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Entrepreneurial Scars and Failures

Hosted by: Joe McCall

Hey, what's going on, Joe McCall here. Real Estate Investing Mastery podcast. I'm in my car driving to Branson, Missouri. What? What's in Branson, Missouri? You don't know? Oh, I'm just going down there to hang out with my two boys and then two other dads and their two boys. So there'll be six kids. Is that right? Three adults or something like that. Just going to hang out in Silver Dollar City. There's a Christian youth conference down there that's gonna be virtual. But anyway, so I'm heading down there and my kids are already there. I had to stay a little late, but I just listened to a really good podcast. I want to share it with you.

I'm going to be talking about on this podcast The Entrepreneurial Scars. How about that? That's not a unique name because I borrowed it from Russell Brunson. But I just listen to this podcast from Russell. It's really good. I've listened to it before. Couple of years ago, he published it again because it's one of his most requested podcasts, but it's called entrepreneurial scars. Here's the thing, guys. You know, you all need to understand this. If you don't have any failures and scars in your entrepreneurial journey in the businesses that you've created in the past, you probably have not been in business long enough. Right.

Like, if you've been in business, I would say five to 10 years, you probably have at least one or two big failures. Big scars, right. I certainly have them. I'll share just a couple of them with you here right now. I've done two rehabs. Is that right? Two rehabs. And I both lost money on them. In fact, one of them was a foreclosure. I tried to do the rehab on a big house in a small town about an hour and a half, two hours outside of St. Louis.

Yeah, it was a big rehab, and it's just way out in the sticks, the middle of nowhere, and I bought it at the height of the market right when the market was tanking. And while I was rehabbing it, that's when the banks. I don't remember if it was Lehman Brothers or somebody kind of collapsed shortly after that. And then all of a sudden on like overnight, the banks stopped lending. Well, number one, I bought this property with not enough margin in it. I severely underestimated the repairs. I overestimated the ARV. I underestimated the difficulty on how to manage a contract. Underestimated the amount of work that needed to be done. I mean, this property was a disaster. It needed at least 40 grand to price it. Forty thousand dollars in rehab.



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And that's just cosmetics. It needed 40 grand in cosmetic rehab to get it to where it needed to be to sell at whatever price it was. I think it was like six hundred-thousand-dollar house or something. And it was just horrible. This was when my whole kind of business was on the verge of bankruptcy. Everything was collapsing. I had another rehab property going on around the same time with a private investor slash partner, business partner. And that went really bad as well. We lost a lot of money. It was mostly my private investors' money. It was crazy because you could not have done it at a worse time in the market.

You know, those of you that think that real estate prices always go up, houses always appreciate, you're dead wrong. They don't. But it was right at the time, both of those houses, that everything just tightened up. And all of a sudden it's kind of like when COVID happened. Everything just really dramatically shut down where there was a period of time like that back in 2008 or 2009, I believe, where you couldn't sell anything, even if, like it was at a significant discount just for a period of time for about six months. Everybody was scared, freaking out. The banks weren't lending any money. And every other investor that would normally buy these properties was all of a sudden hamstrung, hands tied behind their backs.

So anyway, I lost the one property that I bought to foreclosure. I don't remember if we did a short sale or not. I think we might have done one. I just couldn't make it payments. I it was just I was in way, way over my head. And the stupid thing about that deal is my wife told me that, she didn't like the deals. She didn't think it would be a good deal. She didn't trust the people that sold me the deal. And she knew it would be too hard to rehab a property that far away. It was too big of a property to rehab. I just wish I would have listened to her. So then the other property. Anyway, I don't like talking about it.

And the reason I'm talking about it is to bring up a whole point that as entrepreneurs, it's OK to talk about your failures. OK. Stop trying to hide your scars because you have them and everybody does. And here's the crazy thing. Like, if I wasn't talking about these two failed rehabs and these foreclosures that I've had in my past, like, you wouldn't even all know.

