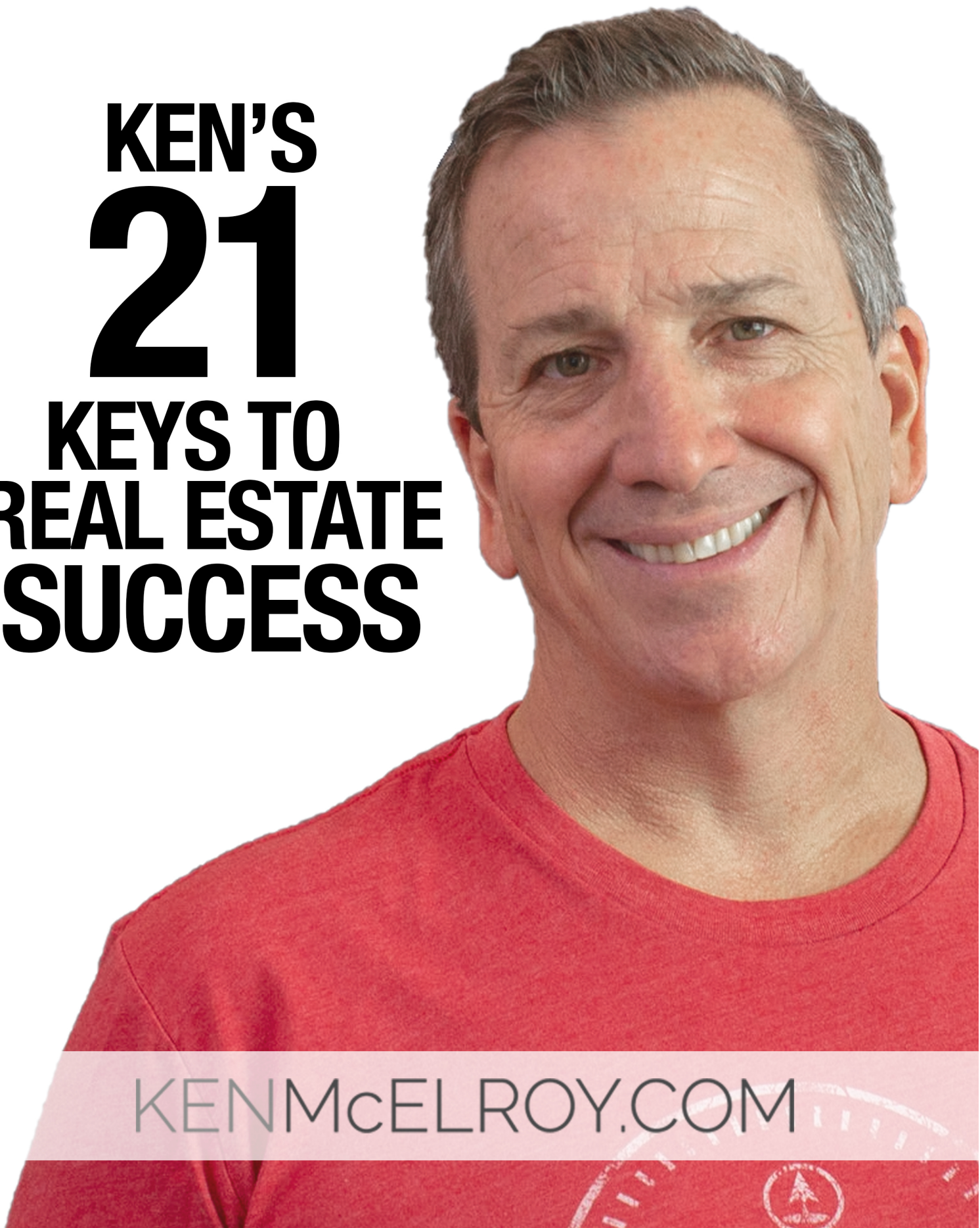


**KEN'S
21
KEYS TO
REAL ESTATE
SUCCESS**

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The average Joe who doesn't know (or doesn't want to know) how to get started investing in real estate, gets their cash flow from a nine to five job. That scenario is the exact opposite of being financially free, because cash flow doesn't come from depending on a job you have to go to everyday in order to get paid. Financial freedom happens through investing in things that make money for you. Investing in the best real estate investments you can find, businesses, or stocks; assets you invest in that produce money, and that money is your cash flow.

Now, real estate investing may look like risky business to some, and that isn't completely false, because it definitely can be. But just about anyone who works *smart* enough, and hard enough, can use real estate investing as a way to increase their wealth. Many people ask why they should invest their money in real estate. I say because future retirement based on cash flow from a rental property isn't a dream, it's a real-life possibility. Before I outline what every beginner getting started in real estate should know, I want to explain why I think this type of investing is the best there is.

