

THE WEEKEND MILLIONAIRE'S SECRET TO INVESTING IN REAL ESTATE MIKE SUMMEY AND ROGER DAWSON

A great number of people today venture into real estate the way millions of people flocked to the gold rush at the beginning of the century. We've seen and heard how many of them dramatically made millions, even billions, after some time. Interestingly enough, we've also seen and heard about how some of them emerged from the business, broke and practically wiped-out. It was inevitable that hearts would go out to those unfortunate souls. The question remains, "What went wrong?"

This inspiring new book is for all those who have dreamed of becoming a pro in real estate and make millions. This book is also for those people who merely wish to do something profitable and worthwhile during their spare time. Based on the ideas and techniques gathered in real estate investing, and conducting seminars, authors Mike Summey and Roger Dawson offer step-by-step, doable, and practical guidance on how not to become a hapless victim in the game of real estate investing. No matter what age group or class would-be investors belong to, Summey and Dawson believe that with right knowledge and the right attitude, it is never too late to get started on the way to becoming the next weekend millionaire and eventually achieve financial freedom.

Section 1: Principles of Real Estate Investing

Chapter 1 - Get Rich Slowly

Investors who want to subscribe to the weekend millionaire program must know that this is not one of those get-rich-quick schemes. The good news is that any one can really get rich in this endeavor by doing smart moves slowly but surely.

There are reasons why real estate investments, though not a get-rich-quick scheme, is an excellent business. First it gives leverage, second, it brings numerous tax benefits, it gives solid value, which could hedge an investor against inflation, and most importantly it provides steady cash flow.

Chapter 2 - Wealth Is an Income Stream

This principle explains why wealth is not measured by the properties one owns but by the income one generates from these properties. This brings us to the heart of chapter 2 - patience in acquiring one property at a time.

Chapter 3 - Income to Value Ratios

A weekend millionaire's goal should not be to buy and resell properties but to buy them then keep them and develop steady and significant income streams from them.

Since a weekend millionaire buys to create an income stream and not for resale, he or she needs to buy real estate based on value rather than the price of the property.

Chapter 4 - Small Rent Increases Snowball Your Net Worth

A constant trickle in a bucket could cause it to overflow. The same is true to rents. Increasing rental fees regularly on a small scale can snowball an investor's net worth. The effect of it on ones net worth may not be glaring at first, but in the long run it will become very noticeable.

Chapter 5 - What Makes a Property a Good Buy

One issue beginning investors usually encounter is the issue on what constitutes a good buy. The earlier this issue is addressed the better. To neglect this could hurt an investor's portfolio.

This book suggests that in order for an investor to assess whether or not a property is a good buy he or she must:

- Understand that real estate markets vary.
- Calculate the Net Operating Income (NOI)
- Calculate the value of the property
- Inspect the property
- Check if the property can show profit in the first year

Section 2: Learning Your Real Estate Market

Chapter 6 - Finding a Property Manager

The first important step in understanding real estate is finding and establishing a good relationship with a property manager. This person can be very valuable in helping you see through the nitty-gritty involved in renting out and managing properties and guiding you when evaluating new properties to buy in the future.

Hiring a competent property manager can also save you time from doing the trivial and energy-draining activities involved in building real estate portfolio thus freeing you to do more important activities.

Finding a property manager means you have to conduct the following:

- Find a firm that specializes in property management
- Meet to confirm compatibility
- Read agreements carefully
- Ask if the property manager's company is licensed
- Inquire if they work with you on new purchase

Screening and hiring the right property manager can be a bit tedious, but the result could be very rewarding.

Chapter 7 - The Threshold Theory

Next to finding the right property manager, understanding the threshold theory can spell out success in real estate investing. This theory espouses that the greater the number of the properties inspected by you the greater the chance of you getting an excellent buy. Patience and perseverance are of course mandatory.

Chapter 8 - Stick with Bread and Butter Properties

Authors Mike Summey and Roger Dawson urge beginners in their real estate investing career to consider sticking with bread and butter properties first if profit is to be maximized.

These properties usually boast two to four bedrooms, one to baths and usually come in 800 to 1400 square feet. These are popularly known as single-family homes.

Because bread and butter properties fall in the middle range of rents in the market these are considered the most rentable of all properties and have the biggest potential market. These, too, sell the most quickly.

Chapter 9 - Learn Your Market

Nothing beats research. Every wise beginning investor should conduct this consistently if only not to be thrown-out from the game. Research doesn't have to start in some far-away places because great deals can be gathered from the neighborhood of every curious investor.

