My New Strategy Going Into 2022

Hosted by*: Joe McCall*

Hey, good morning, Joe McCall here, REI in your car. Coming at you for another really cool podcast. I'm excited about this one because I've been geeking out in my spreadsheet and I won't be talking about how you can make millions of dollars inside of a self-directed IRA. Flipping vacant land. So I've been. Yes, it's as I'm recording this. It's New Year's Eve and I'm going to go play golf with some friends. It's going to be about 60 degrees today. Beautiful day. And so I'm driving to the golf course right now, and I just wanted to kind of tell you a little bit about my helmet, said evil schemes. But that's not that's not an evil about it. It's a stupid joke. Anyway, I was going to tell you about like kind of what I'm thinking about doing for 2021 and one of the things I'm going to be doing for 2021 and Happy New Year, by the way, is I'm going to be teaching more about virtual investing and doing land. So flipping land for fast cash and also selling land on owner financing for long term cash flow. And I was thinking about this last night and I opened up a spreadsheet and started geeking out with the numbers, and I built a pro forma cash flow, poor form or whatever that's called. I did it in MBA school where it's a spreadsheet, you know, and each column is like one month and I figured, right, so a self-directed IRA allows you to put $6000 a year in it. Right. So if I open up one for me and one for my wife and you put six grand in it, you could probably buy one vacant lot with that, right? So let's say, and this is a typical deal that we do, we buy a lot for five grand that's worth 20. And then we sell it on owner financing. And with us, you know, seven, six or seven percent interest rate over five to seven years. I forget the numbers I was using. You'd be getting about $350 a month in cash flow, so you'd be getting a monthly payment of three hundred and fifty dollars a month.

Now if you because if it's in a self-directed IRA and if you don't know what that is, it's not a tax expert. You need to talk to somebody about this. You need to hire an IRA custodian, a self-directed IRA custodian, to take care of this stuff for you. But and there's a bunch of rules in it like you got to make sure you do it the right way. So don't take anything. I'm telling you as tax advice because I might be totally wrong. And if I am, then I'm sorry. It's not my fault that you screwed up because all right, just get you understand. I'm saying, All right, so there's a lot of really good self-directed IRA trust companies out there that you need to talk to about this so you can put six grand in a self-directed IRA every year. And the thing is, though you the profits in there, you can't touch until you're 65 years old or something like that, right? So any profits has to stay in the IRA. You can't pull it out and spend it. Now you can use the profits and use the money in there to for real estate related business expenses, to buy land and to manage it and stuff like that. But like, there's self-dealing. You can't like. You can't be the management company, so you have to have a third party management company doing the stuff for you in they're right in that IRA. So here's the deal. If you took the cash flow, let's and I just put this in a spreadsheet so month, one year one, I buy one vacant lot for five grand. It's worth 20 grand and then the cash flow is like 350 a month. So month two, I get 350 month, three I get seven hundred and then it keeps on growing right? And then once I get to another five grand. So as soon as the IRA balance gets to five grand, I can buy another lot, right? So now my cash flow is $700 a month, and so I'm now I'm. I'm accumulating money twice as fast as before, right? And then month, 13 year, one year or two month, one right, I can put in another $6000. So I did that spreadsheet kind of all spread out over five years, and I don't remember the exact numbers, but I'm just going to tell you it's significant. It's amazing. It's Oh my gosh, are you serious type of money? And you know, I don't know what the ROI is on that stuff, but it's pretty good. Like, just look, let's look at round numbers. Here are simple numbers. I think if you and I might pause this and look at a calculator, but let's say you spend five grand on a land deal and it's worth 20 grand just from the cash flow alone. What would your cash on cash return be that first year? So if it's 350 a month times, 10 months, that's. $3500 a month, plus another two months of seven hundred. That's $4500 a year, $4200 a year in cash flow from that $5000 investment. So what's your cash on cash return on that? It's like 90 percent, which is crazy. Ridiculous good, right? And then if that buyer pays you off and they might finance it the whole five years, they might buy it early cash out early, they might default. And then you just find somebody else, right? But then your ROI return on an investment is ridiculous because you're, you know, with after interest, you're selling it for 20 grand. But all, after all these accruing interest, you're really collecting like 30 grand or something like that. That makes sense. So awesome, ROI. Well, here's the deal. Here's the deal. Let's say you just put six grand every year into a self-directed IRA and you buy one lot by one vacant lot. You sell it on owner financing terms. You get 300 400 bucks a month from it and then you do it again next time you build up enough cash flow, which would take you in that first year. You know, about a year or so on month 13, you'll have another six grand and enough savings from that cash flow to buy two lots. OK. And this is the part it's more than just compounding interest. It's like it's ridiculous. Insane. So the next year, looking at the spreadsheet, you buy two or three lots in the next year, you'll buy five or seven lots. In the next year, you'll buy 13 14 lots. So by the by the end of year three, it's like it's not that big of a deal. It's like, Oh, you know, that's great. But then omg, omg holy banana pants. It just takes off like, you know, of an exponential curve. You know what I'm saying when I say, like an exponential curve. If you look at an exponential curve, it kind of starts off slow, really slow, and then it starts creeping up. And then all of a sudden it just like shoots straight up. It's just it's not just a normal curve that is the same. It rapidly increases exponentially. And so this is what happens now after five years, you've got several millions of dollars worth of land and cash flow. I mean, it's insane. And then I pushed it out all the way to 10 years, OK? And it gets ridiculous because in 10 years, you have to like, buy 300 lots every single month with all the extra cash flow you're getting right, like you're buying. You have to buy. You have to purchase three hundred five thousand lots every single month to keep up with it. So, I mean, it gets kind of ridiculous. I don't want a business purchasing that many lots, but at the end of the day, at the at the 10 year mark, like we would have $1.2 million in monthly cash flow, like one point a month in cash flow every month, and we would have something ridiculous $110 million worth of real estate. And but like that means you also have to have a machine. You have to have this big business with a bunch of people that can handle that many transactions. I think we would own like 4700 vacant lots. And that's if we don't sell any of them early. And, you know, you would. But even if you did sell some of that land early, our numbers would be even better and you'd get to that huge number faster because, you know, let's say in one or two years, your end buyer cashes you out and pays you 20 grand. Now you can go out and buy four more lots. So there's a whole bunch of you know, you got to be careful with spreadsheets, right? Because they can tell you anything you want it to tell you. And you never know what's going to be happening in five or 10 years or where you are going to be with your life, right? But here's a crazy thing about all of this that I've not even mentioned, and some of you know what I'm going to say right here.

