



The Best Passive Income Model Podcast with Mark Podolsky, AKA The Land Geek

Todd Tressider on Wealth Building Equation in Life

Transcript

Mark: Hey, it's Mark Podolsky, the Land Geek with your favorite niche real estate website at www.thelandgeek.com and today's guest is Todd Tressider from financialmentor.com and if you don't know Todd, he is a serial entrepreneur since childhood and he developed his financial investment expertise by building and selling a hedge fund investment management business to retire at age 35. For nearly two decades since, his one to one coaching on building wealth and living a wealthy life, which we're going to talk all about is to create a fluid and conversational style on subjects normally stifled by technobabble. These include advanced retirement planning, investment strategy, personal finance and entrepreneurship and we're going to go deeper into this.

So Todd's been around a while, he's been featured on some big sites, right Todd? Where have you been featured, NPR and...

Todd: Wall Street Journal, Investor's Business Daily...

Mark: Forbes, Smart Money...

Todd: Yeah...

Mark: You know what Todd, congratulations! You finally got on a prestigious...

Todd: Yeah...I finally went big time, man.

Mark: Yeah...and prestigious media outlet, the Best Passive Income Model, so good for you.

Todd: There we go.

Mark: That's great. Alright, so Todd, let's just get into it. First of all, where are you from and what made you want to go into creating a hedge fund?

Todd: Ah, where I'm from is the San Francisco Bay Area. I went to college at East...Ooh, I'm getting a repeat...

Mark: I'm not hearing it on my end...

Todd: I'm hearing it on my end...alright, we'll try it again.

Mark: Okay.

Todd: So...I'm from the San Francisco Bay Area. I went to school at UC Davis, graduated from UC Davis, spent some time at UCLA as well. So that's kinda the background stuff. What got me into the hedge fund business was when I was in college, I took a university class in Investing. I can still remember the teacher was a very successful investor, he wasn't just a professor. He was also a very successful at real estate and so he's teaching a course on traditional investing, you know, like paper assets, stocks, bonds, that kind of thing.

Mark: Right...

Todd: And I'm looking at the charts in there and I just went up to him after class one day and I said "You know I can make money out of that without knowing anything about it. That's just wiggly lines. I can make money from that statistically."

Mark: [laughs]

Todd: And he said "That's impossible. Nobody's ever done that." Well, that was the basis of the hedge fund. It totally works. It still works today.

Mark: No way...

Todd: Yeah...yeah...so that was long ago. Since then, that whole area's been infiltrated with PhD's in statistics and you know...on and on and on...I mean it's high tech stuff now. In my day, I had to build my own computer databases cause none existed. I started in the business when IBM came out with its first personal computer with an 8088 processor...I mean it's like a boat anchor now.

Mark: Wow...

Todd: And Apple...Apple 2 was still being...being...made in a garage...

Mark: [laughs]

Todd: [laughs]

Mark: [laughs]

Todd: So, it was very early on...I brought technology to the investing space waaay before it was popular.

Mark: Interesting...I mean...So you were a really young guy. How much money were you managing?

Todd: Well, it sounds small now but it was 20 million which back then was a sizeable amount cause again it's going back to the 1980's, and so....

Mark: So 20 million then was like a hundred million today.

Todd: Yeah...but I don't know what it is...but it was a sizeable amount even... In its day it was significant...I mean obviously there were hedge fund that were far larger...we were a small boutique firm but it was a nice asset base to work with...

Mark: Okay, so what made you want to sell it...at 35?

Todd: Stupidity.

Mark: [laughs]

Todd: Really. I know! It's a great business model, you know...and the client base was established...we'd only had one losing year and that was a fraction of 1 percent and that's cause the model blew up...and actually, the models themselves still make money with the models themselves had 100% winning years...it was just our fees were high enough that it turned the fund into a loser by like a half a percent or some fraction of a percent...

Mark: Right...

Todd: And so we had a really faithful client base. Nobody was really going anywhere, people loved us. We were full...we weren't taking any new clients...it's a nice stable cash flow business and I was just a restless young kid, I'd had so much success at such an early age, I didn't appreciate what an amazing thing I built...I didn't really understand what a great business this was...what a great cash model it was...I didn't know how good I had it.

Mark: Right...

Todd: I had to go sell it for a pittance, and live without the cash flow to understand the value of it.

Mark: So then what did you do?

Todd: Went off and travelled the world...so that was my motivation...I'd always wanted to backpack through Europe and the Middle East and stuff. And I'd never done it because I had to work myself through college so while all my friends were travelling during summers and doing cool things, I had to work every year just to get back into school, you know. Pull out the violin, right?

Mark: Right...right....

Todd: And then...and then as soon as I came out of college I had student loan debt and everything and I had to go straight to work. And so I'd always wanted to do some backpack style travelling. And I wanted to do it while I was still young enough to enjoy it. And so that was one of my primary motivations for selling the business was you know just to be free. Cause I mean...I was in the markets everyday...so I wasn't free to just go travel and be a vagabond.

