

# 11 | **The TurnKey Investing Philosophy**

This book was written to provide inside information on how we utilize and implement the lease-options strategy to manage our investment portfolio in our base area of Columbus, Georgia / Phenix City, Alabama. All the “how to” information we provided herein is driven by the management philosophy we adopted and follow. In fact, we refer to it as *“The TurnKey Investing Philosophy”*.

## **Our Strategy**

With the exception of my first half-dozen properties, the growth of our portfolio has been accomplished as a joint effort between my business partner, Wes Weaver and myself. We accomplish much more as a team than separately. We do deals together and manage properties together. We believe in utilizing the concept of “divide-and-conquer” if and when it is appropriate and serves us. However, we also firmly adhere to the concept of “strength in numbers” especially when certain situations arise and must be handled.

## ***TurnKey Investing with Lease-Options***

We've only made small efforts to give insight on how to adapt what we have done into another real estate marketplace. Why? There is simply too much diversity in different real estate markets throughout the United States for any one book or author to cover adequately.

Therefore, I chose to write about our expertise; the bread-and-butter we actively pursue each and every day and how we do it. Nothing more, nothing less. We consider ourselves experts at what we do where we are and nowhere else. Despite this, I believe astute readers will pick up points and information from this book to apply to their own situation.

### **Staying Focused**

It has been our choice to succeed in our vision with laser-beam focus in the Columbus, Georgia / Phenix City, Alabama area because we wanted to become #1 with Owner-financed houses through lease-options.

Does this mean if Wes and I were suddenly transplanted to another city, we couldn't learn, master, and become experts there? Of course not. In fact, we feel we can adapt to just about any real estate market if we had to. We believe our experience and achievements can be applied to many real estate markets.

## **The TurnKey Investing Philosophy**

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The reason I bring all this up is to illustrate the major points of what we believe TurnKey Investing is all about.

- Do What You are Good at Doing
- Know Your Market Well

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- Invest as a Team, Never Invest Alone
- Management Drives the Success of Every Investment
- Match the Investor to the Investment
- Use a System that Works
- Perfect the System with Kaizen
- Make it Easy for Investors to Invest
- Manage Investor Money More Carefully Than Our Own Money
- Invest in the Management as much as in the Property
- Better to Make No Investment Than a Bad Investment
- Always Tell the Bad With the Good
- Be Firm but Fair

### **Do What You are Good at Doing**

One of the dangers we've seen is straying too far away from what you're good at doing. It doesn't mean we cannot be good at more than one thing. Instead, it means we have developed an awareness of the things we can do with great confidence and certainty of success, compared to those things we do with less certainty and greater risk.

There are people in this world who are very good at making money in their businesses but not very good at managing or investing the money they make. These people should recognize this fact and seek out people who are good at managing and investing their money for them.

## ***TurnKey Investing with Lease-Options***

What we are good at doing is managing and cash flowing investment properties with lease-options in Columbus, Georgia and Phenix City, Alabama. At the risk of sounding boastful, we would be selling ourselves short if we did not acknowledge our success.

### **Know Your Market Well**

We pride ourselves on the fact that we know our real estate market well. We live in a smaller city so it makes it possible for us to learn and master the marketplace compared to a large city where only a section of the market can be learned and mastered.

In the context of real estate investments, we believe some forms of investing (such as lease-options) are more conducive to certain markets than others. For example, we believe implementing lease-options as an investment strategy favors small to mid-size U.S. cities but not large or highly-appreciating cities. ***Sometimes it is better to invest money outside of where you live, not where you are.*** In my case, I chose to move to a place that was suitable for my investment strategy.

### **Invest with a Team, Never Invest Alone**

Every investment inherently has some level of risk associated with it. There is no such thing as a risk-free investment just like there is no such thing as risk-free driving. If you get on the road to drive, there is always a small chance you will get into an accident. If you invest, there is always a small chance something will go wrong no matter how many precautions you take.

However, it is important to note risks can be mitigated when more than one person bears the responsibility of an investment. Wes and I have chosen

to invest our money together; we have also chosen to manage our properties together. This way, there is always a fallback position.

