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1158 – 7 Steps To a Recession Proof Business: Steps 6-7

Hosted by: Joe McCall & Gavin Timms

Joe: Hey. What's going on, guys? Joe McCall with Gavin Timms. How you doing, Gavin?

Gavin: Good Joe, how are you? We're back.

Joe: This is the final video in our little series. We've combined the last the previous video before this. We combined the steps. And then on this video, we're going to combine them again. But there's seven steps that you as an investor, whether you're doing houses or or vacant land, what you guys need to do to survive this recession that we're in. All right. And so should we recap? You say yes. First of all, you can get everything we're talking about here in a free PDF that we did. It's a nine page report summary at WWW dot REI proof dot com slash seven steps dub dub dub dot REI Proof dot com slash seven steps. Go check that out. The first step we talked about, if you remember, was find your buyers first. You should be doing that anyways, no matter if we're in a recession or not. But it's especially important. Now, step number two was lowering your offers. Talked about number three, creative financing, giving sellers options. Then we talked about selling your deals with financing already in place, offering incentives to your buyers. And today we're going to be talking about knowing your numbers. Super important, right? In a lot of ways, Gavin is better at this than I am. I've gotten in trouble. I've done podcasts about it before, owing too much money, the IRS digging myself out of that hole, which took me a very long time. So here's the deal, Gavin. If people don't know their numbers, they don't have a real business, do they?

Gavin: Absolutely not. It's scary how many people are making money. Okay. Or think they're making money because in our in our business. Right. Funds are coming in the going out. Like, why is the company why is it going out repairs if you're doing flips, coming in and going out, there's so much movement with money from marketing and closing deals that you think, Oh, well, I'm getting a check, so I must be making money. But if you're not tracking it, you don't know what market is working, right? You could be putting 3000 into a marketing channel that's not producing anything. So you need to know your numbers from marketing. You need to know from how much you're spending, how much you're making, because if not, you're going to it's going to go south. And real quick, what's going to happen is you've got all them checks that you're watching and then you've got zero aside and then all of a sudden you owe the IRS, you say, and you don't have any money. And that is then when the vicious circle begins.



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- Joe:** We had a client one time, we talk about this poor guy all the time, but he claimed he was doing 300 grand a year. Was that the number Gavin.
- Gavin:** Four. It was. He was doing it. He did something like 485,000 is what he was claiming. And then we worked out he was doing spending 450,000 doing it. So it marked in offices, teams, this is just insane.
- Joe:** So from the outside looking at it, you're like, man, this dude's successful doing a lot of deals, doing almost half a million dollars a year. But then you sit down with him and guys, there's people all over that you think might be successful are having this problem. You sit down, brass tacks. Let's look at your numbers. If they can show you the numbers, if they're willing to, if they number one, if they're willing do number two, if they even have them, most people don't. You're going to see a much different story. Overhead is way too high. They're splitting the profits with too many people. They've got too much overhead, too much expenses, and they're not setting anything aside for marketing. Sorry, they're not setting in. These things have for taxes and at the end of the day, they're barely making any money. And there's stress is just out of this world. So when you see these guys on social media flashing these checks, a lot of times this is frustrating to me. Like that's not the whole story, right? That is just the gross revenue that they got from that deal. They don't say anything about what their net profit is. Here's the deal. It's not what you make, it's what you keep.
- Gavin:** Yeah. And it's not even the net profit. It's even well it is that, but it's also what went into the deal to get the deal. Yeah. Right. 25,000. But it didn't tell you that it was six months of follow up, but 300 calls or whatever it may be, you don't see any of that. You just see the money. So you're exactly right.
- Joe:** So you got to know your numbers. And when we're talking about numbers, you're talking about KPIs and key performance indicators you should know. All right. When we send out when we do 10 hours of cold calling, we should get ten leads. And then from those ten leads, we should make eight offers and we get one out of every 16 offers except so you've got to do 20 hours of cold calling to get a deal on average over time would follow. You should know your KPIs like on average it takes 3 to 4 months of follow up. It takes 7 to 8 touches of follow up before we get a deal. You need to know your numbers when you know what's going out, what's coming in, and a really, really important book. You guys need to read, especially now as we're coming into this recession. So important, I can't explain express the importance of this enough to book profit first. There's a book called Profit First written by Mike Michalowicz . You just go to Amazon. Did the Kindle. Ten, 15 bucks. Profit first. Please, please, please, please get it. Okay. I first heard about the book. I