Mark: Right.

Todd: And...and so that was the primary motivation...I went off and travelled for a while and got my fill of that and came back from that...had a couple of floundering business attempts ah...that cost me some good change and had to learn some good lessons...and eventually landed on financialmentor as a passi...as a passion business...you know something that I just really wanted to do and I do it to this day...and I...don't ever foresee selling it. I foresee you know, just doing it.

Mark: It..just..it's yeah...just a passion business...like ah...a lifestyle business...

Todd: Yeah, it is a lifestyle business and it's also something I truly care about and you know, judging from the emails I get...every...day...not everyday...that would be an exaggeration...but every week, I get emails from people about how it changed their lives...so, um...it's very rewarding...

Mark: Well...give me an example of...of one of those you know...people that you've changed their life and how specifically did you do that?

Todd: Well, I give away a ton of free education on the website and so you know...you don't have to pay me to go learn...most of the stuff in there is for free and so people who are willing to put out the effort and go study what I put up there um...can learn quite a bit you know...about how this game works and how the pieces are put together.

Mark: Right...

Todd: And so you know I have people write me and say “Wow, I’ve never paid you a dime...ah...you don’t know my name...but....you know...I’ve been lurking around your website for a while reading all your stuff and listening to your podcast and like I just want you to know that this is what I’ve achieved and I did it all based on what you’ve taught me...

Mark: Wow...

Todd: Yeah...

Mark: So what is the model? Like give me the goods, Todd!

Todd: I...I’m not behind a specific model like the way I teach this is there’s a lot...a lot of ways to skin the wealth-building cat...

Mark: Okay...

Todd: Um...and the key is you have to associate what your skills, resources, and abilities are and you...you have to match the very valid strategies to what you bring to the table...to define what’s actually going to work for you...you know...I could...I could have...I could have mentioned...there’s an anesthesiologist client...

Mark: Right...

Todd: Who makes half a million a year...he doesn’t need to go start an entrepreneurial venture he just needs to know how to manage his own cash and invest it wisely.

Mark: Right...

Todd: Cause he’s not going to earn more than he does in his current occupation. You know...whereas you can take like a teacher...you know...a teacher has understand how to bring in principles of leverage because he’s not gonna have...you know...the asset base to work with...to leverage...and so he’s got to figure out how to leverage other people’s assets, how to leverage his time and skills into something that’s going to grow equity...

Mark: Right...

Todd: And so each person’s different in how they have to approach the wealth building equation and actually succeed. There is not a single answer. There are some answers that are better for some people than others.

Mark: Do you like real estate as a...just...general model or do prefer the markets...bond markets...stock markets...commodities markets...whatever it may be?

Todd: Oh, I like real estate a lot. I ...there's three asset...the way I teach it is there's three asset classes. You've got paper assets which is stocks, bonds, mutual funds...that kind of thing. And then you've got direct ownership real estate...as distinguished from RETS, obviously. And then...and then you've got entrepreneurship or building a business. And so those...those are the three asset classes. They're far more interchangeable than most people understand and so that's what you build your wealth plan around. So it's three asset classes and how you apply them in your own wealth plan. Yeah, I think real estate is great. Real estate has tax advantages, it has leverage opportunities...um...most people don't realize it but real estate is really nothing more than a leveraged play on inflation...and so because of that...real estate works you know...95, 98% of the time, as long as you're in an inflationary environment it works well where we had problems with real estate is because we're in a deflationary environment and if it wasn't for the government's...you know...herculean efforts to reflate this economy desperately...

Mark: Right...

Todd: Um...we would have had a much bigger deflation we've already had and who knows what will transpire cause it would still be down the road, we don't know...um...but...you know it's...that's why people lost their shirts in...you know...2008-2009 was what was that rare deflationary glimpse...and when you're leveraged...you know...5 to 1, 10 to 1, wise people are leveraged, you know, infinitely in...in...in that period...cause you could get...you know...LIA bonds and all kinds of stuff... and so...there's all kinds of wacky stuff going on, a lot of financial leverage involved, cash flows didn't match with the asset cost...things like that and so that's why people came up unwound so bad in 2008-2009 is the income rule to the asset values didn't make sense.

Mark: That's right. Did you see that coming? Did you...Did you watch the big short were you like one of those guys like "oh yeah, this doesn't make sense. I...How can I make money betting on real estate?"

Todd: I...I actually did...I...I had...In 2005 I had 162 apartment units...a bunch of hou...not a bunch...I had some houses...and I had a bunch of acreage...and by 2007, you know the only thing I owned was the house I lived in.

Mark: Wow...

Todd: I sold...I sold everything right before the decline...So I can't say I actually saw the decline coming...

Mark: Right...

