



THE LANDGEEK

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

Today's Guest: [Tom Cafarella](#)

Transcript

Mark: Hey, it's Mark Podolsky, The Land Geek, with your favorite nichey real estate website www.TheLandGeek.com. And today's guest is as you can see on the web. Probably you can't see it on Zoom but Scott and I can see it. He says Real Estate Investing Is Easy which we're going to talk about. But before we talk to our guest, I'd be remiss if I didn't properly introduce my cohost – six Sigma, the man, the myth, the... How many deals last year, Scott?

Scott: 238 deals last year.

Mark: 238-deal legend Scott Todd from ScottTodd.net, LandModo.com and most importantly, if you're not automating your Craigslist and your Facebook posting: PostingDomination.com/TheLandGeek. Scott, how are you?

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

Mark: I'm good. Today's podcast is sponsored by GeekPay.io, the only set it and forget it automated way to get paid with your borrowers. Let's talk to Tom Cafarella. Tom Cafarella, talk a little bit about yourself.

Tom: So, I'm a Boston-based real estate investor, grew up in an area people didn't have a lot of money and my grandfather was the only one ever that I knew that was successful and he was a multifamily property owner. So, I always wanted to do that growing up and you know long story short over the past five years I have accumulated over 300 rental units and passive income is definitely one of my top priorities right now in my career.

Mark: Wow, 300 rental units. So, what were you doing before you got into real estate.

Tom: So. like everybody else even though I wanted to get into real estate right out of high school everybody told me I had to go to college. So I went to college, I double majored: I had a degree in biochem and I had a degree in accounting and I read a book in college *Rich Dad Poor Dad* which I'm sure all of your listeners probably listened to it at least once and now was the book that said you know what go with your gut, you've got to go into business, you can't do anything else. So, I ended up working for a big accounting firm right out of college because Sarbanes-Oxley had just passed, which is just basically a big accounting bill based on some problem that happened with Enron and pretty much the day I got there I knew that it wasn't going to work for me. I knew I was kind of a misfit, I was too entrepreneurial and for the two years that I was in corporate America everything single day I'd show up to work and I'd just be on real estate investing websites, learning about real estate investing. One day they just came up to me and said, "Look you're not doing your work," and they asked me to leave.

So, at the time I thought my life is over, you know I didn't know what I wanted to do and looking back there was no risk at all for me to kind of try to jump into real estate. I was still very young, I still lived with my parents but I decided I had to go for it, I've got to get into real estate investing and I haven't looked back since then.

Mark: Scott Todd, this story does it hit home with you at all?

Scott: Yeah. What accounting firm did you work for? Was it a big one?

Tom: Grant Thornton.

Scott: All right.

Tom: So, there's the top four. I don't know, if you're an accountant you obviously know there's the top four and then there's the two other internationals: Grant Thornton and BDO. So yeah.

Scott: It's crazy because I worked for a big six firm when I was in college. Not as a CPA or not as an accountant but in one of their internal departments and I wanted to be an accountant, like I wanted to be a CPA and I actually have my degree in accounting but after I worked there for a little bit I realized I did not want to be a CPA, right?

Tom: It's brutal.

Scott: It is brutal. You know like I think it's a great career path for some, for me it was not a great career path.

Tom: Well, that was the crazy thing is that I would say to all my coworkers I'd say, "Guys this suck, right?" And I thought everyone was going to say yeah this is the worst thing in the world and pretty much everybody to a man was like no this is an awesome career, like you don't know how lucky you have it. That was one of the reasons I didn't quit because I was just like to me I looked at it like there's something wrong with me. Like you know maybe I don't want to work hard, maybe I'm just you know not meant for this, but I never felt like it was kind of I was in the wrong. I knew I was in the wrong place by I didn't know that I needed to make a movie. I didn't know how much it didn't coincide with kind of my belief systems.

Scott: It's funny. I mean I remember working in companies where I looked around and like all these people would talk about are like oh we're going to do great this year or men we did great last year and I'm thinking like man there must be something wrong with me. Why do I not care about this company's success, right?

Tom: Yep.

Scott: Like I'm all about being a team player but I think what it goes down to is the internal clues. Your body, your brain everything is telling you yeah look for some people it's great. They can have the rah, rah rally around building someone off this company or career or whatever but when it comes down to you, you really have to, listen to your internal brain and if you're going to break out you need to break out, right? You know like that's not who you are, don't force it, live the life that you want, that you were meant to live.

Tom: Yep and I was so young and everybody was telling me the exact opposite. So, I was just like I didn't know it at the time and I didn't have any friends or you know even people that I just knew in passing that were

entrepreneurial. So it was just like again looking back it was kind of crazy that I was even nervous to leave but I was.

