The Art of Passive Income Podcast
With Mark Podolsky and Scott Todd

Today's Guest: Jeremy Roll

Transcript

Mark: Hey, it's Mark Podolsky, the Land Geek with your favorite nichey real estate website www.TheLandGeek.com and I'm really excited to pick the brain of today's guest. But before we do that, I would be remiss if I didn't properly introduce my co-host—you know him, you love him—Six Sigma, Scott Todd from ScottTodd.net. If you are not listing your properties on LandModo.com, go to LandModo.com, I don't know why you are not. And most importantly, we can always make more money; we can't get more time. Check out PostingDomination.com/TheLandGeek and start automating your Craigslist and your Facebook postings. Today's podcast is sponsored by Geekpay.io—the set-it and forget system to start automating your monthly note payments. Scott Todd, how are you?

Scott: Mark, I'm great, how are you?

Mark: I'm great. I'm great. It's been a while since we've done this. We've got to get the cobwebs off.

Scott: But to everybody, they don't know. They don't know how long it's been.

Mark: They don't. They don't. So, are you excited for today's guest?

Scott: I am. I want to hear about how to take real estate investing in a completely different way. So that's what I'm hoping to pick up today.

Mark: Yeah. It's like a mind bender. It's a mind bender guest. I like that. So, let's talk about him. Jeremy Roll. Jeremy has been an active real estate and business investor for over 15 years. He left the corporate world in 2007 to become a full-time passive cash flow investor. I'm excited to hear about that story. He's currently an investor in more than 70 opportunities across over $500 million worth of real estate and business assets, 500 million. As Founder and President of Roll Investment Group, Jeremy manages a group of over 1000 investors in the US and Canada who seek passive managed investment solutions from real estate and businesses.

Jeremy also co-founded For Investors By Investors (FIBI). I like that, a nonprofit organization in 2007 with the goal of networking with, learning from and helping other investors. FIBI is now the largest group of public real estate investor meetings in California with over 23,000 members. Jeremy is originally from Montreal which means like all Canadians he's a really nice guy. He's a licensed California real estate broker for investment purposes only, has an MBA from The Wharton School, and is an advisor for Realty Mogul the largest real estate crowdfunding website in the US. Jeremy welcomes emails to network with or help other investors and discuss any real estate or business investments of any size. Jeremy Roll, how are you?

Jeremy: Doing great. Thanks for having me on, really appreciate it.

Mark: So, the first question is how the heck in 2007 at the top of the market did you go out on your own? What's that story like?

Jeremy: Great question. Thanks again for having me, really appreciate it. So actually, it was even scarier at that time than it looks because not only did I leave the corporate world in mid-2007 frankly anticipating an economic downturn but my wife was actually pregnant at the time with our first child and she was eventually to leave her job in 2007 as well. So, it was really, really an interesting time. But I guess the best way to describe it is that I had spent a few years rotating my money from stocks and bond after the dot-com crash into what I call passive cash flow.

Back when in 2007 I had had enough money in passive cash flow to live off and I had a lackluster moment in the corporate world where I was actually working for Toyota headquarters at the time in Los Angeles and didn't see eye to eye with my new manager. I really liked having a paycheck and a passive cash flow so it wasn't my plan to leave but that happened and took the risk of leaving. But I had a solid enough passive cash flow that was diversified enough and also in anticipation of a down turn that I really to be honest with you I really was not worried about having an issue from 2008, 2009.

I was a little bit different positioned as well because I had a lot of my investments in Canada versus the US. Canada has gone through a whole different cycle than the US actually. Right now, they are in a tremendous bubble in my opinion. In any event, so I did not get hit in the downturn like most people here. I was also that crazy guy in 2005, 6, 7 that they are at the table with their friends at dinner saying that there is going to be a big housing crash and everybody thought I was nuts. It was really annoying because this went on for a year before it actually came fruition. So, I'm very conservative just being ultra conservative and that's how I kind how it all worked out. Anyway, that's the long story.

Mark: Scott Todd, that's kind of a similar story to you.

Scott: Similar. For me, I could see the writing on the wall that my corporate job was going to be coming to an end. Looking back that's when I started springing into action. I think the fact that you need to make a change forces you to go make a change and kind of take risk because look, when we are all comfortable in our cozy little jobs no one is going to change anything. It's until you have to like figure out I've got to change something that's the only time it's ever going to break out, right?