Todd: What I knew was we were in a speculative bubble and I understand supply and demand and I know bubbles...from my work in the paper asset field. Actually, I built my wealth from the paper asset field...So, I brought a real different kind of experience to the game than most people in that I'd been through a lot of bubbles bursting, and it was hard. I mean, I'm telling you. When I went to sell that stuff, and you know, I wasn't 1031 exchanging and I mean I was openly ridiculed. People called me a fool, they called me an idiot, said I was stupid...they said I'd never come back from the taxes I was paying on the gains...cause I had sizeable gains on those apartment buildings.

Mark: Sure!

Todd: And ah...and there just...I mean there...I was openly ridiculed. Of course, now in hindsight, it looked really smart...

Mark: Right...

Todd: At that time, it was really hard because, you know, nobody says it anymore but I mean just as we have truths today that are completely nonsense, we had...you know...there was a truth back then going to the 2007, 2008 final top, which was that real estate never goes down...I mean. people believed that was true...

Mark: Yeah...I *totally* remember that!

Todd: Yeah! I mean that was the *truth* like you know to think...I mean holy smokes, to speak such heresy as to actually sell your real estate in anticipation of a decline. It was just...it was heresy...

Mark: Right...

Todd: You know and...

Mark: I...I...

Todd: That's what I said, I was openly ridiculed...It was very difficult but then thank goodness I did, you know.

Mark: What are some of those false truths that people are kind of banding about today?

Todd: Well, the big false truth now is to buy the dip. You know...that's...that's...the one, the government has trained everyone to buy the dip...

Mark: Right...

Todd: As soon as...as soon as the market goes down, you it's known...it's known in the industry as the "FED put" ...as soon as...as soon as the market starts to decline a bit then the Federal Government comes in with yet another Q-E-27 and you know [chuckles] whatever it is...

Mark: What's a...what's a Q-E-27?

Todd: Well no, I mean I'm being facetious. There's Q-E-1, Q-E-2...Quantitative Easing is what it is...

Mark: Oh...13:18

Todd: And so they've been coming out with program after program, after program, so I facetiously call it Q-E-27.

Mark: Oh...

Todd: For those who follow that stuff...you know, they'll come out with yet another program. They can still kick the can down the road again a little bit but...ah...obviously it's they've...they've tried and so far we've still had deflation working at the door...for...so...so...anyway, to me, the one that's interesting is nobody believes the markets can go down and stay down...that's the funny thing out there...that.. I mean...absolutely nobody believes the stock market will go down and stay down for a prolonged period of time and will stay down. Now, ultimately it will always reach new highs. Right...

Mark: Right...

Todd: The reason for that...there's a reason for it...You know, Equity returns are dividends plus economic growth plus or minus change of market valuation. That's the formula for this...three components...and so the plus and minus change in market valuation regresses to the mean given enough time...which means your equity valuation over the long, long, long term is just dividends plus economic growth.

Mark: Right...

Todd: And so that's why if you look at the chart of like the Dow Jones Industrial Average, or whatever...you'll see it slips from the bottom left to the top right of the chart. You know, there's...there's...a...a scientific reason why this is going on and why, you know, it should persist as long as those fundamentals remain. But that doesn't mean you can have...you know you can have 10, 15, 20 year periods of you know, no performance and negative performance.

Mark: Do you think we're there now? I mean, look at energy, look at swads of the economy that are gonna go away because of technology and artificial intelligence. I

mean, are you bullish on our future?

Todd: I don't...I do...First of all, I never have an opinion. Everything I do is quantitative.

Mark: Okay.

Todd: So, I don't...I don't predict the future. I mean, you know, like this discussion we're having now, I'm fascinated by the subject and so I entertain myself just like anybody else. But I don't kid myself. This is entertainment....um...I don't put a dollar at risk based on my own interpretation. Everything's quantitatively driven...ah...just for the very models back in the days when I was ran the hedge fund.

Mark: Okay.

Todd: I've...I've never deviated from it...

Mark: That's a...that's a great answer. I don't...you know, I've had a bunch of financial people on and no one's ever answered that way...Ah...

Todd: Well, I mean, think about it. The future is unknowable. If you're going to forecast, it's a fool's game, right? Cause the future's unknowable. There's way too many factors influencing and there's always unknowns.

Mark: Right...

Todd: And so...

Mark: But people make livings as prognosticators and they're wrong and no one cares!

Todd: Yeah, I call it...I call it financial porn.

Mark: Yeah...financial porn.

Todd: Yeah it's...there's no redeeming business value...I don't watch you know, CNBC, or read the Wall Street Journal for...God, it could be a decade now. I don't know. I mean, it's many, many years. So I just, it's irrelevant but you know...

Mark: Right...

Todd: The stuff I read is like academic research journals and...and...you know, well-written books, things like that...I try to deep dive down into subjects. I don't...I don't listen to porn...

