



THE LANDGEEK

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

Today's Guest: [Hunter Thompson](#)

Transcript

Mark: Hey, it's Mark Podolsky, The Land Geek with your favorite nichey real estate website TheLandGeek.com and I'm really excited for today's guest. He is going to be all what Scott and I are all about cash flow, passive income. But before we talk to our guest I'd be remiss if I didn't properly introduce my cohost you know him, you love him Scott Todd from ScottTodd.net, LandModo.com. Most importantly if you're not automating your Craigslist and your Facebook postings PostingDomination.com/TheLandGeek. Scott Todd, how are you?

Scott: Mark, I'm great. How are you?

Mark: Are you ready to talk to our guest?

Scott: I'm all about cash flow and passive income baby, so let's roll.

Mark: Let's do it. Oh, by the way, today's podcast is sponsored by LandModo.com/TheLandGeek. Start listing your properties on LandModo.com and start getting seen.

Scott: Mark, you know what's music to my ears?

Mark: What's that?

Scott: Is when I'm on a call like a Flight School call and someone tells me, "Hey Scott, I just want to give you shout out because I got my very first sale off of Land Modo this weekend." It was just like heaven, heaven opened up for me.

Mark: You know what, that's such a great feeling I love that and I have very similar feelings as well when I read them. It's like Land Modo...

Scott: Yeah, we did that.

Mark: ... it didn't exist like a year ago and now it's here and people are getting deals.

Scott: Value.

Mark: So, let's talk to Hunter Thompson from CashFlowConnections.com. If you don't know what cash flow connection is it's a real estate consulting firm based in LA that helps clients invest outside of the stock market in turnkey real estate investments. They specialize in assisting clients who are sick and tired of the headaches and uncertainty of the stock market and have a desire for more stable approach to achieving their financial goals. Cash Flow Connections helps investors to turn their portfolio from a speculative gamble into secure and reliable cash flow machine. Hunter Thompson, how are you?

Hunter: How is it going guys? Honored to be on, thanks again.

Mark: So, Hunter, let's just rewind the tape and take us back to how you got started in real estate and investing and then all the way up to be like hey I can do this for other people.

Hunter: Sure. So actually, have an interesting story and when I saw the kind of the format of this conversation I was looking forward to talking about this because this is something that I have actually never really talked about

in public before. So, I thought that this is kind of an interesting time to kind of go into the details of this.

I learned a lot from my grandfather who was a successful businessman in the '70s and '80s. He had a cotton business that experienced significant growth and tens of millions of dollars of revenue throughout the years and then in about 1986 it did about \$150 million in revenue, 1989 they did about \$180 million worth of revenue in international cotton business. So, at this point, he was a major market mover, someone that people would go to for advice. You know, if certain people sell real estate. For example, a lot of people assume this podcast will be certainly interested in selling real estate, things like that and he identified a shortage in the cotton business in 1989's so right after those to big years that he anticipated would result in a massive price increase of cotton as a whole.

So in order to take advantage of this he took out significant leverage, leveraged about 10 to 1 and had a really a basically an unlimited amount of access to credit because he had just decades of being able to perform. So, he took about a half billion dollars' worth of debt to capitalize on this and the shortage took place and the price increase did not happen. It just basically stayed the same and when the banks saw this they realized they were completely overleveraged on this one particular asset class and called all the loans due immediately and this is basically like what happened 2008 for lot real estate investors. The music stopped, everything was called due, everything basically was eliminated that the business shutdown. This resulted in business bankruptcy, personal bankruptcy, he had personally guaranteed loans, complete financial catastrophe and you know. I just what to clarify I'm talking about going from hundreds of millions of dollars in revenue to you know zero, you know basically just having not completely eliminated and that is really why I felt so motivated to start my business.

Because I realized what that did, what happened and what happened to a family that goes through something like that just completely catastrophic and I realized that it's not necessary to expose yourself to those type of risks in order to kind of achieve financial freedom. I think that the key takeaways are that number one diversification is absolutely key. Even if you have a tremendous advantage over your market that you still cannot weather the storm if you take on significant leverage and look at guys like Eike Batista was completely overleveraged to oil. He had a net worth about

\$30 billion; he went from \$30 billion to zero in about 18 months because of the exact same stuff.

