it. If I were to buy them right, then it would be a completely different story. And I would not rely on a property manager. Actually, I would probably just hire a part-time assistant to just manage my properties.

Clayton: What would you do with vacant land when the bottom falls out of the market and people stop paying you?

Joe: Well, by then, I'd have my money back, right? So, any money that I would invest in land, I'd have back within six months. That's my goal. So, I just would, I would have that income.

Clayton: Yeah.

Joe: Now, the advantage of housing is people always want a roof over their head.

Clayton: Right.

Joe: But I've talked to these guys that I trust and even when the worst was hit, they were about a 30% default rate. So it wasn't a hundred percent. They still were getting some income but they had already, they owned this land free and clear. You can't borrow money to buy land.

Clayton: Right. Yeah, that's the key. You can't get a loan to buy land. So it is a...

Joe: So you buy them real cheap. I feel like I'm trying to talk you into it. But you buy it cheap and you get that money back usually on the down payment that you get or within 6 months of down payment plus payments, you get the money back. So if they did stop paying, you just foreclose, you take the deed back, whatever it is, and then do it again.

Clayton: Right.

Joe: But I get it. I'm looking at it as, well I don't want to get too personal about it on a podcast but, this is something that I think that, I'm still talking about, praying about it and I know exactly where you're coming from, Clayton. Because I'm looking at about two or three other projects right now that I've taken on. And now I have people involved where I'm going to really hurt their feelings when I back out of these projects because I already committed.

Clayton: Right.

Joe: I used to say, say yes before you say no. That used to be a mantra of mine and I've dropped it because that ends up, you're disappointing yourself, you're disappointing other people but more importantly, you're disappointing yourself.

Clayton: Yeah.

Joe: And you're letting yourself down because it should have been one of the pumpkins you've cut off at the beginning. That's why I think the Greg McKeown book, Essentialism, is so great to wrap your head around because it really sets up a filter ahead of time for you.

Alex: Is that the Pumpkin Plan you said?

Joe: Yeah, Alex, you haven't read that book?

Alex: No!

Joe: Good grief.

Clayton: Yeah, the Mike Michalowicz book.

Joe: We're still friends. We've talked about that book a hundred times!

Alex: I don't think we have.

Joe: See? Clayton, are you looking for... I'm looking for a new co-host on my podcast, if you're interested, Clayton.

Clayton: But, going back to those rental real estate thing, I think it's fear-based, Joe. It's fear. It's total fear that's motivating you away from owning turn-key or keeping that rental portfolio. I'm reminded of something a buddy of mine said who lives in outside of Detroit. He owns, my last talk to him about a few months ago, he owned like 80 properties, single-family homes. Some of them have mortgages on them, most of them were free and clear.

Joe: Uh-huh.

Clayton: But he's got loans on them. Not every one of them. But during the worst recession we've ever had since the Great Depression, he didn't see one dip in his rental income.

Joe: Wow.

Clayton: It's because he bought them correctly. And what are you going to do lower somebody's rent by $20 bucks, in this Midwest markets where it's 700 already? You're 625; you're going to lower it to 600? Okay, maybe. But that's not really going to help them out anyway. It's not like New York City, or Miami or San Francisco where when the recession hit, they cut rents by a thousand dollars so these big, large apartment complexes, yes, they did slash the rent. But you would never want to buy an apartment complex in New York City, that's ridiculous.

Joe: But still, yeah, when you look at the drop in rents, compare them to the drop in prices of houses, the rents barely even budged.

Clayton: Yeah, so the rent stayed the same. He didn't lose one penny on his rental properties. And yeah, maybe he lost $5,000 and in value but who cares? Because he's holding it and now they've gone back up again.

Joe: Hmm. Yep.

Clayton: You know, so I just, I know we all had... I mean, heck, I had gone through a foreclosure. I had such a terrible time buying certain speculative properties. But when I started focusing on doing it the right way, with my rental portfolio, and now right above my desk, I've got on my white board a huge circle around my focus or my one singular objective which is 300 rental properties. Everything must feed this goal. That's what it says, right above my desk and so everything I do...

Joe: 300 rental properties? I thought we were talking about, what was this book called? Essentialism. What is this?

Clayton: Honestly, it would, what it comes down to is, when you focus on, so I had 30 there for the longest time.

Joe: Okay.

Clayton: And even when you get done… and you realize, just ten X this goal.

Joe: Okay.

Clayton: It's thirty. Thirty is nothing. When you break it down, reaching thirty, when you start snowballing and leveraging these properties, cashing out, snowballing more, buying more. You can get to that number in 2 years, if you're smart about it. Even when you start with no money, you can do it. So, 300 is nothing. So maybe I'll reach a hundred but maybe I'll reach 300 and that'll be great. So instead of thinking small, I wanted to think big.