Mark: On such a day when technology, it's never been easier, faster to come up with these models and...and make money. Really, it's... [inaudible]

Todd: Well, no, that sounds optimistic...but um...

Mark: Well, I know but you know if you're looking at...you know...

Todd: Yeah...if you know what you're do....

Mark: Yeah, from a software standpoint...

Todd: No, no, no, no. You have to know what you're doing.

Mark: Right...

Todd: Oh, I see what you're saying. You're talking about like creating a business out of software, or something like that.

Mark: Well, no, no, no...I'm saying that if you look...if you have a quantitative model, that you have the tools today and it's very inexpensive way, to look at and use a software, to try to understand them. If you're in your business. Right? As opposed to say, you know, in the 80's where you'd have a...you know, a very weak computer. Like you can do this on your phone now.

Todd: Yeah, but if everyone can do it and everybody does then there's no competitive advantage to it. You...you have to know what you're doing. There's an art and science to this and the greatest example of that, of long-term capital management?

Mark: Right?

Todd: Long-term capital management blew up, I don't have the exact numbers but it was something like they had 17 PhD's on staff and 3 Nobel Laureates, something like that, I mean...I mean, when that thing blew up, it was a big deal. You know, cause they were like the darling of Wall Street and they'd done good for a few years and it was a classic example of having profound statistical and mathematical knowledge and not understanding market truths. You have to know the markets and you have to know how the stuff works. There's an interesting concept in "fat tails," you know "fat tails" are?

Mark: I don't know what fat tails are.

Todd: Alright, do you remember standard bell curves in high school, college statistics?

Mark: Sure!

Todd: Okay. So well, you have this bell curve that teaches the normal distribution which the markets are but then there are these things called fat tails it goes out to the edges, past a couple of standard deviations that goes further out and you'll see these lumps where they shouldn't be. It should just smooth out and head towards the axes, right?

Mark: Right.

Todd: But instead, there's these fat tails of violent price movement and there's a lot of mistreatment of statistics around what those fat tails are. The reality is those fat tails are so important and so significant they literally define the distribution. And so not a lot of people understand that. A really good book that was written, so this will be your Hot Tip was a book written by Benoit Mandelbrot and he's no slouch of a mathematician. I mean, he created, I believe it's Chaos Theory? Chaos mathematics?

Mark: Right?

Todd: Well-respected mathematician. He also happens to be a geek for financial statistics. He did a whole book on it. It's a readable book. It's not just really bad but it's actually readable for the lay person and he goes through just how risky the markets are if you truly understand them from a mathematical standpoint. Way riskier than most people understand and it's those fat tail distributions that are so statistically significant that they actually define the distribution. They define the proper investment strategy whereas you take traditional investment strategy that ignores them and that says that you just have to accept that volatility and that market risk is unmanaged.

Mark: Right. Yeah. So it's funny cause I'm on your site right now and I love this post, the secret to financial...or a ridiculously easy way to build wealth, right? And you just break it down in two sentences.

Todd: Yeah, I break down the wealth building equation in two sentences.

Mark: Make more than you spend and invest the difference wisely.

Todd: Yup!

Mark: Develop simple daily habits that result in wealth accumulation. I have to admit, Todd, I'm disappointed. I was expecting something really complex.

Todd: Sorry, I'm not a salesman, I'm a truth teller! [laughs]

Mark: [laughs]

Todd: I mean if you look at that, go and shoot a hole in it.

Mark: Yeah, I love it!

Todd: The truth is simple. Nobody can sell it to you. Nobody can pitch you on it. It's the honest truth. It's everything you need to know about wealth building. Now, the devil is in the details. How do you implement that?

Mark: Right.

Todd: That's where it gets interesting right? But in understanding what you want to know about wealth-building, that's it. Right there. Now we just need to go into implementation, now we have to go further. It's different for each person.

Mark: Right...

Todd: Right? Like you could take it apart in pieces. You go, make more, that's one piece. Spend less, another piece. Invest wisely, a third piece.

Mark: Right.

Todd: Right? And so each one of those pieces is a whole understanding in itself.

Mark: Yeah, exactly! So let's say I'm working right now. I'm on a cubicle at Procter & Gamble. Right?

Todd: I'm very sorry. [laughs]

Mark: And I'm in my car, it's been a hard day, I'm listening to this podcast and I just wish I could get freedom, right? I want freedom. I want happiness. I want to get out of this terrible J-O-B. What is Todd Tressider's advice to me?

Todd: Just do it.

Mark: Just quit it?

Todd: You're not going to do anything about it if you're just dreaming about it. You just step out. You do it. You take your lumps. It's not easy. I'm not gonna sit here and sugar coat it. It's not easy but what else is there to do with life?

Mark: But Todd, I've got three kids! I've got a mortgage! I've got a luxury car! I've got bills to pay! I can't just quit!

Todd: Correct, so be smart about it then.

Mark: So what do you...

Todd: Don't just quit. If you've got three kids and a mortgage, you probably have a wife.