How to do this? This chapter offers down-to-earth tips:

- Ride
- Map your area
- View your target area as a big farm
- Learn how a deal ripens
- Talk with people
- Pass out business cards

Chapter 10 - Don't Be Discouraged by Asking Prices

Savvy investors don't equate asking price with selling price. Furthermore he or she understands that sellers usually ask for more than they expect to give them room for negotiation.

Here's how to remain on tract if asking price is too high:

- Don't be swayed by appraisal values
- Stick to your determination of property values
- Don't let dissatisfaction deter you from making offers

Section 3: How to Find the Ideal Seller

Chapter 11 - The Seller Has Moved

When people move they sometimes leave behind properties, which can be a veritable goldmine for an investor.

One way of finding an ideal seller is identifying people who have just done this, or who are planning to move. In this chapter, author Mike Summey tells how he closed a deal with a newly married woman who was just too happy to sell a house inherited from her mother. Mike also tells how his business card led the seller to him. His way of telling why real estate investors should put premium on whipping up business cards.

Chapter 12 - Sellers Have Divorced

Divorce is another factor why properties are getting sold. Here, Mike recounts how he purchased a house owned by a couple that have just went through a divorce and afterwards maintained opposing views about the property's disposal.

Mike tells how creativity and tact helped him brought two stubborn individuals into agreeing to sell their property then move on with their lives. Needless to say Mike made handsome profit from the transaction.

Chapter 13 - Seller Has High Equity in the Property

Not all sellers can be found among the destitute. Some people sell because they have excess properties. Here Mike shares how, by using good negotiating skills, he was able to close an excellent deal with an elderly couple that wished to make a good profit from their home.

Chapter 14 - Converting Home Equity to Retirement Income

Aging homeowners can be ideal sellers since many of them would rather have their home equities converted to retirement income. Elderly people usually move into retirement communities or with relatives thus turning their own homes into an encumbrance.

Since many of these elderly people are not receiving enough pensions from their social security, turning home equity into a steady income stream becomes an attractive and sound alternative.

Chapter 15 - Sellers in Financial Trouble

People with financial trouble almost always make very ideal sellers since their predicament makes them very flexible. This chapter, aside from giving tips on how to buy from them, explains why buying from these people does not necessarily constitute taking advantage of their sorry state. Mike cites two instances where his buying from these people actually became instrumental in helping them recoup their losses and reestablish themselves.

Chapter 16 - Real Estate Owned By Banks

Banks too can be a goldmine for a real estate investor. With REO properties reaching up to their sleeves, banks would be too happy to get rid of some of them for a respectable profit. This is what makes banks flexible sellers to Weekend Millionaires.

In this chapter, Mike recounts how he closed an excellent deal with a particular bank loaded with REO.

Section 4: How to Power Negotiate

Chapter 17 - Profit Is Made When You Buy

What every Weekend Millionaire must understand and learn from this chapter is the principle that profit is made when he or she buys. The key is understanding the two economic reasons why the price of real estates goes up, *scarcity* and *inflation*.

This chapter also espouses the virtue of buying and holding so that properties create a significant cash flow from the start.

Chapter 18 - Negotiating Power Points

Understanding pressure points and their effects on sellers coupled with the ability of employing them at the right moment brings a weekend millionaire better deals.

The following are pressure points that could be very handy if employed at the right time and for the right purpose:

- Time Pressure
- Information Power
- Projecting that you are prepared to walk away

Chapter 19 - Win-Win Negotiating

Sellers need to feel and know that they are not at the losing end of the deal. An investor can reap great rewards if he or she is tactful and sensitive enough to understand this and conduct the transaction in a win-win approach.

The winning moves to ensure a win-win negotiation includes:

- Gathering information about the seller
- Understanding the motives of the seller
- Putting yourself in the seller' position

Ensuring a win-win negotiation does require that the investor walk an extra mile, but if it means excellent deals then the effort is well worth it.

Chapter 20 - Beginning Negotiating Gambits

Savvy investors have at their disposal smart moves to make sure their deals conclude in a win-win outcome. This chapter outlines the effective moves or tactics a rookie investor can apply in the early stage of negotiation with the seller.

The important rules when opening a negotiation start with asking for more than you expect to get because you might just get it. This gambit, more importantly, can buy you ample room for negotiation.

Other moves include bracketing the seller's price, taking "No" as an opening negotiating position, never saying "Yes" to the first proposal, playing the reluctant buyer role, and using the vise approach.

Chapter 21 - Middle Negotiating Gambit

Keeping the momentum going towards a win-win solution requires another set of negotiating gambits. Below are tips on how to keep the ball in your court:

Use the power of a higher authority. This gambit enables an investor to put pressure on the seller without confrontation.