Jeremy: Yap. I just want to say that for me I was really, really conservative, got an MBA from a very good school, planned to be in the corporate world for my entire life and the prospect of having of having a big problem with my job, first time I really faced a major problem like that was really daunting. Right now, I will tell you in retrospect that it was probably the best thing that ever happened to me that I actually had that problem and it forced me to make that change as you mentioned and actually then take that risk of leaving the corporate world. Something I had never done before, hadn't really contemplated and it just ended up being, the way I see it now, probably the best thing that happened to me in my entire professional experience somewhat.

Mark: Can you describe that conversation when you first mentioned to your wife that you wanted to drop this lucrative career at Toyota and start on your own?

Jeremy: My wife was a school teacher. She taught for the LAUSD, the big LA public Unified School District and she is not really that business savvy. She was used to teaching for many years but unlike all of us, she wasn't focused on investing in business in general. So, I was very lucky because I have a very trusting wife and it really came down to the fact that since we already have that very solid basic cash flow, it was proven for years coming in in terms of checks coming in that it wasn't actually that hard of a conversation because the approach that I took is that we had a couple of years of runaway.

I was getting you the two years, give it a shot. We have what I would consider to be relatively low risk of predictable cash flow. I'm really all about the predictability. That's a big key word for me. If there was a problem then I would go back looking for a new job and given my previous corporate experience plus my MBA and everything else hopefully eventually I would find a job. I'm not saying it would be easy but I will hopefully find a job.

So, we kind of gave ourselves two years of runway to give it a try and because we had that padding of a couple of years I think that was a big help. But I think she knew overall that because I'm so low risk in general in my personality that I wasn't going to do anything to jeopardize myself, our newborn, her, the family, that type of thing. So, it really came down to a question of trust after having proven out the passive cash flow in reality.

Mark: Okay, great. So, let's get into the weeds a little bit about your predictable cash flow philosophy and just your investment philosophy. What is it?

Jeremy: You know, it's funny, I am literally the exact opposite of an infomercial in that I don't have a website. I try to really lie below the radar. I'm not on that many podcasts, to be honest. But at the same time, I can tell everybody cash flow has completely changed my life for the better. I went from someone who had to clock into a job and I had great jobs. Like I worked at Disney headquarters, GM headquarters, Toyota headquarters great jobs managing people. But cash flow just gave me just an amazing amount of freedom and I work from home. I'm able to see my kids in the afternoon. Not that I'm not working at the time but I'm here. I can see them.

My cash flow philosophy is that I'm really low risk and I try to match that with my personality and I also try to look for predictability. I mentioned that I started rotating my money out of stock and bonds from the stock market … Sorry, from stock and bonds 2002 into cash flow. The reason why I did that is because after watching the dot-com crash in 2002, 2001 what really bothered me was twofold. One which is kind of obvious was the volatility. I'm the really low-risk guy watching the market go up and down 30% a year was just not the right fit for me. But more importantly actually and less obvious for the listeners was just a lack of predictability. So, in other words not knowing where my retirement account would be in a year, 10 years, 20 years just did not work well for me as a retirement strategy and that's what motivated me really the most probably to rotate into more predictability.

So, when I say I look for predictable cash flow and I do it passively, I basically invest into what are called syndications or managed opportunities where someone is going to buy let's say a commercial real estate building, pulling a lot of investors together who are putting small pieces into the opportunity and then those investors are going to be passive so the control is given to the operator and then we get quarterly checks, quarterly reports. The key for me is that I'm looking for stuff that's stabilized, diversified tenant base.

I will give you a great example. If I could find 100 or more units apartment building opportunity that's located in a really strong rental area where it's 100% occupied as an extreme example. Now, let's say a huge city like Dallas, you are in the right area, there is going to be continued demand going forward and basically I want to go to sleep tonight, wake up tomorrow and not much has changed because I depend on that cashflow to live off. So that's just one of many examples I can give you of the type of profile of opportunity that I'm seeking.