Then at the same time compounding interest is an absolute miracle. The reason I say that is you go from know that amount of revenue to getting basically eliminated to less than a fraction of percent of that. In the 1990s taking that and investing conservatively you know that was the capital that allowed me to eventually go to college I wanted to go to and to start a business. So, you know, you can't help but think if those strategies had just been taken earlier you know what the result would be and of course I'm not complaining. I think that story taught me more than I could ever get from any amount of money ever and I mean that but it's an incredibly powerful story that your listeners can listen to and understand and get the benefits of without going through it themselves.

So anyway, I appreciate you providing me the opportunity kind of a share that. So that's kind of my background before I really got started in real estate. That's my perspective on why it's important to invest conservatively from day one.

Mark: Wow, talk about a different lens walking around in the world. Right, Scott?

Scott: Yeah, absolutely.

Mark: I mean, it's so interesting but go ahead, Scott.

Scott: I was just saying you know what it reminds me of? You're talking of the overleveraged and the other stuff what it reminds me of too is like the people that are like all in on crypto currencies and the Bitcoin. They're like all chips on the table for something that they are simply their gambling in my opinion because it doesn't cash flow, Bitcoin does not cash flow that I am aware of and essentially the only way that it's going to make any money is price appreciation and how does that get controlled? It's strictly supply and demand. Like, it's really all it's about.

Hunter, when you were talking about just going back to cash flow and allowing the cash flow to kind of build that lifestyle I thought that that was... Cash flow is king I think above all else.

Hunter: Yeah, I completely agree and I think that's really what got me into the space I saw it was kind of taking place. My story is I was really interested in the stock market and I saw what happened 2008 and then again in 2010 in Europe and it was just completely you know. Everything is so correlated, my entire portfolio is tied to the Greece bond yields and we were watching Greece have this failures and struggles and that's when I was like you know this is all about being as predictable as possible, and cash flow is the vehicle to that predictability of outcome and I think that that's really the main goal when it comes to financial freedom. Not only the ability to pay off your expenses but the ability to actually have the mindset that goes along with knowing that you're going to be okay next month, next year and five years from now.

Mark: Yeah, it's so true and it's such a different mindset. You can just look at somebody who just has a regular job and the risk of their cash flow is... A lot of people are like, "Well, I just got a job", but they don't realize that, but that cash flow can go away tomorrow at the whims of so many different things that you can't control. When we look at just so many different areas of life we want to have that locus of control all the things that we can control and that's a beautiful I think about real estate is that you can pick the market, you can pick the area, you can pick the asset, you can see the yield. I mean there's very few things that are unpredictable about it so it's you know. Hunter, you must sleep really well at night.

Hunter: Well, that's my main goal and that's why I ended up kind of looking at what was taking place in the market in 2012 and '13. There's a so much opportunity out there because the price corrects that had happened after 2008, but as prices continue to increase in those more traditional asset classes and I was seeing a lot of negative economic data in terms of income, in terms of demographic shifts, in terms of where the real job growth was taking place that really made me reevaluate my strategy and build a thesis around Recession Resistant Assets. These are kind of the more niche self-storage is what I talk a lot about, mobile home parks are one that I think a lot of people are starting to get hip to. Now, those have been the predominant pieces of my business for about five years now and the reason for that is really the fact that when it comes to the real estate all types of real estate are going to perform when the capital markets are loose and the economy is building.

But there's only a couple times in a real estate that are just slow and steady, the demand is there, regardless of the cycle and sometimes it can be even inversely correlated to the market cycle. When you think of something like mobile home parks for example, where the worse the economy does, the more demand there are for affordable housing. I think it's critical to have certain exposure to your portfolio and to those types of real estate assets because that's the exact goal sleeping at night, knowing you are well protected in all stages.

Mark: Yes absolutely, absolutely. So Hunter, when there is all these other turnkey real estate companies out there. What should investor who is sort of shopping all these different companies be looking for?

Hunter: Yeah, well and just to clarify know that terminology is something that a lot of people use because I think it's what for most people kind of common. I consider ourselves a private equity group and when we invest in syndications predominantly. So, we do refer to experts, expertise in their particular asset classes and that differential between being active and being passive really changes what you need to focus on in terms of due diligence. I think that when you're a passive investor the 90% of your due diligence need to be focused on the actual person you're making a bet on, rather than the asset itself. I think if there are 10 things to focus on the asset itself is the last and the first nine have to do with the sponsor in some capacity.