Never offer to split the difference. But always encourage sellers to offer to split the difference.

Always ask for a trade-off. Every time a seller asks for favors or concessions in the negotiations, the investor should immediately ask for a trade off.

Chapter 22 - Ending Negotiating Gambits

All is well that ends well. But concluding negotiations can sometimes turn awry because of unforeseen factors. To help a weekend millionaire end a negotiation successfully, the authors offer these guidelines:

- Understand and employ the good guy/bad guy gambit
- Use the nibble gambit.
- Know when to use the walk-away gambit
- Position the seller for an easy acceptance

Chapter 23 - You're Negotiating All the Time

Following the Weekend Millionaire Program means negotiating all the time and transacting business with many kinds of people all the time. This is not just to ensure substantial profit but also to learn and master the ropes of becoming a savvy businessman. The sooner an investor accepts this then the greater his/her chance of success.

Some of the people with whom a real estate investor will negotiate and do business with include property managers, maintenance workers, carpenters, plumbers, brokers and agents, accountants, lawyers, storeowners, local government officials, and other host of professionals.

Section 5: How to Structure the Offer

Chapter 24 - Valuing Single-Family Properties

Making money from single-family properties does not just require chutzpah, it also requires careful study and the ability to analyze and calculate risk.

The first step in valuing single-family property is to calculate its Net Operating Income (NOI). This allows you to see how much the property is worth after deducting vacancy factor, management fee, maintenance reserve, utilities, taxes, insurance, and other incidental expenses.

Next to calculation of NOI is the calculation of the Return of Investment (ROI). This involves understanding how financing affects the price you can pay for a property, calculating the property's value using different ROI, considering the length of the loan in your calculation, and considering the rate of return on the cost of necessary repairs.

Chapter 25 - Structuring Your Offer

Structuring offers requires math since you need to do calculations, equipments which can help you with this are available at most bookstores so there is no use to fret.

A real estate broker or a real estate attorney can be of great help on this matter and would serve as figures of authority in reviewing your offers.

The most important requirement in writing offers is of course patience. Every investor should know that perfection comes only after a series of practices.

Chapter 26 - How to Write an Offer

Getting down to the writing of offers can be overwhelming, with so many details to be included and evaluated, but to a weekend millionaire this should present as a challenge rather than as an encumbrance.

There is no strict format for drafting an offer; there are just things that *must* be included in them. All offers should include *buyer and seller information, property description, purchase price and payment of purchase price, condition of property, closing date, occupancy, deed and warranties and title review period, closing cost, prorated items, miscellaneous, and termination costs.*

Optional items that can be included are *statement of assignment, apportionment of purchase price, survey, title insurance, inspections, association provisions, financing, use restrictions, and personal property.*

Chapter 27 - Nothing-Down Deals that Work

No-money down transactions is the most profitable way to invest in the real estate market since it simply saves the investor from dipping into his pocket while promising him or her a return. However, this kind of transaction should be approached with huge caution or else it could backfire on the investor.

Finding nothing-down deals that work involves structuring purchases in a manner that NOI covers acquisition costs and understanding how home equity can finance purchases.

Chapter 28 - Tax Benefits of Owning Real Estate

Aside from giving you a steady cash flow, owning a real estate also provides you several tax benefits. This is how government rewards you for taking the initiative of owning properties and in providing valuable service to your community.

Some of these tax breaks are:

- Favorable income tax treatment
- Passive loss deduction
- Interest deduction
- Depreciation deduction
- Tax deferral on exchanges
- Tax-free sale potential
- Capital Gains tax

Section 6: Moving Into Larger Properties

Chapter 29 - Valuing Multifamily Properties

Multi-family properties offer greater opportunities for a real estate investor but the risk is higher too. This, however, should not detain a weekend millionaire from doing well in this kind of investment.

This chapter offers practical tips on pricing apartment buildings and discusses the rewards of owning even one of these properties.

There are advantages and disadvantages in buying multi-family properties that is why the authors recommend that an investor should stay with single-family homes until he/she gains enough experience and develop an emotional grip on how to handle larger properties.

Chapter 30 - Valuing Commercial Properties

Commercial properties, may it be shopping centers, offices, factories, or warehouses, definitely give higher returns to a real estate investor compared to a single-family unit and an apartment, but then again these come with greater risks and require more sophisticated handling.

Valuing commercial properties require an investor to consider some possibilities for reference should he/she decide to purchase.