Maybe you could do, you know? Well, I don't even know. You wouldn't even if you did a credit background check on me or whatever you. It's been over seven years, so you wouldn't even see that stuff. You have to go deep into the court records maybe. I don't know. But like you, none of you would even know. But I'm talking about it to kind of give you guys permission and let you all know it's OK to fail. It sounds kind of weird to say that. But, you know, if you and if you haven't failed in business yet, you will soon see a lot of people.



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Now, the market's been kind of on a tear since 2012, right? It's about when we hit the bottom. It's been depreciating very, very consistently ever since then. Eight years or so now. Right. We're due for a correction. It's coming. But there's a lot of people out there that kind of got started in 2014, 2015. They've been doing deals now for five years. And guess what? Everything they touch has turned to gold and they think they're all awesome. They think they're all that, right. They think that they have the golden Midas touch. And they are making so much money because they're so awesome. Well, it's just not OK. I shouldn't say it's not the case because some of these guys are awesome. Right. But I would not trust anybody in a partnership, in a business partnership unless they had cycled at least one time.

Russell Brunson in this podcast. And again, I don't remember if I said it before or not, but it's a podcast called Entrepreneurial Scars on his Marketing Secrets podcast. So just go to Apple or podcast player, whatever you use. Do a search for Russell Brunson, Entrepreneurial Scar's Marketing Secrets podcast or whatever, and you'll find it. Listen to it. It's only about five to 10 minutes long. It's really good. But he talks in there about this really famous consultant or whatever that was offering to work with Russell on something, and the guy said something really fascinating. As Russell was telling him his story of one or two times that he's failed and come back and the consultant. I mean, this guy was like super expensive. Five hundred thousand dollars to do consulting with him. Right. And a general business consultant. He said, oh, good. He said, good. You've had a cycle. And he said the comment that he would not trust anybody in any kind of business partnership or consulting that hadn't already experienced failure in the past.

So I want to tell you a couple of things, number one, it's OK to have failure. Number two, be really careful taking advice from anybody who hasn't failed in the past, who hasn't cycled and gone down and gone up. Right. I even have three, four, five, maybe 20.

No failures and scars and things that I've made huge mistakes on in the past. But I you know, I'm still learning. I'm still growing. And I know I'm a much better investor, a much better entrepreneur, a much better coach, because I know what mistakes are and how to avoid them. You know, like it's important to pay your taxes. It's important to know your numbers. It's important to not count on future appreciation. It's important to have cash flow, consistent cash flow. It's important to have reserves, money saved, set aside for unforeseen circumstances. It's important not to count or rely on your own ingenuity and wisdom and think that you're all awesome because you've made so much money in the last five to seven years and not realize that you've had just one of the best real estate markets we've ever had.

You learn better from your failures than you do from many other course that you could buy. So don't hide your failures gave you have failed in business in the past. You know what? It's okay. The cool thing with the



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bankruptcy system in the United States, I don't know what you think about it, but this is really interesting. If you study the history of bankruptcy back in the long time ago, in the 1500s, 1600s, even way, way back before in Bible times. Right. Like if you owed somebody money as a business or as individual or whatever and you couldn't pay it back, they would literally throw you in jail or throw your family in jail or take you as slaves or put you in indentured servitude or something like that until you paid that debt off.

But the founding fathers of the United States, they saw how what a stupid thing that was. And they knew if they wanted to have a new nation, that gave people permission to take risks. That gave small business owners and entrepreneurs the chance to build a business and take giant risks. And if they failed, they could have a way to wipe off all of their debts and declare and start over again with bankruptcy. No, I'm not I'm not a bankruptcy expert. You know, I've been on the verge of bankruptcy, but I have never done it.

But, you know, even I just have so much more appreciation for our country and our founding fathers. Who would have thought of that when they set up the whole bankruptcy stuff? Where. Entrepreneurs and small business owners, many businesses they would have never started if the risk of failure was too great. You're right. We wouldn't be the wealthiest country in the world of the most successful country in the world in terms of economic strength if it wasn't for capitalism, for entrepreneurs, people that can create people that can profit very, very well by taking giant risks.