Mark: Tom, what do your parents do?

Tom: So, my dad worked in the union for DHL who now kind of has moved out of the US, in large part and my mom ran a daycare. So, to them going to college, getting a degree is like a no-brainer and the crazy thing is like I did so well in school that no one would have ever said don't follow that path. So I did so well you know that it was just like a no-brainer, but I was fighting it every single day you know I did not like it even though I have the ability to do it. It was very unnatural for me to follow that path.

Mark: Yeah, it's so funny because like I started out in investment banking and I kind of think to myself sometimes, especially because I have three kids, Scott has two kids like at what point in my life that I think I wanted to grow up to be an investment banker. Look at what point in your life did you think man I'm going to grow up to be a big six CPA?

Tom: Yeah.

Mark: Right. How does that even happen?

Tom: Man, I don't even know. I think it is just you look at it, it's a safe career path for most cases, the money is there. In both of those careers I mean you do well you never going to want for anything, you're never not going to not be able to afford anything. In most cases with both of those careers you're probably your risk of getting laid off is fairly low. So I think to be outside looking in for 90% of the population they just look at it like wow you're super lucky and they don't know what you're kind of feeling on a day-to-day basis when you're checking the clock every five minutes what time is it and what time do I have to leave.

Mark: Yeah. Scott, were you a clock watcher?

Scott: Oh yeah. It was painfully... it was brutal. It was painful to kind of go through the day and just kind of wait until it ends, serve your time you know it's definitely not fun at all, man.

Mark: I remember you know I'm serving my time and then reward for serving my time was 45 minutes of fighting traffic, like this is what I get rewarded for you know it's... I don't want to go to off the rails here but Tom let's fast-forward. How did you get the multifamily?

Tom: So, I wanted to be in multifamily really from my grandfather and reading that book *Rich Dad Poor Dad*. I had no money to start. So really it was nearly impossible for me to get into it on day one but I ended up working with a mentor who basically said look, you've got to start out wholesaling properties. So, as a real estate investor, you always have to be finding great deals so they say start working on that because that's the most important piece of being a real estate investor you've got to get properties for below fair market value, you've got to get properties that nobody else knows about. So I started doing that and I started wholesaling properties, built up some capital and then started buying multis. Then from there you know I'm following the BRRR strategy where I'm buying, I'm renovating, I'm renting and then I'm refinancing out.

The beginning is the hardest part at least, I think for multifamily investing because you've got a bunch of hurdles that you have to overcome but then once you get to a certain number of units and then you probably start to have equity things just kind of start cascading from there and getting a lot easier. So the beginning part was the part that probably took me 2 to 3 years to get my first multi and then it probably took me another year to get my second multi and then the next year maybe I bought five or 10 and then from there I bought 20 or 30 and then you know. Now honestly, the biggest obstacle that I have is that my market right now doesn't cash flow even if I get the properties at a discount. So that's the only obstacle I have at this point.

Mark: That's really interesting and the career velocity of it where it took two years to over the first deal.

Tom: Yep.

Mark: What was the hardest part about getting that first deal?

Tom: Well, the wholesale deal wasn't that hard? So, to do the wholesale deals I did my first wholesale deal within months of starting that but the multifamily to start was really just a down payment. I know there are creative ways to get into multi-families with no money but in my case that's not the route that I went. So, I just saved up for a down payment, put it down and then again started the BRRR strategy where I'm buying, renovating, renting and then refinancing out.

Mark: Okay. Scott Todd, what are your thoughts?

Scott: I mean it sounds like the whole concept of like going from scratch, you know like starting off I think that stops a lot of people because the

thought that man I have to have you know income or I've got to have a down payment. I have got to get the down payment somewhere and then I've got to qualify for a mortgage. How did you overcome like that whole let me qualify for the mortgage kind of a thing and all that stuff? Were you still working at the time?

Tom: I was not still working at the time but I was making enough money on the wholesaling side of the business and I also had my real estate license too. So I was doing some listings and things like that. So, I qualified based on the self-employment income of my real estate business.

Scott: Got it.

Mark: So knowing what you know now is there anything you would have done differently from the start?

Tom: Yeah, I probably would have worked harder in the beginning to raise capital to fund those deals because I got fired in December 2007 and really there was no... I didn't know if there is going to be a better opportunity in my lifetime to get into multifamily real estate. I basically got fired the day the entire world was collapsing. So, what I would've done differently if I would have spent more time raising capital which I have done really successfully now in the beginning and really done less wholesale deals and less fix and flip projects and push more money into the multifamily real estate. Because Boston the way that our kind of real estate economy works is when it crashes it crashes pretty hard then when it rebounds it rebounds like crazy. So some of the properties that I wholesaled or that I fixed and flipped back in the early days I mean man if I had held onto some of those it's just a huge networth difference.