So, it's been 15 years and I have been investing these on highly diversified across … I have invested across all different types of asset classes and I can kind of give you the long list if you like but it's a long list of diversifications. Again, the idea for me is I go to sleep tonight, wake up tomorrow and not much has changed. Ultimately once you've done this for long enough and you've gotten diversified enough if one or two deals go bad it's going to hurt but it's not going to cause a huge impact which is really key. That takes a long time to build up. It takes many years to get properly diversified in this type of investing.

Scott: So, you're really the money guy. So, I'm going to do this deal, I want some investors, you are pulling that together. Where are you finding your money from? Where are you finding your money from?

Jeremy: Actually, you've got to think of me as really just an individual investor first and foremost. So, in other words, I might get an opportunity from what I call an operator, someone who is pulling people together. They have put a property into contract, they are looking for money. They come to me because I'm an investor myself and they say, "Do you want to invest in this?" My answer is either yes or no obviously.

The way I look at it is personally is that kind of my second step is that I have my own investor group so it's a little bit different, I know other groups as well because I have built all this network. So sometimes it may not be a fit for me but I know another group that's interested in it, maybe I will introduce them to it. Sometimes it will be a fit for me but not for my investor group for many different reasons. Sometimes actually it fit for me and my investor group.

Most of the opportunities I invest in are not a fit for my investor group for many different reasons and some of them just end up being passed along to my network to see if maybe somebody else is interested. It's just not the right profile for me. But really at the end of the day, I'm first and foremost an investor and that's kind of the way to think of me really. I'm constantly spending my entire day looking for new opportunities, networking to find more operators and just trying to find more opportunities to re- invest my capital so I can steer my cash flow stream so I never have to go back to the corporate world. That's really my number one focus.

Mark: That's a really powerful why, you know. That will get you out of bed early, for sure.

Jeremy: You know what's funny is that absolutely and I happen to love what I'm doing which is key. I think everyone out there agrees if you can do what you love that's probably the best fit no matter what it is. So, I'm very lucky because I love what I'm doing. I love finding good opportunities. I love knowing that I'm maximizing the situation for myself and my family. But you are right. It's a huge motivator because if I stop eventually the cash flow will stop. I think that a big misnomer out there is that if you are passive and you have all this money allocated you'll kind of just go sit at the beach. But the reality is that you are constantly working to try to find new opportunities to re-invest your cash flow because things sell, money comes to you. You have to continue to build the snowball. If you don't put energy into it the snowball is going to basically wind down to zero. So definitely something that is a very long term ongoing commitment.

Mark: Yeah. This is exactly what our model is. We buy raw land. We then sell it on easy terms. We get our money out of the down and then we've got this cash flow coming in, right? But Scott and I stay up late at night and we are like, "Okay we've got to keep this money going," right? Because eventually that note gets paid off and you have to look for other deals. So, for us, it's all about the machine, right? How can we automate getting this deal flow coming in every single day so that we are never without opportunity? It is something that we don't discuss enough but it does never end. I have been full-time land investing since 2001 and that's the kind of thing which kind of keeps me up at night. Especially in the beginning was, where is my next deal coming from? Scott, did you ever have that same kind of fear when you first started?

Scott: Well, when I first started no but like today it gets harder… I'm going to say it in a bad way but it gets harder to move larger amounts of money. I think that's like the Warren Buffet way. Because Warren Buffet he could re-deploy his money then he got to the point where the only way he could ever re-deploy his money was to buy whole companies because if he tried to buy the stock individually he would sway the market. But then as he had to deploy much more money now he has to buy like entire companies or entire industries. Now it's like he's got a bigger dilemma because he's got to keep his money moving and it's the same thing.

Mark: So, Jeremy, speaking of Buffet, here is a guy that goes all in and doesn't have a huge diversified portfolio. Why do you like the diversification as opposed to just saying, "I'm going to be an expert in let's say multi family?"

Jeremy: Great question. It's interesting because when you consider what I do in a certain sense I'm actually all in, in a way. I will explain it to you because I'm actually a big fan of being all in at one thing. Because if you look at the most successful people like Warren Buffet the perfect example you will see they focus on one thing or maybe a couple of things and they get really, really good at it, expert at it, add value to people lives and they do very well.