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don't know, ten years ago, I bought it, didn't read it, I skimmed it. I thought I was good. You know, I like it. Didn't understand why anybody or everybody was so excited about it until I got in trouble because I wasn't setting aside enough money for the IRS. And then I was like, Oh, I get it. I understand. Now the whole premise is you take your revenue. Most people, the way most people do business, they take their revenue minus their expenses, and that equals their profit. Problem with that is it's the wrong way to do it. You need to take your revenue minus your profit. That equals your expenses. And when you do that, your business will always be profitable. Okay. So for example, when a dollar comes in, you should take out \$0.10 for you as profit, take out another ten, \$0.15, 15, \$0.20 for taxes. You got to pay the IRS, then take out ten, 15% for your your own salary, your own income. Right. You got to feed yourself first and your family then. What do you have left? Maybe \$0.50 of that dollar goes towards overhead, goes towards expenses. And when you reverse this process, your business will always be profitable. You'll always be making money. And so many people don't do that. You know, we're just checkbook accountants, right? We don't have a bookkeeper. You don't have accountants and you don't know what's coming in. And you look at your checking account, you got 20 grand and they're like, Oh, great, I got 20 grand. You go spend 15 on marketing and then, you know, okay, well, I got enough next week for the overhead, but then all of a sudden the leads maybe are coming in slow. Maybe the campaign's not working as well as you thought. All of a sudden, now you're faced with bills and you're freaking out. So just just read the book Profit first. And here, let me say one more thing. It's going to be really important to if this recession keeps on getting worse, I think it will. You need to benchmark your business and you need to say, all right, well, this is how much we need every month to what's the word I'm looking for? Crack the nut. Right. Like, you know, we had. Yes, we need to make 30 grand a month. Okay. To pay all the overhead salaries and all of that stuff. Right. Well, what's going to happen if the market slows down and you only make 20 grand one month? Okay. Well, you have a ten grams difference there. Well, maybe you have some savings or something like that. You can pay for that. But you need to have a plan. If we go into a recession that says, all right, when we reach this benchmark, these are the things that are going to happen. Then if we reach this benchmark down lower, these are the things are going to happen. You have to have this kind of stuff written down. So when that happens, it doesn't become an emotional decision. It's like, you know, in advance, right? This is what we got to do. Let's do it. And your team knows as well, if you have employees, if you have staff, they know. All right. Well, if revenue drops to here and it's this way for three months, then we're going to have to lay people off. Right. When you have that in advance, you get the pain over with. Okay. Let me tell you, a big, huge problem that happened in the last recession happened with me and it happened a lot of investors. I know they held on for too long. Okay. It's not this dip is just a little dip in the market. They thought they could. They keep on pouring money into their business, expecting it to turn around. And then fast forward nine or ten months,



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they've completely drained their savings. They have nothing left and they're going to go into bankruptcy or foreclosure anyway. If they would have just done it, you know, three months in, it would have saved themselves a lot of time and hassle. So anyway, can't spend too much time talking about that in the interest of time. But you've got to know your numbers and you need to know what do you have to make every month to cut to meet all your expenses, make sure you're setting aside money for your profit, for taxes for your salary before you look at what's left for expenses and over it. Okay. Anything you want to add to that, Gavin, before we move on?

Gavin: And it's serious. I mean, you can't and don't get in the mindset that you're going to get it back. It's just like gambling, right? You start losing and then you think you don't know when it back. And it's the same when we're flipping houses, obviously. I mean, whatever. Don't think, well, I'm going to use this money because I'm going to get it back by the end of the year and then I can pay taxes because there's always a reason why you shouldn't be paying the tax, so you got to set it aside. This is serious and only gets worse if you don't. If you don't get it right to start with.