Mark: I have a wife.

Todd: So the two of you would probably have to team up to divide the responsibility. You keep the income baseline stability income that pays the bills. Right?

Mark: Right.

Todd: You guys work together and she starts swinging for the fences figuring out how to bring out leverage and how to bring financial strategy and doing other strategies to work the other side of the equation to try to get you out of that mess.

Mark: Yeah.

Todd: You know the other thing too is you could really start addressing how much lifestyle you really need versus how much lifestyle you're really buying because you can't stand your life.

Mark: Why don't we talk about that because you talk a lot about happiness.

Todd: Yeah.

Mark: What's your definition of happiness?

Todd: There is really no firm definition of happiness.

Mark: What's Todd Tressider's...

Todd: I know, I'm working at it. Well...Happiness is like trying to get a cat to sit on your lap. Right?

Mark: [laughs]

Todd: If you go grab the cat it'll walk away, right. If you call the cat it won't come anywhere near you whereas if you make your lap the room, then the cat will come sit with you. So that's kind of like what happiness is. You have to have all the things that invite happiness. You can't pursue happiness overtly cause it's like a cat. You can't just look it straight in the eye. It's like you can't look directly at the sun, it'll

burn you.

Mark: Right. Right.

Todd: And so...Here's an example. You want to creatively pursue your dreams. You want to pursue your dreams with creativity. Creativity is, I think, a core function of happiness. Like you're talking about the guy with a J-O-B. He's probably suffering in a routine job, right?

Mark: Right, he's not challenged!

Todd: Yeah, he learned everything he needed to learn in one year. He's been doing it for ten years. He's doing it over and over again and it's hard. It's sucks, right?

Mark: Right.

Todd: It's not rewarding, it's not applying your creativity. You know, you were put on earth to be more. You're not put on earth to put a cog in a wheel.

Mark: Right.

Todd: So, anyway, I'm not gonna claim it's easy. It's hard. It is hard, okay. And there's nothing wrong with being hard. That's the thing that a lot of people miss. You're far better off doing it hard and looking back on your life, you're not gonna look back on your life with regrets for all the things you didn't try. You're gonna look back on your life for all the things you regret you never did, you never tried.

Mark: Right.

Todd: And so stop waiting and start doing it. Start living your life. You've gotta go for it. And I'm not gonna tell you it's easy or sugar coat. What else choice do you have? You don't have any other choice. It's either that or go to your grave with regrets. You've got to live *[gets cut off]*

Mark: Todd, I lost you there, you still there?

Todd: Yeah, I'm here.

Mark: Oh, okay. Yeah, could you say it again? I kinda lost you there in the end.

Todd: Say what?

Mark: You've gotta live...

Todd: Your life!

Mark: Your life, okay. That's what you said.

Todd: [laughs]

Mark: Yeah, you got cut there...

Todd: Yeah, I don't know how I...how long was I dead?

Mark: Like 2 seconds.

Todd: Oh yeah, okay. So yeah. That was my crescendo punchline that got cut out.

Mark: Yes!

Todd: So I'll do it again and you can dub it in. Are you ready?

Mark: Yeah.

Todd: You've just got to live your life!

Mark: You've got to live you life. And the people who are coming into financialmentor.com have to be coming in from all walks of life but are you seeing any kind of pattern in there? Are they typically the guy that's...or the gal that's in the Procter & Gamble cubicle and looking for that secret to wealth?

Todd: Let me segment. The people that pay me for coaching are one segment. The people that follow my work and learn from it is much broader. So yeah, the Procter & Gamble guy you mentioned...We shouldn't even use company names but that's up to you.

Mark: I love beating up on Procter & Gamble.

Todd: Okay, it's up to you, it's your podcast.

Mark: Sure.

Todd: So anyway, yeah, people, corporate employees, they follow my work but they typically won't pay me because there's not a lot you can do when you're stuck in a W2 job.

Mark: Right.

Todd: And so, it's a lot harder that way, that's why hopefully, your spouse can do something that gives them upside potential. And so, the people that pay me typically are successful at some level or another and yet they're not getting where they want to go and then they can't figure out why.

Mark: Yeah, isn't it interesting? Yeah, I just see that pattern a lot where those are the people who know that they don't know it all. Their time is way more valuable than their money.

Todd: Yeah...

Mark: They have to...

Todd: Or they've learned that it's okay to pay for expertise if it's actually gonna make a difference.

Mark: Yeah, yeah! Exactly!

Todd: That's money well spent. It's not money flushed. The formula I always say is you should only pay for something that's going to put more money in your pocket than it takes out.

Mark: Right.