So what are the advantages of investing in real estate? When beginners are just getting started in real estate investing, most don't take advantage of what I consider to be a huge advantage in real estate; leverage. Leverage means a loan, and that means debt. Most people associate debt with being bad, and are afraid of debt, but there is good debt and there is bad debt; leverage is good debt and there's real power in having leverage for your investment properties.

Why is leverage an advantage for buying an investment property? Because you can't get leverage for investing in other assets like stock portfolio, or gold. Leverage can come from an insurance company, an individual, or be an investment property loan from the bank. Having leverage is a huge advantage, and one of my real estate strategies to increase overall returns from my investments.

The ultimate goal is to not be an average Joe. An average Joe's only source of income is typically their 40-hour workweek. The average Joe buy's a single-family home to live in and thinks that is investing in real estate; it's not. The average Joe will always struggle and never be financially free, because he/she has their head in the clouds. I don't think you want to be the average Joe, and I'm confident your friends and family don't want to be average Joes either. Your goals should be to:

A) To make money by investing in real estate, or other assets.

B) And in return, have enough cash flow from those investments to cover every single one of your expenses.

C) Share the knowledge and help your loved ones get financially educated as well.

Now that you're (hopefully) convinced real estate investing is a good idea, before you jump in and get started, there are several things you need to take into consideration. Because I know for some, buying a property is a stressful event. Beginners will hire inadequate companies to help them, and make mistakes ranging from not doing adequate due diligence, or buying too high. All of these things add up and make an impact on your cash flow and returns; defeating the purpose of buying an asset to create massive cash flow in the first place. To avoid you some unnecessary stress, time, and money, I compiled some of the top things I wish I would have known before I got started on my real estate investing journey.

1) Don't Quit Your Day Job...Yet

It seems like common sense, but too many real estate investors have gone belly-up with their finances because they relied too heavily on turn around profit or rental streams of income, and then the market took a downturn, leaving them with not enough cash flow to cover their income needs. Until and unless you have enough diversity in your real estate investments to cover downturns in the market or tenants who don't pay their rent, you'll need to keep working your day job.

2) Be Resolved

Real estate investing is not something you should do on a whim. Investing in real estate is rather a life long journey to take control of your financial future. It is NOT, I repeat, it is not a get rich-quick scheme. As an investor myself, I can tell you that there will be times of struggles, mistakes, and failures; but these are all lessons and moments to launch you forward. That's the trick to being a successful investor; taking those difficult experiences, and turning them into beneficial lessons to improve your skillset.

3) You Don't Need To Be An Expert

There are far too many people who are afraid of investing in real estate because they don't feel like they know enough about real estate. Perhaps that's true. You *should* educate yourself on real estate, and continually educate yourself, but you do *not* need to be a real estate expert to get started investing in it.

4) Learn the Lingo

If you don't know real estate investing lingo – that's okay, but get started learning now. Not knowing the lingo can result in you looking like an idiot, plain and simple. Now, if you don't know the lingo and are talking to a real estate investor, be honest if you don't know something. You'll end up learning something new, instead of getting embarrassed for acting like a know it all.

5) Know How Real Estate Investors Get Paid

If you want to be a real estate investor, you need to know *how* you get paid. Knowing this will help you in all sorts of ways. Especially when you're feeling overwhelmed and need a reminder of why you started investing in real estate in the first place.

6) Start with Good Bookkeeping Now, Rather Than Later

Some mistakes aren't worth repeating, and this is definitely one you should avoid. Failing to create a system for paperwork will result in a big giant mess. To avoid this, after your first purchase, meet with an accountant and a lawyer. That way they can help you begin plotting yours; you're welcome.

7) Go From Personal Residence To Rental

A great way to get your feet wet with real estate investments is to put your personal property up for rent. If you plan to live in a house for a few years before turning it into an investment property, you'll be better equipped to handle repairs on the house. Living in a property and making changes along the way is a cost-effective, long-term solution for getting started in real estate. You'll also get better interest rates on the property if it's your primary residence when you buy it.

8) Overestimate Your Costs

Things perpetually break down and need repairs in properties, and the home repairs inevitably cost more than you think they will. If you're looking into real estate investing, make sure you have a fairly sizable cash reserve to cover the expected and unexpected costs of property management and repair.

9) Buy in Working Class Areas

Look for properties in working class areas where rental properties don't last long on the market. For example, if you live in the city, look for a property that would appeal to young graduate students or young workers.

You're more likely to have your property sit vacant, costing you thousands of dollars if you buy in a neighborhood typically occupied by homeowners. It's not impossible to rent homes out in nicer neighborhoods, but it's easier to fill a property with tenants where rental properties have a higher turnaround rate.