Joe: And you know, if you don't have a savings, you don't have emergency set aside for unexpected things, you got to be really careful because a lot of times we get into this. A downward spiral of your next deal pays for previous months expenses. Right. And then you're always now chasing the next deal to pay for what happened, what you've paid for in the past, your debts from the past. So anyway, I really recommend the book Profit First. You can hire profit first certified accountants and bookkeepers that can do your books and help you manage this for you. So if you're not good with numbers and most of us aren't, I'm not. If you're not good at numbers, hire somebody who can help. You don't have to be a full time person. That can be part time as well. The number one thing you should ask them before you hire them is have you read the book Profit First? Can you help me implement that? If they say what? Profit what? Then don't hire them. Okay. All right. Now we have two numbers, seven rules, two number, and the counter are related, but they are number seven networking and get a coach. Okay. Now, this is tied together because in most coaching programs, you can also network with other investors in the program as well. But networking is so important, it's all about relationships. Why? Because when you're with a group of people that are smarter than you, that have more experience, have been there, done that, they can help you and show you, hey, this is what's working now or this is not working anymore. Stop doing this. Start doing this. Right. Especially as we come into a recession, as the market shifts. What worked a year ago is not going to be working today. Not going to be working tomorrow. Wealth doesn't disappear, just transfers. Right. So the cheese is moving. Sometimes we're so deep in the weeds, we can't see it ourselves. But when you're networking in a business relationship with other investors, with coaches, they



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can see into your business and give you advice and help you make the adjustments that you need to make. This whole thing, like what's working now? You need to know what's working now and you don't think that you can do it on your own. You need to have a coach. You need to have a mastermind of other investors that are right there aside beside you who are doing the same thing. Maybe they'll find something that's working in their market. Maybe they hear something that's working over there, and then they try it and they're like, Oh my gosh, this works, right? And they can share it with the group. So it's more important than ever to dove in deep into your networking and relationships and getting a coach. If things are getting tight right now, I understand it's hard, but this is the worst time to pull back, isolate and stay out of any kind of networking or coaching program because this is where the strong are going to survive. Only the strong are going to survive this. If you want to be strong, you need to be in a good networking group. You need to have a coach. That makes sense.

Gavin: Absolutely. I can't reiterate that enough. I was just in a mastermind last week for four days. The same thing where everyone's talking about, you know, what they're saying in business, what we need to focus on the changes that we need to make. And it's a moving target, Joe, as well. Right. It's not what we say today, especially in a recession and when things are changing. We all constantly we need to stay ahead. Right. We need to stay current in what we're doing and what we're seeing. And we've seen that a little bit in marketing, just like text messaging, for instance. Right. It started off where it was a number one. It was the cheapest thing on the market. It was crushing. And then all of a sudden, the role starts to change, the deliverability starts to change. You trying to get around it. There's workarounds and there's less workarounds. And these things as you go through in a six month cycle is then changed again. So having that ability say and this is what we're seeing, these how we're pivoting is is priceless. And again, your network is everything, as you said, the relationships that we have from masterminds coaching programs across the United States and even across the country. I mean, the will really to get things done is is huge. And if everything becomes easier when you're not on your own. Right. And that's the big thing. You don't have to be in business with everyone. But when you're not alone, things become a lot easier. And for discussions and moving forwards again to be profitable.

Joe: Well, how many times have we done a deal or had a student who had a deal in another state and they had no idea they didn't have any connections there? This lead somehow got on their lap. Maybe they marketed to a seller who also owns property in another city, another state, and they're like, I don't know what to do. I don't have any buyers out there. I don't how am I going to go look at the property and then they bring a deal to us and then we connect them with a simple text message or a phone call to another one of our students or another investor that we know. You don't need that many people around you