Todd: Right? Cause that's the only way it adds value. So I actually have an article up on my site, it's not for anybody. I'm not accepting new coaching clients right now but back when I used to, they would have to read this article and prequalify themselves and it explained which profile person, financial coaching, would put more money into their pocket than it cost them. Cause again, I'm genuinely trying to be of service. I don't want to take money from people if it's not gonna help. And so it lists out who coaching is for and who's not and for all those others, it lists out what you want to do. So you want to be using the free content on the internet, you want to use books. Books are the single best value in financial education out there.

Mark: Is there one book in particular, besides the one you mentioned before, that you....

Todd: [laughs] I'm sorry I'm laughing because if you knew, my office is completely wall-to-wall books.

Mark: Oh yeah, I did see that. No, I saw it! Yeah.

Todd: Yeah, you saw it in the Skype image before. So my office is wall-to-wall books and that's after my garage was filled with old books I've read that I could no longer keep in the office. Just...and I sold them all on e-Bay. I sold I don't even know how many hundreds of books on e-Bay.

Mark: [laughs]

Todd: That's part of my education, you know. I just said, "Wow, I'm never going to read these again cause people are publishing more than I can read why would I keep

this old stuff.

Mark: Right.

Todd: And so I finally just owned up and sold it off. So is there one book...No, you know it's a lay up, right? You should read my book, of course.

Mark: Right. Right.

Todd: So my bestselling book is "How Much Money Do I Need to Retire?" that completely overturns traditional understanding of how retirement planning works and how to figure out how much money you need to be financially independent. So it's a totally different model from traditionally taught.

Mark: Alright, fantastic. Fantastic.

Todd: So you'll give me a lay up, I'll take it, Mark!

Mark: Alright will you do me a favor? I ask this from all my authors. Will you send me a signed book and then I'll have you back on...we'll do another segment, we'll talk about it?

Todd: Sure!

Mark: Yeah, I love doing that cause I like my kids to see like, "look, the author signed this book for me." And they'll say "Oh, Dad! You're a big deal!" I'm like, "Yeah, see? I've done something!"

Todd: I had a laugh the day it came in cause you know I've been writing and building stuff. If you want free content, there's thousands of pages stuff on my website and if you print it all out, it's free content, right?

Mark: Right.

Todd: So I mean writing a book is not that big of a deal. In the end, that much content, it's hard work but it's not some big deal and when that paperback book came in from the printer and my kids saw that I was in print, they were like "Wow, Dad!" I was like, "You've got to be kidding! You're impressed by the book but not impressed by all the other stuff! What's up with that?"

Mark: Yeah, I know. Yeah, I mean...

Todd: There's a cache to being in print.

Mark: There really is! There really is! There's a lot to be said about being an author. I'm gonna try. You'll give me some advice.

Todd: There you go.

Mark: Yeah, alright. So, now's the time Todd, I get to put you on the spot, explain to you my business model and ask you, "Do I have the best passive income model?" Are you ready?

Todd: Sure!

Mark: Alright, so I buy and sell raw land and the way I buy it is I look for somebody who's distressed. They typically owe back taxes and they live out of state. So we'll send them a quote unquote a top dollar offer, typically \$0.20 to \$0.30 on the dollar and a percentage of the people accept it and then we can go ahead and flip that land within 30 days at about an average ROI of 300% but my favorite way to sell it is on owner financing. So we usually get our money out within the down or within six months and then we have this recurring income stream on a passive basis on an asset I don't have to maintain. I don't have to protect. I don't have to deal with renters, I don't have to deal with rehabs, I don't have to deal with renovations I don't have to deal with rodents, I don't have to deal with any owner's real estate legislation like Dod, Frank, Safe Act, RESPA because I'm not dealing with a tenant. I'm in a non-competitive niche! You don't go on HGTV or the DIY network, and see you flip this land. Todd Tressider, financialmentor.com do I have the best passive income model?

Todd: Well first of all, I think...it is good...Let's start with is it good or not? [laughs] Before we figure out what's best.

Mark: [laughs] Is it good Todd?

Todd: Best is actually superlative.

Mark: Do you like it?

Todd: The thing about me is that I'm not so much of a superlative guy. I have a question for you. What percentage of your offers get accepted?

Mark: 3 to 5%.

Todd: 3 to 5% and is there a smooth business model like one that you can leverage that ferrets out how to get the offers out so it's not chipping at your time?

Mark: 85%. I'm automated. I spend 2 hours a week working on the business.

Todd: Alright well, I mean, you would know your numbers. It just depends. It's all in the numbers, right? So if it can be leveraged through somebody else's labor, you know what your cost structure is, you know what percentage offers are accepted,

you know what your margin is, so it's no different than any product out there, right? I mean, it's just land.

Mark: It's just land. Yeah I...

Todd: Right?

Mark: Yeah, I just like the asset of land and the fact that nobody else likes it.

Todd: Yeah, the only thing I'd throw in is make sure you can do due diligence on biohazard.

Mark: Oh yeah. We stay away from those areas, Southwest and Florida.

Todd: Yeah.

Mark: Yeah.