So, for me what's interesting is that my all in is passive cash flow focus. Meaning I don't own stock and bonds, I only look for active opportunities and I stay very compartmentalized looking for my low-risk profile of let's say 75 or 80% plus occupied, stabilized and kind of looking for the same thing over and over. Keeping a really, really narrow criteria. That's my all in.

What's interesting though is that within my all in … It's almost like saying Warren Buffet if you say that he's all in he still invests across different industries. That's his diversification. So, my diversification is I'm investing across different types of properties and I do not just commercial real estate but residential real estate, I have got some ATM machines, some cash flowing websites, a couple of startups. I try to get diversified across that too. But my all in is the focus on relatively low-risk passive cash flow highly stabilized opportunities.

Now for me what's really critical is that my diversification is across asset classes, geographies, and operators, those three. It's important to be diversified across all three because otherwise, I won't be able to go to sleep tonight, wake up tomorrow and not worry that much has changed. Let me give you some examples. Let's just say that I decided to invest 100% in Florida. Florida is actually a great place right now. There is actually number one predicted population increase for the next 10 years. There is a lot of pluses to Florida. There is also hurricanes and other issues. So, let's say I invest 100% in Florida big hurricane comes in wipes out half of my properties, waiting on insurance claims, all these other things. All of a sudden that predictable cash flow that I'm looking for gets highly disrupted. So that's not a good idea.

What if I invest 100% across… What's a good asset class? Big shopping malls, what if I did that a few years ago? Where would I be today? I would have the type of disruption. What if I did 100% across one operator who I just trusted and it turns out that they were either fraudulent, mismanaged, maybe just had a shift in management teams, something happened. Because all those risks are always a possibility no matter what I invest in I would have a problem. So for me, I love to diversify across all those three but I am actually laser focused on one thing. It just may not be obvious until I kind of lay it out like that. I hope that makes sense.

Mark: It totally makes sense. I love it. It's really sound what you are doing. The people at Wharton must be very proud of you Jeremy Roll.

Jeremy: It's very… I won't call it anti-Wharton and I don't mean it in a bad way but a lot of the Wharton graduates are either at Wall Street, they are consultants, they are heads of companies. They are obviously most of them very, very smart people. This was a very alternative type of thing that I did and actually, it was interesting too that a lot of the Wharton network is comprised of what I would call institutional investors, right? They may lead pension funds larger amounts of money whereas I'm purposely actually non-institutional. Meaning I have focused on properties below the radar of the institution so that when we buy them we are not competing with them for their money. So, I'm almost the opposite of the typical Wharton grad by just solving kind of different.

Mark: That's great. That's great. Jeremy, what is the worst advice you see or hear given in your area of expertise?

Jeremy: Great question. It's hard to pinpoint the worst but I will tell you one thing that really definitely gets to me that I have seen recently. Which is the most important thing when you are investing passive, I don't care if it's in real estate or start-ups, a lot of people like investing in startups, they kind of focus on the idea or the property and not so much so on the operator or the person running it. To me, the number one consideration is who you are making a bet on, the people.

So, I like to tell people the example of like I live just outside the Beverly Hills here in LA and I could invest in the best building on Rodeo Drive, you know that's really expensive; it's 100% occupied. But if it's being managed by somebody who mismanages it, runs it to the ground and then tenant leaves, we get foreclosed, keys go back to the bank, then it didn't matter that it had the best tenants and the best location, right? It was all about who managed it.

I find that a lot of the investors that I talk to tend to focus on … Not a lot but some of them focus heavily on let's say the investor structure, the fee structure and they get a little caught up sometimes in … Well, they're passing because there is this additional fee. There is nothing wrong with that. Everyone is going to have their own criteria on the big belief staying very true to their criteria but I think they tend to not put enough weight necessarily on who they are making the bet on. I like to say sometimes it's worth trading off a slightly worse fee structure in exchange for a really experienced operator who is really proven because they are worth it.

So, the one thing I would say is that definitely the most important consideration is who you are making a bet on number one and then the property and the structure and everything else number two in that order and I find that people don't always put it in that order. So, that's something I definitely learned over the years.

Mark: I love it. Scott Todd?