Does that make sense? I don't know if I'm expressing myself very well. The fact is a little intimidating trying to create this podcast on the same topic of what Russell Brunson shared on his. So maybe I should have just kept this whole podcast. Like 30 seconds long and told you to listen to his. But yeah, be really careful. Taking advice from somebody who's not failed is somebody who's not cycled through once or twice. It's okay if you have failed in business before. It's OK if you've made mistakes. Especially, I mean, like God, none. No. Not one of us have a perfect record behind front in the eyes of God. Right. Like every one of us has failed and fallen way short. Well, sometimes in business, too, it takes failures. And there's countless stories. I mean, you just look at Abraham Lincoln all the times he failed.

You look at stories like the story of Sylvester Stallone and Rocky and how many times he failed to get until he finally got the movie Rocky produced or made. There's just countless stories of people that have tried in the past. There is very, very few, maybe a small half of one percent of successful businesses or successful business owners, entrepreneurs that have never had a huge failure. I mean, if they have the will, they've not been honest about it or they've just done a good job hiding it. I'm not saying you need to shout it from the rooftops about how much you've failed. And but don't you think that people see these scars of your failures in the past and they don't? And even if they do, they don't care. People don't care about you and



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your failures as much as you do. That's for sure. Right. I mean, there's I have a lot of people listening to my podcasts, and I've talked about my failures a lot.

And when I when I talk about my lease options class, I talk about how I knew I was hemorrhaging cash. I would get calls all day at work from debt collectors and bill collectors. You know, I'd have to beg the debt collectors to stop calling me at home because my kids could not, you know, take a nap because the phone is ringing at home.

We would come home from doing shopping or something, whatever, and we'd come back home and I couldn't open the garage door because the power was shut off. And it was like a Friday night. We couldn't pay the bill and get the power back on until Monday. So we were a weekend without power. And we had to like, you know, it wasn't three days. It was more like one or two. It was like a Saturday or Sunday. We had a whole day without power. OK, and we had to tell my kids they were real small, like, OK, we're gonna go camping inside the house tonight. We're gonna light candles. And we just we kind of made fun of. But you know that the feeling. Oh, my gosh. When your pregnant wife gets a knock on the door from the sheriff delivering her a foreclosure notice on one of our rental properties. And I get a call at work and I'm stuck at this job I hate and I'm frustrated and I'm mad.

I'm getting calls debt collectors all day. I can't keep my phone face up. I have to keep my phone face down because I don't want anybody to see Citibank is calling me or Chase is calling me. Like, can any of you all relate? And why am I telling you this story? Do you think any less of me? Maybe you do. Okay, fine. Whatever. But like most of you probably don't. Most of you are like, oh, you know, Joe, that's pretty cool. Like, I can relate to you. You're not some superhuman guy. You make mistakes, too, and you have success. And so, like, if even you and those failures and things like that and you can still have success in business, you can still make a lot of money. I can, too. Yeah, that's my point in sharing this stuff with you.

So don't hide your scars. Nobody can see them anyway. But if you do share them, sometimes it's gets good for your message. Sometimes it's good for people to know that, you know, you're not superhuman. You have failures and you can now go out and help other people to avoid the same mistakes that you've made. And most people, if you're like me, you don't learn when other people tell you, you really only learn when you make the stupid mistake yourself. All right. So I'm going to let you all go. Hey, if you want my book, I talk a little bit about how I got started in real estate investing at what is it? Oh, yeah. It's called it's a book called The Wholesaling Lease Options. Wholesaling Lease Options. You can get it at WLOBook.com.



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WLOBook.com. I talk about how I started flipping lease options right during this whole time when I was failing miserably and losing money and hemorrhaging cash.