- Do the properties have generic design?
- Do the properties need to be customized to suit tenants' needs?
- Is the rental clause adjustable?

Chapter 31 - Building Your Support Team

No investor will have a big chance in real estate investing without availing himself of a support team. Professionals like real estate attorneys, accountants, brokers, bankers and others who understand an investor's goals are indispensable to his success.

Building a support team requires looking for the right people, communicating goals and expectations to them, cultivating trust and confidence, and rewarding them appropriately.

To build strong banking relations you will have to consult these guidelines:

- Pay in a timely manner
- Keep your banker informed
- Build cash reserves
- Maintain your properties
- Take your bankers for a ride
- Be fair
- Don't put all your eggs in one basket

Section 7: Getting Started

Chapter 32- What to Do on Your First Weekend

Becoming a weekend millionaire in real estate involves a lot of "firsts" of which is the challenging *first* weekend. What does an aspiring weekend millionaire do during the first weekend?

The first weekend is for learning the market. This means familiarizing your surroundings, covering a radius of at least 10 miles around your house. This also means getting yourself a detailed map of your area which could help you locate tracts of starter homes.

Chapter 33 - What to Do on Your Second Weekend

After identifying the area you are interested in, you are now ready to conduct the second weekend assignment - learning more about the area you've selected.

Observing how the properties in the neighborhood are maintained and talking to people you see help you assess whether or not you want to invest in the area.

Getting a Multiple Listing Service (MLS) book from a real estate agent or a property manager can speed up your search for ideal properties.

Chapter 34 - What to Do on Your Third Weekend

Hiring yourself property managers makes up your assignment for the third weekend. This is crucial since this is the first time you are going to surround yourself with people who can be valuable in helping you identify for sale properties and inspect them. They, too, can substantially help you draft a good offer.

Chapter 35 - What to Do on Your Fourth Weekend

Calling the owners and visiting at least three FSBO (for sale by owner) properties keeps you on the road on the fourth weekend.

Give yourself an hour to inspect each of the three properties you've identified. To maximize time, have a checklist to guide you through the inspection process. For starter, use the sample inspection form found in Appendix A of this book.

After each inspection give yourself time to estimate total cost of repairs necessary to spruce up the place. Vendors and suppliers are eager to help you with this.

Chapter 36 - What to Do on Your Fifth Week

The toughest part of becoming a weekend millionaire comes on the fifth week - making the first offer.

Before rushing to this part, you are strongly advised to review chapters 24 - 26 of this book to arm you with the necessary tools on how to:

- Value single-family properties
- Structure your first deal
- Write your offer

Then present your offer to the sellers, but don't press them into deciding immediately. Encourage them to study your offer thoroughly, this gives them the impression you are not an over-anxious buyer.

Do reward yourself afterwards for accomplishing the task. A nice dinner would do.

Chapter 37 - What to Do on Your Sixth Weekend

This weekend's assignment includes inspecting properties listed for sale with real estate brokers, inspecting and obtaining rough estimates on the cost of repairs that would restore the property into its former condition.

Caution: Don't let the broker rush you into buying. Work at your own pace and trust your judgment.

Chapter 38 - What to Do on Your Seventh Weekend

This weekend is dedicated to making other offers on the properties you've expected with the brokers last weekend. Once again you are advised to review chapter 24-26 of this book.

The more offers you make the greater the chances of you getting excellent deals.

Chapter 39 - What to Do on Your Eighth Weekend

Sharpen the saw. This weekend's assignment requires you to do the steps you've performed for the past weekends. Remember to bring your business cards and be more attentive and perceptive to what you see.

Practice makes perfect. This is also true in real estate investing. The eighth weekend is also a time to renew your commitment to stay focused in your goal - to become a full-pledged weekend millionaire.

Chapter 40 - Biggest Mistakes New Investors Make (Bonus Chapter)

As closing, this chapter enumerates common mistakes or pitfalls new and over-eager investors make. By enumerating and discussing these in this chapter, authors Mike Summey and Roger Dawson hope that you will develop the fine ability to identify any of these and effectively avoid your doing them.

These common mistakes include:

- Being impatient
- Commingling your accounts
- Buying upscale properties
- Buying properties just because it is cheap
- Inflating your net worth
- Not understanding that wealth is an income stream
- Trying to do everything yourself
- Fear of bad experience
- Buying out of area
- Buying other than basic rental property
- Gambling on prices going up
- Blanket encumbrance
- Buying property controlled by homeowners
- Procrastination

The journey of a thousand miles begins with a single step and the same is true with the journey of becoming a weekend millionaire. One intelligent step at a time and the goal can't be very far.