As we have previously mentioned, it is key to have a team of professionals such as a real estate attorney, local contacts, banker, real estate agent, and others in supporting roles.

## **Management Drives the Success of Every Investment**

One of the reasons this book has intentionally been directed to a more affluent and sophisticated investor is because they intuitively know that good managers, not the capital itself, is what drives the success of any business and investment. Poor-minded investors tend to think having money automatically determines the success of investing. If this were true, we would not hear so many stories of rock stars, sports stars, and lottery winners going broke even after coming into millions of dollars.

Having worked in NASCAR circles over ten years ago, I learned no matter how well a race car is built, how good the engine is, or how fast the car can go, the race is only won with the right driver. It doesn't mean the car is unimportant, but without a great driver, no races are ever won.

Likewise, in investing, having access to capital is essential, but without good managers watching and driving the capital and investments, both are doomed to fail.

## **Match the Investor to the Investment**

Because we focus on our expertise within our market, we are cognizant of what we can do with a potential investor and what we cannot. We also know different people have different priorities and personal dispositions.

While we want to be exposed to many good candidates that may be interested in investing with us, we also know only a select few people will actually be suitable. We have a very specific niche we fulfill, and only certain investors are suitable for this type of investment.

For example, we now seek “cash-only” investment partners. We rarely seek investors who want to qualify for mortgage loans. Although we will occasionally work with some individuals who prefer to qualify for a loan, it is not our primary focus.

Just like how we choose suitable clothes to fit our style, we look for investors who are suitable for our investments. We match the investor to the investments we have.

## **Use a System That Works**

We allocate time to look for ways to improve and streamline our existing system, as well as continue to refine our implementation procedures. At the same time, we are selling lease-options to our tenants. Having said that, once we have developed a good working system for our market, we use it over and over again.

The best example is how we market our properties through *ownerfinancehomes.com* where we advertise the property, our website, our firm, and our niche simultaneously. It is a very good, cost-effective marketing system that gets better with maturity.

It has worked well, continues to work well, and we continue to expand on it.

## **Perfect the System with Kaizen**

We are firm believers in practicing the Japanese concept of Kaizen. The concept of Kaizen is the belief of making small, ongoing improvements to a business system, which over time, nets great results.

Practicing Kaizen is not always about being the fastest sprinter or making large changes to a system. It is about finishing the marathon as a winner. Sometimes finishing the marathon successfully is not about speed. It is about steadily making progress throughout the entire race.

We are constantly refining how we manage our investment properties, our tenants, and the support team we work with.

## **Make it Easy for Investors to Invest**

This is something we are passionate about. We believe investors want to simply and safely invest their money and receive good steady returns on their money. We also believe the investing experience must be a positive one.

Unfortunately, the general nature of real estate makes it somewhat more involved than stock investments. However, this does not mean it has to be a painful experience.

We have two programs we provide to those who want to invest funds with us. One is an “all-cash” Private Lender Program; the other is a “cash plus credit program” Loan Qualification Program, which we only do on a case-by-case basis.

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By far, we prefer to work with people on the “all-cash” Private Lender program since it bypasses the tedious mortgage loan qualifying process. While we do everything we can to make the loan qualifying process painless, there are many aspects of the process we cannot control.

With the Private Lender program, we are able to control most of the process. So, investing with us is a more positive and pleasant experience.

### **Manage Investor Money More Carefully Than Our Own Money**

We feel a greater weight of fiduciary responsibility to invest more carefully when using investor funds. Our business is highly dependent on “repeat investors” and “word of mouth” referrals. And we encourage this. As such, we have a vested interest in closely guarding our reputations.

For example, if we used an investment partner’s financial resources to take on borderline investment properties and they did not perform well, we create the potential for long-term damage to our reputations. While personal reputation is relatively unimportant to some, we greatly value ours. No deal is worth damaging our reputations over.

It is quite common for us to either decline borderline investment opportunities or use our own financial resources to “test” or “guinea pig” properties we are interested in before placing investor funds into it. Any financial setbacks that could occur would impact no one but us. As such, we take a more conservative approach when using investor funds than our own funds.

## **Invest in the Management as Much as in the Property**

There are two ways of looking at this. We have always known how well we perform as property managers determines how well our investments perform. After all, management drives the success of the investment.