Todd: But anyway, yeah I mean, hey, any product you can buy that has value for \$0.20 cents on the dollar, as long as you can buy it efficiently, which is what I was hitting at, right?

Mark: Right!

Todd: Can you acquire it efficiently? It sounds interesting! I've been in this business long enough to know that there's more than one way to skin a cat and that one sounds interesting. I would have to dive deeper to have an opinion on it but you can see where my mind's going as I'm looking at it as a business. Right.

Mark: Right. And that's really what it is. It's not an investment model. It's really a business. I mean, you've gotta have systems, processes in place to really get these deals under about, complete your due diligence, right? Close it, go through the marketing, and then close it again and then manage the note. Right?

Todd: Yeah!

Mark: And then luckily, today is the best time ever to do it because of technology but when I first started, I make it sound so easy. It's a simple model but it ain't easy.

Todd: Yeah, I had a business where we used to get a property for back taxes, right? So we figured out a methodology or system by which we could figure out what properties had high percentage of following through the taxes so you can get it on pennies on the dollar that all those guys promote.

Mark: Right.

Todd: And it actually worked, right. It was a lot of research but it worked and we did it and that's how I got a bunch of the houses and how I got a bunch of the land I was telling you about. But in the end, it was a business. It took a certain amount of time, you know it had a certain amount of cost involved, the properties should have to have a significant value in order for the math to work out and the thing that ultimately pulled me away from it, the reason I don't do it anymore is the properties you got always had a sad story to them.

Mark: Yeah. Yeah.

Todd: There's going to be a reason why a property falls through for back taxes. It's easy come, easy go on an inheritance. It could be drugs involved. It could be somebody that's vanished from the grid and might be in a shelter somewhere. There's all kinds of reasons why property would fall through. None of them were pretty and it just became this way...like do I really need this in my life. You know it just was not a rewarding or satisfying thing to do.

Mark: Yeah, I think that's interesting because a lot of people when they first started, they are turned off by the fact that people are angry by the lowball offers so you get a lot of angry phone calls. But what I found is with raw land, they don't have that emotional connection to the property. There's usually a story where you know the parents bought it or they bought it ten years ago, they're never going to do anything with it, and it's just one of those things. It's now an asset that now became a liability. It's not like typical, a residential home, where someone's emotionally involved with it. You know, bigger asset.

Todd: Right.

Mark: So, I understand where you're coming from.

Todd: Yeah, think about it. If you could buy a thirty thousand dollar car for six thousand dollars and you can turn them over and it cost you five thousand in total costs for every car you acquire, it's a fun little business.

Mark: It's a fun business. There you go! Exactly. So I'm going to ask you for your tip of the week. A website, a resource, a book, something actionable where the best passive model income listeners can go right now, improve their businesses, improve their lives, what have you got?

Todd: A resource, okay, so I was gonna give you an idea, not a resource.

Mark: You can give me the idea. I like ideas.

Todd: I wanted to put off what I said earlier where you were talking about the guy working for the corporation. Embrace the adventure of life! Step out! Show some

courage and break the mold. Now do it intelligently. Don't do anything stupid, right? Cause you've got a remaining positive cash flow. So don't blow it but pay some prices and just go for it and live your life. I can't imagine just living through life suffering. It just hurts me to imagine how many people are doing that because they're not willing to step out and go for it. I would sooner get beat up and bruised and live my adventure than to play it safe and never live my adventure because this is it. This isn't a trial run. There's a day when you're gonna die. We all do, it's just a question of what schedule we're on and if you don't step up to the plate, you get to go to your deathbed never having lived and that just sucks.

Mark: Yeah, exactly. And it's so funny because I always think to myself, I heard this podcast with the...he started Wired. It was Kevin Kelly. And he said to himself, you know, if it all goes to hell, one of the happiest times in his life was living in Asia on like 50 cents a day on like rice and beans. He was so happy and he's like you know...there's no problem. Cause he's now married with kids and he's like it wouldn't be that difficult to take my family there and live like that. They would have enjoyed themselves. It would be an adventure. He's like, so that's why I'd go for it.

Todd: [laughs]

Mark: You know because the worst case is not so bad. Like what we're really afraid of is not so bad.

Todd: I had a successful...I'm sorry I interrupted you...Go ahead.

Mark: Yeah but no. Go ahead Todd.

Todd: I was just gonna say, I had a successful doctor here in town that we knew. We were close family friends and they had a business that was in trouble. It was a sideline business. He's trying to do a health product and he's an extremely successful health care provider here in town, big following. And I remember a conversation with him where this whole business product was quite difficult and was hurting him pretty good. He said, you know, if I'll end up living under a bridge, I guess that was my path in life like he was totally stoked about it, like he was totally okay with it that he was just doing what he had to do and he was okay with it. By the way, it wasn't a couple of years later when he died of cancer and he took the same courage all the way through cancer cause you know how the medical care does with cancer. He was just incredible. He was just a person to respect. #00:38:50-0#

Mark: Unbelievable. I mean you'd think if people weren't so influenced by culture or ego, they would have less fear. Or is it just fear is fear? Or we have that lizard brain, it doesn't really matter.