And, you know, we lost our own personal residents and we had to move. We had a short sale and my wife was eight months pregnant. When we moved. We had to get a rental property. Yeah, talk about a cluster. Oh, yes. I look back at this and I almost cried thinking about how, you know, what I brought my family through and how my wife still stuck with me and you know, how my kids were. You know, we're doing really, really well right now. But there's some things I'm still paying for because those mistakes that I've made in the past, thank God, you know, foreclosures and stuff like that go off of your credit after seven years.

Thank God we have bankruptcy laws that, you know, can give you a new start. Now, it affects your credit, obviously. Right. But like, they can't send you to jail because of your debts or they can't. Well, there's another guy. I wish I could tell you more about this. I meet so many stories of these guys. You might think are huge, successful entrepreneurs who are just hemorrhaging cash right now, who are bleeding, you know, financially and just really, really struggling. And you wouldn't know. But they're going through the ringer right now. Right. Like, there's one guy I won't. I'll keep it completely anonymous and all that. But like he got fined by the government, just an ungodly amount. And they didn't send him to jail.

He'll never pay that back. And, yeah, he did stupid stuff. He's admitted it. He's full, an opened book. Like, I made all these mistakes and I'm going to have to. I'm never going to be able to pay this money back. So what do you do? I don't know the answer to that. But I can tell you what, you know, this guy, when I talk to him, he tells me, OK, this is what I did and don't ever do this. You can do this, but don't do that. Right. This is a better way to do this. Better way to do that. So take your scars, take your failures, and don't be embarrassed by them. Talk about it and use them to help other people. OK. And my other point I wanted to make, and I think Ari did, was don't trust anybody who doesn't have any scars or never will admit to any kind of failure. Be careful taking any advice from somebody who hasn't cycled through collapse and then a rebuilding. I totally trust and admire respect those kinds of entrepreneurs much better.

Make sense, guys? All right. I'm here for you if you're going through a hard time right now. You know, I don't know what to tell you. Just don't quit. Don't give up. You know, the saying goes, if you're going through hell, just keep on going. You'll get out of there eventually. Pray ask God for your help. Ask God for wisdom. He'll give it to you every single time. I've asked God for wisdom. He's given it to me. And I don't care if you believe in God or not. If you just pray and ask God to help you with the situation that you're in. Just to give you wisdom and know what to do or what to say. Then. Yeah, ask him. We'll help you with that.



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Let me say one other thing, too. I could split this up into two or three podcasts. I'm just thinking about more and more things. If you are in the middle of a deal or a business that is failing. Get it over with.

It's like you're falling from a building or you're falling and you just you're trying to delay and delay the splat. You're trying to, like, do everything you can to save it. Well, sometimes you know what? You're just falling. Get the splat over with the hook. And I don't know what that means. It might mean something to some of y'all. But like for me, I tried for probably three years to just salvage everything. And, you know, maybe it was. I'm not saying you just walk away from your debts and your obligations, you know, but there comes a time when there is nothing you can do and it's affecting your family, it's affecting you physically. And you just need to let it go. Let the business go. Let the bank have the property back, you know, do the short sale, do the foreclosure, because you can go to bankruptcy, whatever it is like.

Sometimes there is that point where you've got to stop trying to save your business failures, right? Yeah. Don't. That only relates to business, as I was saying, that I was thinking about my personal life and marriage and, you know, your family, your health, like, never let that stuff fail, like, whatever you do. Never, never, never quit or let the let the splat come sooner with that stuff. Right. I'm talking about business. And if you have properties or if you own, you know, development deals that have gone south, sometimes the best thing to do. Get some advice from somebody who has cycled, somebody who's been there, done that. Sometimes the best thing to do is just rip off the Band-Aid as fast as you can.

Stop trying to slow the pain. The splats gonna happen. So just get it over with. Does that make sense? I think that will speak to maybe some of y'all that's listening to this right now. I wish I would've done that. You know, I wish I would have just now. It's a long story. I think you get my point. I appreciate you all. Go get my book. WLOBook.com. It's free. Just pay me six or seven bucks. Shipping and handling and I'll see you all later. Take care. Bye bye.