As such, we have committed financial resources to set up more effective management systems. These include management and accounting software. In addition, we also work with vendors who provide services to support our ability to manage. We actively cultivate relationships through familiarity with staff members in the court system and the banks we deal with.

As an investor, you will have many investment opportunities presented to you. However, you should ask yourself the following questions:

- How much access will I have to the principals of the management team?
- Do the principals value their reputation?
- Are they selective with whom they work with or will they work with anyone who has money?
- Do they value working relationships or do they only value my money?
- Will they go beyond the call of duty?
- How much do the principals have vested with the company and their portfolio of properties?
- Do they have references and other credibility materials?
- Do they have a strong support network?

Getting answers to these questions will help you make a good decision as to whom you should work with

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and not solely base the decision on a rate of return. After all, there will be many investment opportunities you will be exposed to which will have similar rates of return. The deciding factor will be the Management Team you choose to work and spend your time with.

### **Better to Make No Investment than a Bad Investment**

In the aftermath of the Technology Stocks Crash of 2000, there are many who have been humbled. In 1999, if you offered to pay someone 5% return on their investment, they probably would have been laughed out the door. Today, if you ask someone who lost money in the years after 2000 if they could go back and earn 5% instead of speculating on stocks, they would jump at the chance. In fact, those who lost tremendously would be more than happy to have broken even with a 0% return. Hindsight is almost always 20/20.

However, this is truly a sad sight to see. The whole point of investing is to create returns, not hoping to break even. But that is what many people today are saying. They wished they had broken even so they didn't have to take the loss.

The reality is they dealt with investment managers who had no control over the market or the investments they were promoting. If those investors had not been overly speculative, they probably would not have lost their money. The fact is, speculative stocks are often bad investments. You either win big or lose big. It sounds like gambling to me.

Fortunately, because of the niche we are in, we do have influence over the marketplace. Even so, we do not offer huge speculative rates of returns. We offer good investments with steady rates of return. It gives us something clear and predictable to work with. More

importantly, the investor gets a steady return they can count on month in and month out. Personally, I think every investment portfolio should have such elements of safety and stability.

### **Always Tell the Bad with the Good**

I have always disliked people who sell a fairy tale story where everything always turns out good. They never tell the downside of a story.

In investing, there is always a risk, the downside. The extreme downside is obvious. You could lose all your money! Experienced investors know that investing involves some degree of risk. However, the question is what is being done to mitigate the risk.

Telling the bad side is not about being pessimistic or cynical. Telling the bad side in the context of investing is being upfront with all parties as to the potential risks and downsides of a particular investment. It makes good business sense.

We're upfront and tell both sides of the story. But it still goes without saying we are clearly confident and optimistic in what we do. (Otherwise, why would we continue to stay in this business?)

### **Be Firm but Fair**

As investment managers and investors ourselves, we have a clear bias towards the investor. Investment partners help fuel the growth of our acquisitions. However, it is our tenants who make an investment perform. So we take this into consideration.

As property managers, we walk a fine line between taking care of the investor and being fair to our tenants. After all, there are rules and laws to abide by with our

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tenants. Even if this were not the case, our tenants are the people who make the payment, which allow our investments to perform.

We are not absolutely ruthless, nor are we unforgiving of our tenants. Why? Many times it is simply not in our best interest to do so.

We exercise a firm but fair management philosophy not only with our tenants, but the vendors we work with.

## **Summary**

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Within every successful investment portfolio, there is a winning philosophy that guides the actions of the management team. We are no different. As the title of the book indicates, we advocate a “turnkey” approach to doing things. More specifically, we have developed a turnkey system of doing lease-options; it works for our investment partners and us.

Our portfolio continues to perform well month in and month out. And while there are occasional setbacks both in management and performance, we are happy to report success in our ventures.

Our *Turnkey Investing Philosophy* allows for both change and growth, and it helps keep us grounded. We believe every successful management team should put into writing a management philosophy that they can share with others. It helps the management team to be accountable to themselves and the people they work with. In the end, it is all about setting the right expectations for all involved and then delivering solid results.