10) Pick Moderately Priced Properties

Keep in mind that expensive homes in sought after areas like the oceanfront usually have low cash flow returns. You'd be better off investing in a more moderately priced property with a higher cash return.

11) Know the Neighborhood

Don't buy a property in an area you're not familiar with. Know the history of the neighborhood, and do your research. Find out how the schools rank, what the crime statistics are, and if there is any noise or air pollution that could affect your ability to rent out the property.

12) Choose One Investing Strategy, and Master It

Some people get caught up and lose focus, and in their defense, it's easy to get distracted. But if you want to be a successful real estate investor, don't give in to the temptation of dabbling in a bunch of a different strategies when you're just getting started. Focus on one investing strategy, master it, and then you can try out something new.

13) Learn from the Experts

If you're looking at getting started with real estate investing, reach out to the experts in your community. Join a real estate investing club and reach out to experts online. Invite a local broker to lunch and pick their brain for ideas on your tab. If you want to be successful with real estate investing, surround yourself with successful real estate investors.

Also, constantly read new real estate books, blogs, and eBooks about smart real estate

investing strategies.

14) Hope for the Best, Plan for the Worst

When you own a property, it's essential that you hope for the best but plan for the worst. Between expensive repairs and downturns in the market, you need to have a backup plan and money in savings to help cover life's unexpected financial difficulties.

15) Plan on Long-Term Investments

The longer you own the property, the greater your return will be. Don't hop in and out of property ownership. A little bit of patience goes a long way to increasing your returns.

16. Location of a Property

As the popular saying goes... *location location location*, but the truth is that it actually depends on the property and the demographic you have your eyes on. If you're looking for a rental property with 1 bedroom in a neighborhood that's extremely family oriented, means that your target tenants will be slim pickings, verses if you that same property was half a mile from a college campus.

Maybe that same 1 bedroom property is in an "up and coming" neighborhood with lots of bars. You know that your target renters aren't going to be a sweet retired couple. Ask yourself what you need, as your tenant, to live there. For a 1-bedroom property, you don't really have to pay attention to the school district, but things like being walking distance to a supermarket or dog park can be a huge plus in attracting your dream renter.

17. Type(s) of Properties

Again, depending on your budget and what you're looking for, you can afford to buy a property with a certain number of rooms or of square feet. That's great. But again, you have to think about your target renter again. A four-bedroom house with a very small living room? Your target renter would probably have two plus kids, so a small living room will be a deal breaker for that prospective tenant. But that same property could be the perfect fit for 4 young professionals or college students who'd like to be roommates.

And if you plan on having that demographic (roommate situations), you have to consider things like if there are enough bathrooms.

18. Budget, Budget, and Budget

Remember that just because the bank is willing to lend you a huge amount for a loan, doesn't mean you should borrow everything they offer. Think about the worst-case scenario, like the property staying empty for a year. Ask yourself questions like can you cover the mortgage? Will you have to agree on a short sale \$20,000 under what you paid for? The point of buying an asset is to give you financial freedom, not ruin you, your credit score, and make your nest egg vanish into thin air. Be careful, be smart, and don't get ahead of yourself.

19. The Works and The Fixes

You need to consider how much work on the property needs to be done before you can rent it out. You need to calculate and budget the cost, as well as the timeline. Why? Because during that time you will be spending more money and have no rental income coming in for that property.

If the fixes include a simple paint job or carpet cleaning, you could offer your tenants free rent for the first month if they take care of those fixes themselves. But if more serious rehabs are needed, you need to decide if you'll make it a DIY project, or hire someone; and if you do decide to hire a contractor, clearly define the terms for both the budget and timeline. The last thing you want is a delay or huge unexpected cost.

20. Tenants

Be cautious, realtors will always tell you that you can rent your place for significantly more than market rent, so you give them the business. So always take their opinion with a grain of salt, and then look at the facts: a listing gone is a rented place. Look at what the listed rent price was. Maybe you'll never know exactly what the rent amount is, but the listed price for that property was fair enough to attract the tenant now living there, right?

21. Avoid Being a Penny-Pincher

Sure, you should set a realistic budget and add to it every change you're given. But you should also try to outsource as much as possible to maximize your time. Also, in this

business, never expect something for nothing, it's not going to happen. Just always aim for having a high return on your investments, and avoid the scarcity mentality.

Of course, there is more to know about real estate investing, but this is a start on the right foot. Tell yourself you're not an average Joe, because if you're reading this, I can already promise you you're not. Make this your goal. Make it happen. Feel the weight lift off of your shoulders, and that's when you'll know how it feels to be financially free.

Now... if you haven't already become a KenMcElroy.com member I would like to invite you to sign up for free...

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