You know, the crazy, awesome thing about self-directed IRAs? It's all tax free. You don't have to pay any taxes on your profits or your gains. Now it's really slow. It's very easy to be super disciplined. The first two or three years, it's like a lot of work and you don't see much results from it, you know, and then it's pretty, you know, it's going to be monotonous. If you're just the first year, you can only buy one lot right in that IRA and then the second year you can buy two or three and then the third year you can buy 10 or 12, but it just compounds so quickly. It's like holy banana pants. That's my new favorite phrase holy banana pants. Pretty soon in five years, do the spreadsheet yourself, and maybe if I get enough interest, I can send you guys the spreadsheet that I built and probably some of you can poke a bunch of holes in it and you can say, Hey, you idiot, you didn't. You forgot this. It's oh my gosh, it's exciting. So I've been thinking a lot about this in 2022. I want to start doing that. I want to start. I'm going to open up a couple self-directed IRAs, one in my wife's name, one in my name. And we're just going to start buying one lot a year, maybe to make wholesale one and then put that extra money in there. So then we get a nice quick chunk of cash infusion and then, you know, sell the next three or four on owner financing. But self-directed IRAs, again, I'm not a tax expert. You need to talk to somebody who is. But there's a ton of tax benefits. And if you do it all inside of your IRA and you just keep on reinvesting the profits into buying more cash flow and taking the cash flow, buying more land in 10 years, you know you can have five thousand lots. You could be getting over a million dollars in monthly cash flow. You could have over $100 million in assets. I mean, like, are you kidding me? There's no other business that I know that will give you that kind of return. And now at that point, though, you know, you've got to remember you're going to have an operation, you're going to have 20, 30 people working for you. You're going to have to find a way to buy three hundred vacant lots every single month. That's that's a lot, right? And again, my numbers may be completely off. I may have no idea what I'm talking about, but I'm excited.

So I got to go. I just want to say, Happy New Year. Welcome 2022 bring it on. I'm excited about this year. I'm excited about the future of our market, no matter what direction it goes, no matter what inflation does, no matter what, you know, the economy, who's in office and any of that stuff like that does not matter. I'm just here to share the excitement. I think this is going to be a lot of fun and exciting time of the year, and this is a good time to be in the market. Don't be timid. Don't be afraid. Don't sit on the sidelines because you're going to miss. You're going to miss out. You're going to miss big. All right, cool. So just stay tuned. I'll be sharing a lot more information or we have a I think if you go, I'm not sure when this is going to be released, but we're doing a new challenge the second week in January, where it's called the new mark. New not New Year, New Market, New U. It's a new market challenge. If we were to lose everything and if we were to start over from scratch and go into a brand new market where we didn't have any, didn't know anybody, didn't know anything, what would we do? And so if you want more information about that, I think the link is new market challenge dot com, new market challenge dot com. It's a three day challenge and it'll be done inside of a Facebook group and it's completely free. Go check it out or check out the YouTube video or my website, Real Estate Investing Mastery. Account for this podcast to get the links, but I'm pretty sure it's new market challenge. Dot com is completely free, and I'm going to be teaching you in that challenge what I would be doing with land my vacant land strategy. We'll see you guys take care, bye bye.