Scott: I agree. I think that especially when you are going to a management team of a company you know like, just because a company has a fantastic brand name does not mean that it's a great investment. You really have to go back to understand like who is making up the management of that company or that operation because those are the people ultimately that you are betting on. I worked in a company where the senior leadership team was like rock solid. The CEO was like rock solid. Essentially when there was a change up in management, they brought in another CEO that on paper would look phenomenal but he wasn't. Then he brought in people that he had worked with that were mediocre compared to what had just left the building and they basically almost ran the place into the ground.

It's amazing to see that there was no difference in the people that were doing the work. Honestly, the people that were still there doing the work were the same people the difference was the tone of the leadership, the culture that they created. The business that they were creating at the CEO and the C level suite they can really impact the business. So you really are betting on the people not necessarily the company per say or the fees or anything else. You've got to just bet on the people.

Mark: So, Jeremy, one last question before we get to our tip of the week. Are you ready?

Jeremy: I'm ready.

Mark: All right, what is the best or most worthwhile investment you've made? It could be an investment of money, time, energy, or otherwise.

Jeremy: Okay, great question. Now, when you say best do you have a specific criterion? Do you want the biggest return or just the one that you've been most happy with, just anything, anything I want to choose?

Mark: Anything, wherever your mind goes.

Jeremy: Can I give you more than one answer?

Mark: Absolutely.

Jeremy: Okay. I will give a couple of examples. The ones I always quote only because I get monthly cash flow from it, it's becoming since 2008, it's very transparent is my ATM machines. I invest in private ATM machines. Not the ones at Bank of America but the ones at Joe's Liquor Store that have no name on them. It's funny because I never ever, ever use them but those are the ones with like a $3, $4 dollar surcharge and I'm the guy that gets a portion of that surcharge.

Mark: We had an ATM person on the podcast a while ago. So, Scott and I always laugh because we always say, it's just like an inside joke like, "Oh yeah you are just going to listen to another podcast and start investing in ATM machines." So, it's like a thing and it's awesome. Scott, I can't hear you.

Scott: Can you help me, please? I want to buy some.

Jeremy: Well, let me tell you very quickly what happened with my ATMs. I met an operator. In fact, it's funny. This is the power of networking. The first ever meeting that I had organized for, For Investors By Investors, when it first started I actually had at Starbucks and three of the people showed one of which was this ATM operator who I met. Imagine the coincidence in my first meeting ever. He had like 25 machines at the time. He was tapped out on cash, ended up partnering with him, testing the waters with him in 2008 and I've now got 40 machines with him roughly and he's built up to 200, 300 machines.

Here is the problem with that industry. Because it's so cash heavy and the returns are so high, you have to be very, very careful. I have come across at least two Ponzi schemes one of which actually got broken up in LA last year with like a couple of 100 million dollars had been going on for 10, 20 years. So just be very careful for anybody listening. That's the problem with ATMs. You've got to be very careful.

But I got lucky I had a great operator and I averaged about 38% a year since 2008 on those. I get monthly checks and I can log into all my machines and view them real time, see all the transactions completely transparent and I get a percentage of the revenue. So, I'm not even affected by any of the costs. So that's one answer for you. My other answer is that very unlike me I invested in a startup a couple of years ago which some of the listeners may have never heard of called Thrive Market.

Mark: I've heard of Thrive Market.

Jeremy: Okay. Thrive Market is actually the largest nut seller of non-GMO only products in the US that are non-perishable. I was actually a seed round investor. A friend of mine who is in my investor group actually started it. He is a very smart Harvard guy. He had already built and sold a company and I was the first ever actually boarder on the site. So, it's just blown up. I haven't done anything with my shares. I have them.

I'm not even sure what the multiple is. I think I invested it like 26 cents and I think the last round was like $13 or something, I'm not sure. But, any of that it's being a weird Michael Jordan situation and the problems with startups is that you are going to be like one out of ten. So, I have invested in a number of startups that have gone nowhere down to zero over the years. I've only invested in three in the last five years so I got lucky with one. That's just another example.

But those two are not my typical investments. The funny thing is one of the reasons that I didn't answer oh this apartment building, this self-storage unit, this mobile home park is because those are meant to be stable cash flow with no major upsides. That's how I live. So, they are not that exciting and that they are meant for predictability. They aren't meant to have this crazy situation. I can tell you about some great cash flow deals I have invested in but they are not going to be nearly as exciting.