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to be able to successfully do deals in any part of the entire country, because we're going to know somebody that knows somebody or we're going to know somebody in that market who's. Actually in the market right now to buy. And we can connect you with them. We can connect you and say, all right, here's a great title company. We have a friend that does a lot of deals out there. We just ask them, this is a title company you should use. All right, contact this attorney. I'll have so-and-so contact you and show you the contracts that they use in that area. I just thought about we had a student one time who is in Phenix and he was selling he was doing some marketing for vacant houses and the seller called him and said, Yeah, I actually own that property in Phenix, but I live in California and I have this commercial property I want to sell. Why don't you just make me an offer on that? So here's a student who lives in Phenix talking to a seller who's got a commercial property in San Diego. I think it was San Diego or something like that. Yeah. And so he's like, What do I do? So you know what I did? I had him contact a friend wholesaler that I know that did wholesaling or commercial properties in California. I mean, California's a difficult, crazy market as it is. And this is a commercial property. This is a whole nother animal. Right. And so I don't even have the experience that he probably needed in with commercial property in Southern California. But I know somebody who did the wholesale this deal made like 50 grand. And we split it with my friend who was the other active investor in that San Diego area. He made they both made 25 grand on this deal, right? Yeah. Come on. That's the power of networking and coaching with the right people. Do you want to add something to that?

Gavin: We go and we step aside a lot of the time, right? If we can get it, I will partner and we'll close with you if we can. But if we have somebody else already has buys situated and real estate's fast pace, right? We haven't got time always to go and look for new buyers, so we already have someone established that we can connect you with. It just makes sense to get that done. Get the deal done and. And make money.

Joe: Yep. All right, cool. Want to review the steps? So let's do it. Number one, find buyers first. Super important number to start lowering your offers, whether it's creative financing or cash, start lowering your offers. You can't get away with offering ridiculous prices. Why? Because the buyers aren't paying those anymore. Okay. Number three, learn how to offer creative financing. The seller says no to your cash offer. They're going to be more open now to other creative financing strategies. And you just need to know the simple, basic things. If you work with us, we can actually help you get on the phone with the seller to negotiate your creative financing deal. Just get the seller to say yes to payments over time. Number four and number five, kind of related, but sell your deals with finances in place and offer incentives to your buyers. It's still a competitive market. A lot of wholesalers are dropping out, but it's still competitive right now. And if you want to stay above what all your



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competition is doing, offer what other people are not, will sell your deals a lot faster that way. Number six was looking at your expenses. Cut the fat, read the book. Profit first is going to be more expensive, more important now than ever to know your KPIs, to know your numbers, to know, all right, if this recession gets worse, if my revenue drops to here, I'm going to have to do this one or two people. If it drops down to here, I'm going to have to lay a bunch of people right. I'm going to have to get sell my car. I'm going to have to sell my boat. Whatever. You need to have a plan for this stuff in advance. Yeah. What are you going to do, by the way, if you have to like part ways with your acquisitions guy or you let go your let let your dispositions guy go, what are you going to do? Is there another strategy that you're going to are you going to try to do something else, maybe land, or are you going to try to do lease options? You know, you got to be thinking ahead of this stuff. So you're not making decisions reactively, but proactively. You're removing the emotion and the stress from all of this makes sense and this all becomes easier. Gavin If you're networking with high level investors that are going through the same things you're doing and maybe have even been there and done that before, and you have a coach that can kind of see above where you are and not have to see through the weeds like you are in. Right? When you're in the trenches and in the weeds, it's like hard to see what's going on is you're panicking like, oh my gosh, what do I do when you're with a network mastermind, a coach? They can help you and say, Hey, listen, I've been there, done that. I was just having that same problem a week ago. I know somebody that can help you in this area. I know a title company that can help you that I can partner with you on this deal. I got a lender that can lend you money in that deal. So it's so important you network with a group of successful investors and get a coach. You can help you with all of this, right?

Gavin: Yeah, absolutely. So I guess when they get the PDF, there we go.

Joe: There it is. When you go to dub dub dub dot, REI proof dot com slash seven steps. So you get this PDF and break, it's just nine pages. It breaks all this stuff down, the details completely free. You'll get it right now and it's just our little gift to you to help you. We just want to we want you guys to survive this recession. We want you to profit and who knows? Maybe this all blows over in a couple of months. It's not a big deal. Still, these are important principles that you need to be practicing right now in your business. All right. All right, guys. Thank you, Gavin.

Gavin: Thanks, Joe. It's been a good day. And we'll talk to you all soon.

Joe: We'll see you guys. Bye bye.