So you know, our differencing factor is the fact that we have built relationships up with some of the best asset teams in their particular asset class and we have a track record of performance with these asset teams. So there are a lot of places to go to invest your money online now because of the changes in regulations but it's kind of like there are a lot of sites that are like Craigslist for syndications, Craigslist for securities. You don't know who to trust, it's hard to kind of conduct accurate due diligence through those websites. So we have a track record, a background and a due diligence processes which we've originally used for own portfolio now kind of leverage that with investor capital.

But to answer your question directly in terms of where people need to be focused I think that looking for sponsors that have a hundred million dollars in transactions, have million square feet under management things like that they are going to put you in a really good group of individuals that really know what they're doing. I think that's critical especially when it comes to

commercial real estate where the benefit is the fact of execution and the complexity of the asset class makes it such that there's a huge differential between a mom-and-pop owner and a best in class owner and that's really what we want to work with and invest in.

Mark: Scott Todd, what are your thoughts?

Scott: I think that when it comes to really anything, any company, it's all about execution, right? You know that, Mark I mean, when I worked at that fortune 300 company I saw an executive team that executed and then I saw an executive teams that failed to execute and it's amazing that just because there is a company there. It's not even the company anymore it's about the executives that it comes down to who can execute and who can't. So really, I think what Hunter is talking about is really picking the management team that can get the job done versus let me just take my money to some company they've been around forever and I'll just dump money in there. You don't know who's managing that company and there's a big difference between just a general manager and executor.

Hunter: Totally a 100 percent.

Mark: Yeah. Hunter, so, if we're building like the perfect stew of management team and we're going to put all these ingredients you know communication, leadership, track record. What are the top ingredients for you making this perfect management stew?

Hunter: Well, it's interesting. I mean, I had a meeting with someone yesterday that was... we had a meeting which I don't do a lot of her in person because it's just really not that efficient, but they happen to be in LA. So I said, okay we'll do coffee and they're our sponsor and they're basically interested in having us raise capital for them. It's interesting because you know, I'm looking for new sponsors in the same way that I'm looking for a new best friend. I'm open to it, but it's not something that you can scale, it's not something that you can replicate, it's not something that you go to coffee and say, "Hey, here's my background let's be best friends for the next 10 years because that's really what it feels like." So for me, it's really about building relationships.

I do a lot of on-site property visits and I really like to go to properties or go to states where the manager has several facilities or several properties

within like a 3 to 5 hour drive, and that way I can spend time with them going from property to property throughout the day and just going through hundreds of questions. Trying to get a feel for how they look at life, how they look at business, how they think about money and how they think about growing wealth that will be a really good start, and so you know to put some numbers on it.

I'd say that insider alignment is critical, looking for reading between the lines to understand if there in the business of getting quick transactions closed or building things for the long-term. I think in real estate it's a great way to build wealth over the long-term but it's necessary for it to be in the long-term. You can't really do a lot if you're just raising money for one deal for example. It's critical that you really be interested in pursuing those relationships until you retire, and so when I look for that I look for things like putting themselves in a position to under promise and over deliver. There are key phrases like we underwrote the deal to be exited at a 6½ cap and market is about a 5.5 cap. Not necessarily them putting that in the executive summary, but me digging into the details to find out that answer. So, just layering on conservative elements and long-term terminology and communication those are the main things I look at and I can go through a variety of lists but generally speaking it's a gut perspective based on a combination of all those.

Mark: Fantastic. So what are some of the worst advice you see or hear given in your area of expertise?

Hunter: Yeah, well you know, it's interesting. I think that originally when I got in the business it was a really, really a great time to invest in real estate and so we would hear a lot of people say this is the opportunity of a lifetime and they would be right that was the opportunity of the lifetime. The problem is if you don't have the knowledge, if you don't have the network that opportunity cannot really be taken advantage of and to put a point on that this is a hundred percent true the deals I see right now, the deals that come across my desk on a quarterly basis are better than the deals I saw in 2010. Why? Number one my network has expanded tremendously, but also my understanding of those deals and how to execute those deals and my ability to believe in that thesis has changed significantly as well.

So the worst advice ever is to jump into something based on the timing of the market and you're seeing that now today because your hearing people

say you're about to miss the last opportunity to buy. So originally, it was this is one opportunity you're going to get now its saying you're going priced out of the market, you're not going to have any exposure to real estate. Everything like that and anything in between is some of the worst advice. Education is always key and networking is going to help you significantly on both of those fronts.

Mark: Scott Todd, what are your thoughts?

