

**The Professional Investor's Plan**  
The art of using high-leveraged activities  
By Dan Auito

Strategy as defined here would be the science of planning and directing exactly how you intend on proceeding to maximize your profit potential through investing in real estate. Without a sound strategy and consistently executable tactics you may find that the result of the long, hard efforts have only led you to frustration and a less than sought after result.

Here I would like to make just a few suggestions that will hopefully save you from wasting years of hard effort only to learn in the end that had you invested using a better strategy, you would have realized more profit, happiness, satisfaction, control and free time as a result.

I'm not going to make you wait to find out the secret, so here is the crux of this technique. FIND'EM, DON'T FIX'EM! It sounds easy, doesn't it? Please continue reading to get the full flavor of this topic. There are a few steps to follow if you are to succeed in using this method and you will really need to understand before you go and do it. I need to stop here and take into consideration the new investor who doesn't have a war chest of greenbacks to get started with.

If you're just beginning or starting out with a small amount of capital then you will most likely have to find'em *and* fix'em on the first one or two properties. By finding them and fixing them, then selling on your own, you will limit the amount of initial expense that you incur. Naturally you will keep more of the profit as a result. The trouble with this technique is that you eat up valuable time that could be more profitably spent on finding more great deals!

Here is what I am saying. If you spend your day painting a property, how much have you saved or earned? Let's say a painter at \$30 an hour multiplied by eight hours equals \$240 dollars a day. You, in effect, have given yourself a new job that pays \$30 dollars an hour. Instead of painting, let's say you hire the painter so that you can go hunt down another bargain property with a \$20,000 margin of profit. Let's also assume that it takes 100 hours of effort to find, fix and sell this property; \$20,000 divided by 100 hours equals a \$200-per-hour rate of pay. Don't do \$30 when you can do \$200!

By doing the first property using your own time and labor, you may get most of that \$20,000 dollar profit when you sell, but it will generally take you an average of three months to do it, or 480 hours. That boils down to \$41.66 an hour and you can't look for more great deals. What this *will* do is give you the capital to pay someone else to do the labor on the next one. Once you have your nest egg you can begin to pay up to \$5,000 for the labor to include materials. Now you let the lower wage scales do the dirty work of cleaning, repairing, painting and installing new fixtures and you no longer spend your more valuable time doing the low paying labor jobs, so now you can quite feasibly make \$20,000 and spend \$5,000 to do it. This leaves you with \$15,000 profit divided by 100

hours, which equals \$150 an hour or five times the pay of the painter! Don't be a laborer if you don't have to be.

I hope you see how it pays to find them rather than fix them. Granted you're going to have to learn this higher skill of finding and evaluating good deals, however, throughout "Magic Bullets" I've given you at least 150 ways to find those deals, such as from bandit signs, newspaper ads, bird dogs, professional search services and so forth. You have the ammunition to launch a campaign that will yield plenty of these deals.

Once you find what appears to be a motivated, distressed or disinterested seller, your next skill set will be to evaluate the property to insure that a profit will result if you do proceed. Here again, you're focusing on plumbing, electrical, foundation, structure, roof and location, as the rest will generally be cosmetic repairs that can be done quickly and inexpensively in an effort to realize the true value without going *broke!*

Once you have some accurate figures concerning a probable sales price, the cost of materials, labor, marketing time and transfer costs you can project your profit. Will it yield \$20,000 or more in 90 days? It should! If not, then you may consider passing on the deal and continue the hunt for another property that does satisfy your strategic objectives. Side note here: Often when you walk away from deals like this, they end up coming back to you later when the sellers can't sell. You'll have an opportunity to lower your offer to an amount that will satisfy your objectives and it will usually be accepted at that time.

Let's assume that you have found and evaluated the property. Now you will need to negotiate the sales contract and buy this property for the lowest possible price. By having your own offer sheets, sales contracts and financing in place, you can move swiftly to acquire these moneymaking assets. As there are so many creative ways to finance real estate, I'll only touch on a few here: owner financing, subject to existing loan, leases w/ option to buy, H.U.D. 203k rehab loans, conventional bank loans, assumptions, all cash, etc. You will see what type of financing can be used as the deals begin to take shape. Just be prepared to use the method that will work when you make your offer. Hint: It helps to be pre-qualified and if possible to have equity lines available to tap into if necessary.

Now that you have found, evaluated and acquired the property, you will have to affect the repairs. I did not say you would have to do the repairs yourself, remember? Here is where you play Mr. or Ms. general contractor by hiring licensed and bonded professionals who come highly recommended you begin to pass off the labor issues back to the lower earning wage scales so that you can get back to finding more good deals.

Note: One trick to getting good workers and companies is to ask appraisers who they would recommend for certain jobs if *they* needed work done. Appraisers know a lot about value, folks! They seldom steer you wrong so build your network through their referrals.

Another way to save money is to begin getting familiar with local suppliers of all types of construction materials. I'm not talking truss members and cinder blocks but you will have to create your repair list often, otherwise known as a punch list. You can create this list of items that you will need to fix or replace in a few short hours. By using your notes from your initial evaluation, you'll be half way home. These items may include tile, vinyl, carpet or wood for floors, toilets, faucets, sinks, tubs, vanity cabinets, mirrors, towel bars, light switches, electrical receptacles, light kits, ceiling fans, knobs, handles, locksets and paint to make the property look and smell new again. Now you can spend another eight hours shopping for and scheduling the dates of delivery and installation for the larger items but that is where your labor ends and you revert back to the supervisory role of periodic inspections to insure the laborers and contractors are getting the job done on schedule.

Up to this point we have done four things: We have found, evaluated, acquired and are repairing. With these steps behind you, the next step will be to start the marketing efforts to find a buyer for this beauty. By pricing it right and advertising it for sale to the entire market of potential buyers, the word will get out. You can help that word get around by using newspapers, yard signs, corner signs, word of mouth, flyers, fact sheets, neighbor alerts, network partners and a host of other avenues of approach that can almost guarantee you a steady stream of buyers when the time to sell is near.

So you have found, evaluated, acquired, repaired and marketed the property. Now the final step is to get the sales contract signed and a closing date scheduled. This should all be accomplished in about 90 days and you will have cleared no less than \$15,000 as a result. Your results may vary – it could be lower, and quite possibly could be higher depending on how good you are! I'm giving you the overview here. You will be doing many tasks along the way that are not being explained in depth here.

You *will* have capital gains taxes. However, when you keep every receipt and use a C.P.A. to do your taxes, the process will be fairly painless. This work will pay very well regardless of that fact. By having two or three of these rehabs going on at any one time and having just one closing a month, you should be making over \$100,000 a year, after Uncle Sam gets his.

Many highly trained or experienced investors never even touch the property. They simply find great deals, handle some paperwork and sell it for less than they could get if they spent more time on it. These people are leveraging their time and techniques to squeeze out the maximum profit in the shortest possible time with the least amount of effort. I don't condone being a paper pusher and taking advantage of other people's ignorance or misfortunes by doing paper trades. I personally have a hard time finding value in deeds done by using such methods. This is why I have given you a value-driven road map to follow in this brief report. I sincerely hope that you will create value for those that depend on you to deliver in an honest and caring professional manner. Happy hunting!

Dan Auito is a dual-licensed real estate agent and appraisal assistant. Founder of a non-profit drug prevention corporation, a real estate consulting group and is the author of "Magic Bullets Real Estate." This 300-page power-packed book (due out in Mid July 2004) comes with a website that further supports its readers. Please visit with the family at [www.magicbullets.com](http://www.magicbullets.com) we look forward to seeing you!