Mark: That's great. That's great. All right, so now we are going to put you on the spot Jeremy and ask you for your tip of the week, a website, a resource, a book, something actionable where the Art of Passive Income listeners can go right now improve their businesses, improve their lives. What have you got?

Jeremy: Sure. I'm going to give you two really quick. One is for those of you who have never read Robert Kiyosaki's *Rich Dad, Poor Dad* and *Cash Flow Quadrant*, those two books, I strongly recommend you read both of them in that order. If you are new to investing or just new to general passive cash flow investing or just looking for a change in mindset over the stock market, those are two great books to frame a change of mindset. I strongly recommend the people who are new just really, really, interesting books. I won't get into giving away the details but really, really fantastic.

The other resource that I strongly recommend is, I don't know about everybody else but kind of like Mark and Scott I have very, very tough schedules talking to a lot of different people all the time and I use something called ScheduleOnce which is an online scheduler. Mark uses I think a different one but he uses one as well.

Mark: Yeah. I use Acuity. Now I just went into BLAB, BookLikeABoss.com.

Jeremy: Okay. I honestly could not recommend those types of things more. They sync into you like I have not looked for a desktop with exchange server. They sync into your calendar real time. You are able to allocate certain times automatically to them. Then instead of having an assistant to help you book all different people, it is literally all automated. It has saved me a tremendous amount of time. I have been using it for years. I am not necessarily espousing ScheduleOnce specifically because I know some people like different ones, there is a whole different bunch of them out there but I would recommend ScheduleOnce for anyone looking at one or any of them. They are just a huge productivity gain if you are a small business owner.

Mark: All right, fantastic. Scott Todd, what's your tip of the week?

Scott: Mark, I've got a book for you, okay? Basically, it's called *Barking Up The Wrong Tree: The Surprising Science Behind Why Everything You Know About Success is Mostly Wrong*. The thing about this book is that it kind of challenges the conventional wisdoms that you think you know and kind of puts it to the test and is balanced back with science. It's a really interesting read, check it out.

Mark: All right, so let me see *Barking Up The Wrong Tree*, wow, five stars Eric Barker. "Much of the advice we've been told about achievement is logical, earnest... and downright wrong." Huh? All right done and done.

Scott: You will like it.

Mark: I will like it, fantastic. Fantastic book. You know what's interesting is right there is *The Subtle Art of Not Giving an F* as well which is another book that I didn't think I would love, I loved it.

Scott: That's a great book.

Mark: Jeremy, have you read that?

Jeremy: I have not and I haven't heard any of these books actually.

Mark: Yeah. You've got to read them for sure.

Jeremy: I'm going to make a note about those, thank you.

Mark: *Barking Up The Wrong Tree* I haven't read but *The Subtle Art of Not Giving an F* is kind of along the same lines. It's like all the kind of the self-help guru stuff that you hear, no it's not going to help you, this will. But it makes a lot of sense. Actually, it's not about like … I don't know I'm not giving a lot on that. My tip of the week is, look I know I am definitely interested in 38% ATM machines, learn more, go to JRoll ... Well, not go to, but just email Jeremy, JRoll@RollInvestments.com and I will put it in the show notes. You can put in the subject, "38% return? Like really?" Learn more there and get sort of the details of how Jeremy does what he does if you are interested.

I want to thank all the listeners and just remind everybody the only way, the only way, we are going to get the quality of guests like a Jeremy Roll is if you do us three little favors. It takes you two seconds to do. You just got to subscribe, you've got to rate and you've got to review the podcast. If you don't know how to do that just go to The LandGeek.com/iTunes-review, we will walk you through it. Send us a screenshot of your review. I'm going to send you for free the $97 *Passive Income Launch Kit*. Jeremy, are we good?

Jeremy: We are good. Guys, actually I really appreciate the time and I just enjoyed the conversation. Thank you.

Mark: Thank you. Scott, are we good?

Scott: Mark, we are great.

Mark: All right, are we going to do it or not?

Scott: I don't think so.

Mark: I don't think so. All right, I'm going to let Scott sign this off.

Scott: All right, thanks for listening and you know what? Let freedom ring.

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