Scott: Yeah. I think that you've got to constantly be looking for deals. I think you've got to be in there, you've got to build that network. It's amazing that once you start to build that network some of the deals that will come to you because of it. It's funny because over the last weekend someone brought me a deal that had nothing to do with land.

It's has to do with estate real, I'm looking at it and first I was going to discount it then I'm like there might be something here that I need to dig into. Because I don't want to just like discount an opportunity just because it's not necessarily in my space, but all over sudden you start to realize like, "Holy cow man, the owner is willing to finance this with like a low down payment." What am I missing? Like this seems like a no-brainer, right?

So, it's funny like as you grow that network, as you get better at looking at deals you'll find the deals that are those once-in-a-lifetime deals that you're like man this seems like it's crazy to pass up but then you've got to do what Hunter is saying. You've got to dig down deeper, ask the key questions. Really formulate over time the questions to ask that comes from your experience and then all of a sudden the deal flow that you have or the opportunities that you have will change.

Mark: Yeah. I mean, Hunter as technology evolves and we're seeing all these peer to peer lending site and you know just differences in lending regulations like you talked about earlier. How do you see the business evolving or your business evolving say in the next 5, 10, 15 years?

Hunter: Yeah, I think it's a great question and you know I think a lot of it like you said, technology has provided a lot of opportunities but those opportunities that they come with risks and so the crowd funding space is a perfect example of this. You have all these people that are all of a sudden available to invest in complicated syndications, particularly which they don't

necessarily have a market advantage of and sponsors that may not be as sophisticated as they appear have now have access to all this capital. I think that that is actually in our net benefit because now people have access to these unique investments.

But the same time the market has to come to understand what these investments are all about and I think that programs like yours are making a significant help in that way and that the education is still available. I mean, you guys have been in the business for a long time. You know 10 years ago, the only way to get educated in real estate was to either have a mentor that you happen to know personally or met through some random occurrence or people were paying \$50,000 or \$100,000 for the type of information that you and I are discussing right now. It was totally common to hear anything about syndications or securities you had to pay an attorney or you had to pay some guru that may or may not have any background in the business.

So, first of all, I want to thank you guys for putting up the podcast. It's is an incredible way for people to learn incredibly, incredibly sophisticated. I'm sure you guys don't hold back any of the information. If someone asks you a question you give them the most direct, most sophisticated, most accurate answer you can that just hasn't been the case until the last five years or so and I think that helps a lot. But I also think that the business is still in the flux and the flow where it still a little bit fragmented, there are not really a lot of really good sources of information out there that have really come to the forefront. So there's still some unsophisticated investors out there, but again I think that that's being changed by programs like yours and others.

Mark: Right, and you're helping us. You know, Scott and I have our [00:21:51] [indiscernible] fund and you know you've been invaluable in kind of helping us in sort of what an investor is going to look at and how to sort of you know, I guess position ourselves and that's been really helpful because I think a lot of it is being learnt an inch wide and a mile deep. There's no way we can do a fund with only let's say five years of experience. You've got to go through at least one market cycle and have this track record before someone like you will look at us and say oh these guys have some credibility, have some chops with this market niche and you know is that something that you see a lot? Where you see somebody who might've just gotten lucky and now they're like, "Oh now, I'm going to start a fund."

Hunter: Yeah, totally. I mean, as you guys know there's a little bit of a misconception out there that the people that are really good at their sphere, that have no big following necessarily are super good at the technical, no institutional grade investment strategies. So for example, there are a lot of people that are really great at marketing, it doesn't mean that they're super knowledgeable at real estate. So, you compound that with the fact that market cycles and the combination of leverage in a market cycle can result in some really spectacular returns.

If you're looking at A class office in Texas my niece could've experienced 20+ percent returns if they just happen to be born in Texas and focused on A class office. For example, you didn't have to have any market advantage you could have just thrown the darts at the dartboard and you would have succeeded. So it's definitely something that you want to be cautious of and I think another thing is differentiating the skill set that goes along with marketing and creating great and beautiful looking decks and actually being able to effectuate a change in a property and not necessarily the same thing. But at the same time you want to find people that are really detail oriented, that have the capacity to do a little bit of both so you can get that infrastructure as well as those good on-site property management skills. Hopefully, that answers your question. I think it's a really important key thing us this continues.

Mark: Yeah absolutely, absolutely. So Hunter, we're now at that point in the podcast your mentorship has been great, but we're going to ask you for one more piece of advice: 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?