Joe: Yeah, in the book, The One Thing, they actually had a chapter in there. It was one of my favorite chapters in that book about thinking big.

Clayton: Yeah, because when you think about those things, your life expands to meet it. Always. It's so true. I think back to my dreams and goals as a kid when I was 15 years old in Redding, Pennsylvania. I would dream about them. I used to picture hosting a national television show and I would think about it constantly. And that was my goal. That was my big goal. And sure enough, it was to be in New York City and to host a national show and to get to have fun on television.

Alex: That's awesome.

Joe: 300 properties. Are these paid off properties or are these debt-financed properties or what?

Clayton: Well, eventually. I think one of the keys that Gary Keller talks about in The Millionaire Real Estate Investor is to buy real estate, own real estate, and then to cash flow real estate. So when you're in your 30's or 40's, buy real estate. And if you do it on terms, you figure out a way to do it where you're at least cash flowing $100 bucks a month from your tenants, over your loan amount. So that you're pocketing $100, your loan is covered and you're paying down your notes, right?

Then you own, once it's paid off, then you own it so maybe you do a ten-year note, 15-year note whatever it is, then you own it. Now after 15 years, now all of those properties pop and start cash flowing. And that's, so when you're young and you're with it, you don't necessarily need them to cash flow right now. And that's why this Gary Keller book is so great. It really goes back to the fundamentals. I think he wrote that right after or right before the recession. But all of the fundamentals are more perfect now than ever.

Joe: Yeah.

Clayton: That book is written on the fundamentals. It's the basics. It's not like in the sky.

Joe: That book was written I think right before.

Clayton: Yeah.

Joe: But you're absolutely right. The reason why I got burnt was that I was not buying on the fundamentals.

Clayton: Yeah, we were on the same boat on that, Joe.

Joe: Oh yeah.

Clayton: We've talked about that.

Joe: Yeah, we have.

Wow, what a great podcast, Clayton. This has been really enjoyable.

Alex: Awesome!

Clayton: Thank you guys. I've been looking forward to this for a long time so. It's been funny, I listen to you guys every time when I'm mowing my lawn and at the gym, and so I feel like I know you guys very, very well. I think we have a lot of mutual friends so it's been great to actually finally connect.

Joe: That's for sure. And it's so funny you were doing the land with Tom because Tom and I have talked a lot about it.

Clayton: Yeah, you have to pick his brain about it but if you go in learning from the mistakes that we made and if it's something that you're really passionate about, just, it's got to be, it really has to be treated as another...

Joe: Yeah?

Clayton: Another business. You've got to give it it's time and attention cause if you're going to give it half, 50% then it's not going to bear fruit.

Joe: Hm. Okay. Well, good. Anything else you want to ask Clayton, Alex, before we let him go?

Alex: I don't have other questions. Great call.

Joe: Yeah, it's been very good, very entertaining. Clayton, what do you have next on your projects? You got your podcast coming out, Empower. People can find that on iTunes.

Clayton: Yep. I would love for people to subscribe. I'm sure a lot of your audience will get a lot of value out of that. I've only got, I think, at this recording, 15 reviews up there so... I got to catch up with you guys with the number of iTunes review.

Joe: Good luck with that.

Clayton: So, uh...

Joe: You can do it!

Clayton: So really, honestly, I'm just laser-focused on helping people. I like to say this and I really, really mean it. In fact, in about 30 minutes, I've got a call with an investor, I say I'm happy to jump on the phone with anyone who wants to talk about real estate and learn. Or just get started maybe once, to pick up turn-key properties or just anything, I don't care. I will literally schedule calls back-to-back-to-back-to-back. I'll just jump on the phone and talk to people. I love doing it cause I learn so much from people and what they want, what they're looking for, some of the hurdles, some of the negative self-talk that they're suffering from. I feel like I just want to give back as much as I can. One way to do that, just literally go to my website, you can email me and I'll email you back, I promise. I have 347 e-mails that just came in today.

Joe: Oh, my gosh.

Clayton: And I'm going to write back to all of them. I always respond on twitter so my viewers know that, we're on in front of 2 million people on the air that if anyone writes me, I always write them back. So I promise you I will. So go to my website and if you want to get that cheat sheet by the way, you can just get that for free at ClaytonMorris.com/Freedom and then email me and I will set up a time to talk on the phone and we will talk.

Joe: Awesome!

Clayton: Yeah. And answer questions and pick your brain and have a good time.

Joe: That's really nice. Very generous.

Alex: Wow, that is awesome.

Joe: Yeah, awesome. All right, guys. ClaytonMorris.com. And we'll see you guys on the next show. Thanks a lot guys! Thanks, Alex. Thanks, Clayton.

Alex: Thanks, guys.

Joe: Thank you!