Todd: Oh, I don't know. I mean you and I could talk podcasts on podcast about it. You know, for a lot of people, they're just doing what they know. They thought they

were doing the right thing. They're supposed to grow up, go to school, get a good job, find your retirement plan, and pass away. I call it after school, work, death. Right?

Mark: Yeah. [laughs]

Todd: Like that's all there is to it.

Mark: Right.

Todd: You know and so they think they're doing the right thing and before you know it, you're looking at...you go, I've got a mortgage, I've got two kids, I've got a wife. I'm responsible. What am I going to do now? And so, again I'm not saying it's easy, it's not. It's really hard. But there's really no choice. #00:39:50-7#

Mark: Yeah. #00:39:50-7#

Todd: Cause the only alternative is to not live fully and that's not okay.

Mark: Yeah. Yeah. Well, you're preaching to my choir, for sure.

Todd: Yeah, probably a little preachy here. Sorry about that but you got me going on that earlier question on...

Mark: No, I think it's great. I think it's interesting that you go into those areas where a lot of financial strategists, they're all about their model. They're all about, you know, the fundamentals of the markets. #00:40:16-8#

Todd: I'll tell you why. It's not about the money. Nobody wants more money. What they want is what they think more money will give them. Right?

Mark: Right.

Todd: You don't have to have more money to get that. That's the funny thing, like what people do is they project their desire for freedom, right? It's a deep intrinsic value we want our freedom and so we project that desire for freedom onto an external thing called money. But anytime you project an internal experience onto an external thing that's a recipe for disaster, it doesn't work. That's why when people think of buying a new car. It would make them feel good for a little while and then they'll need the next thing, right? It's like a drug or it hits you a little while then it's gone, it's not the deeper experience.

Mark: Yeah, you see that all the time and there are studies done on it, right? There are happiness studies...There's actually a term for it. I forgot what it was but you know there's that study that after seventy five thousand dollars, you're happiness

level is just incrementally increased. #00:41:18-7#

Todd: Yeah, it's interesting. Well in Economics, it's called Margin of Utility. There's actually an economics principle for it so you get decreasing marginal utility for every additional dollar and so like you said, most studies will show kind of like fifty to seventy five thousand is that base level satisfaction. You know, you're above abject poverty and you've got the basics of life and that's where the biggest threshold of happiness is and it's kind of interesting you go up to about two hundred and you can pretty much have most of what you want if you're reasonably good about it.

Mark: Right.

Todd: And so that's kind of the next level. Two, two fifty maybe up to three depending on the person, the area, or the country they're in and then beyond that, your life doesn't change that much.

Mark: Yeah, I know. Yeah, it's pretty interesting. I know people that make over a million dollars per year, I know a guy worth over three hundred million, I know some billionaires and I know some people that are just doing what they love to do and they're making less than seventy five thousand a year, and...

Todd: What else is there?

Mark: Yeah and the happiness is very very similar.

Todd: Yeah.

Mark: When my buddy sold his company he was miserable for three months.

Todd: Oh, that's a whole other conversation itself. See, it ties into the question what's happiness, right? He lost his sense of purpose, his sense of belonging, his sense of connection, commitment, his sense of contribution to the world...all those things happened when he sold his business his self-definition fundamentally changed. He wasn't ready for it.

Mark: Yeah, so he started a new one and it's going to be even better and bigger.

Todd: Yeah but see now what it is is a repeating of a pattern. See what you have to do is you have to go inside and identify what's the cause of the difficulty if you wanna overcome it. Otherwise, you just do the cycle over and over and over again. That's why you see guys who build businesses, sell them, build businesses, sell them...and they just repeat the cycle over and there's absolutely no need for money.

#00:43:18-9#

Mark: Yeah.

Todd: And it's because they're in a do loop, they haven't figured it out yet.

Mark: Yeah. I'll talk to ____ about that, actually and see what's going on.

Todd: [laughs]

Mark: Yeah, you need to talk to Todd.

Todd: There you go.

Mark: Alright, so this has been a really, really interesting podcast. It went places I really didn't think it would go. So I really want to thank you but I want to end with one question and this was asked to me by Andrew Warner of Mixergy. I thought it was a great question. What question didn't I ask you that you think I should have asked?

Todd: I don't have one. I thought it was a good conversation. I think it went to some fun areas and good creative value for your listeners, that's all that matters.

Mark: Alright, well Todd Tressider, I really appreciate it. My tip of the week is to learn more about Todd clearly, this guy knows what he's talking about. Go to www.financialmentor.com I'll have a link in the note. I'll also have a link to all the other books that he mentioned and his tips as well. So financialmentor.com.

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