Hunter: Yes, so this is something that is really, I mean, I can't say it's just completely change my life over the last year in particular. I have found that really cognitively challenging tasks are really important to do in the morning and the earlier the better. So I don't answer email until 11 usually and I usually work from at least 7:00 to 10:00 sometimes 9:00 but usually 7:00 to 10:00 of the most cognitively demanding tasks with no email, no social media, nothing and if I can get three hours in of doing things like going through underwriting models or I have a pretty interesting podcast finding unique gaps. If I can do three hours of cognitive challenging tasks the rate

at which you are actually adding value to your business is amazing because those of the actual tasks that need to get done.

Emails are not going to change the perspective of your growth rate. You need to respond within 24 hours whatever, but this is not a major priority. I think two books that make that really clear are: *Deep Work* and *Miracle Mornings for Entrepreneurs*. The combination of those books will give you a really good understanding of my perspective on that topic. It is something that's allowed me to accomplish insane things, things you would never think you'll have the time to do. You want to write a book wake up earlier and do it for the first three hours the next three months and you'll have it done, it's crazy. So that's kind of my key take away there.

Mark: I love that. *Deep Work* is one of my favorite books and sometimes I fall off the wagon. I'll be honest, Hunter like I'll wake up and I'm like I'll check email and then like...

Hunter: Yeah, it feels good.

Mark: [00:26:03] [indiscernible] Then I'm like in this deep shame spiral like why did I do that now I'm off the races and I'm thinking oh I've got to sign this contract, I've got to do this, I've got to do that and the deep, deep stuff that I know and actually needs to get done takes a back burner to this you know what you said. The more surface kind of work that just you've got to get off your to-do list at some point, but it's not going to move the needle and so I've got to read *Deep Work* again for sure.

Hunter: Yeah, there's a reason for that. It feels good to check things off to-do list; it feels good to go through emails one by one. So your brain is basically addicted to that feeling but if you can forgo that the results will be pretty amazing.

Mark: Yeah. I need to get like some kind of electrodes you know zzzz wake up, just shock myself I started looking at phone. Scott Todd, what your tip of the week?

Scott: Mark, when I say to you the service intercom, you know that service intercom that you go to their website and it's intercom, it's there, it's on the website. What do you think of when I say intercom?

Mark: GeekPay.io because we use...

Scott: Okay, right. I will tell you what I think of is annoying because you get that sound ta-ta timeout. You know what I'm talking about? Like anytime you go to an intercom website that ta-ta.

Mark: Oh yeah.

Scott: And it's annoying. So, my tip is to check out this website mute, let's say it Mute I-N-T-E-R, MuteInter.com. You know like mute intercom, but MuteInter.com it's a Chrome plug-in. It makes that annoying sound go away once and for all, that way you can really think about what you're doing and not break out into like this rage of I hate that sound.

Mark: Wow. I didn't know you had such sensitive ears, but this is great.

Scott: What's annoying is when you're trying to be like quiet around the house and then beep-beep then like next thing you know your wife says like, "What's that sound argh?" Sorry.

Mark: That's so funny. I'm looking at the site they're like, "Annoying sales rep, annoying sales rep, annoying motivational guru, annoying maker, annoying growth hacker because all these things pop up when they're doing it, that's great. My tip of the week is learn more about Hunter Thompson, he has a great podcast as well go to CashFlowConnections.com. He's got resources; he's got some podcasts and just really deep dive.

I know a lot of you have self-directed IRA money, QRP money. This is a perfect place to start diversifying your portfolio and having an expert that spends three hours at least in the morning going through all the mind numbing you know details of a deal that you certainly aren't going to do. So Hunter, are we are we good?

Hunter: Yeah, again I really appreciate you guys having me on. It's an honor and I appreciate you getting me to talk about some things that I have never talked about before. So again, thanks again.

Mark: Thank you. Scott Todd, are we good?

Scott: We're good, Mark.

Mark: All right, I want to thank all the listeners and just remind them the only way, the only way, we are going to get the quality of guests like a Hunter Thompson from CashFlowConnections.com is if you do us three little favors: you've got to subscribe, you've got to rate and you've got to review the podcast. Send us a screenshot of that review to Support@TheLandGeek.com. We are going to send you for free our \$97 *Passive Income Launch Kit*. So, please do that. All right, let's head out. Let...

Scott: Freedom

Mark & Scott: Ring.

Mark: All right. Thanks everybody.

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