Mark: So, you never experienced a chicken egg problem where you want to raise money but you have no track record, right?

Tom: I did. I mean I did in the beginning for sure. I think everybody experiences that and even with a track record I mean now we do over 100 fix and flips a year, I mean we've got a big office that showcases everything that we do, we've got tons of credibility locally, but it's still not easy. I mean you're talking about somebody investing with you even though it's in real estate it's not the typical investment. I mean the average person might put in the money in a CD or even a stock even though stock to me might be more risky, depending upon what you're investing in it's less common to just lend into a mom-and-pop company. So even though we've raised a lot of capital we still get the same objections today that we got on day one, but yeah it was harder on day one without the track record.

Mark: Scott?

Scott: Man, there's so many ways that we could talk, take this podcast Mark but like how did you like kind of continue to build? I mean what was that like? Did you continue to go through the wholesaling piece because you had these multifamilies. At what point did you stop the wholesaling and go all in on the multifamily?

Tom: We haven't stopped.

Scott: Wow.

Tom: So, the way my business kind of operates today is my number one job every single day is finding discounted properties and depending upon the nature of that property. If it's single-family for example, I'm probably not going to buy-and-hold it because the numbers aren't going to work in Boston. So we spend a bunch of money on marketing, we've got a 200 person real estate agency and we train all of those agents to prospect for deals for us. So the agents that are on my team will literally cold call through all of the cities that I want to buy properties sending orders to make offers.

So, basically I've got a big marketing funnel that allows us to get face-to-face with about 100 sellers a week and we make offers to those seller and depending upon what makes the most sense for the seller and what makes most sense for us we either are going to list the property or we're going to do an investment deal. If we're going to do an investment deal it depends on what the deal is with the property. If it's a multifamily and it cash flows I'm probably going to hold onto it, if it's a good one for a wholesale we are going to wholesale it, if it's a good one for a fix and flip we're probably going to do a fix and flip.

So, really like to me real estate investing at least from the residential side is all just a sales and marketing business. You're marketing to get face-to-face appointment and then you're doing the sales in order to get the properties under agreement for less than market value.

Scott: It's all about deal flow, not stop deal flow, don't stop the deal flow. Sound familiar doesn't it, Mark?

Mark: It really does and you know in our land investing niche we scold people all the time. You know because they want to stop the letter writing

campaign out of fear. Man okay now I've got all these deals I need to sell them first, right?

Tom: Absolutely. I mean that's the biggest thing is you've got to keep that going. You've got to keep that machine running. I mean if you get a good deal there's a way to make money on it period. So you never want to hold back on the marketing piece because you can always get rid of that deal and make money somehow.

Mark: What do you like the most about real estate investing multifamily and just the way you've structured your entire business?

Tom: I mean I think what the best thing about it is it just accelerates really quickly. I mean, it's not linear growth. So I look at my networth and I've got this calculator that I use because we gain networth on multifamily real estate in a lot of ways. Number one there's appreciation on the property, number two we get monthly cash flow and number three we're paying down the mortgage. So every single year even if I didn't get appreciation my net worth is going to go up based on those things, but once you add appreciation into it it's just really is not a linear equation. It just goes up exponentially and so that's the part of it that I like the most and the part that when you are talking about you know active income, like flipping a wholesaling you stop flipping, you stop wholesaling the money stops coming in. But when you have passive income, I mean that money rolls in forever and your network just increases exponentially.

Mark: Amen brother, amen.

Tom: And I know you guys are all about passive income and I am too. Like I said I never even had any interest in flipping or wholesaling to start it was all about the passive income piece but myself I couldn't get to the passive income piece without the active income piece.

Mark: Yeah, absolutely. So, I've got highschooler; Scott has got a highschooler ,what advice to... Two, I've got three almost.

Scott: I've got two in high school.

Mark: We've got two getting ready for college. What advice would you give our children getting ready to start their life, they're going to go to college, they're going to have to figure out a major and then they're going to have to figure out what they want to do in life in their 20s. What advice would you give them?

Tom: It's so tough. I mean at that age you don't have any clue. I think that the best piece of advice that I wish I did more of is really get actively involved to see what the careers were like before I started doing a major, before I started putting effort and energy into having that career. So if there's any way for them to kind of narrow down what they want and then to actually start shadowing some people because when I was in college I mentioned I double majored I was a biochem major because I was premed. I did everything I had to do to get into med school and the reason I didn't go that path is because I actually shadowed a doctor that was part of something I had to do in order to get into med school and I realized man this is not for me. So I spent almost 3 years in my life taking biochem and taking chemistry and taking all this other you know math stuff that was just a waste of time.

So, I think if there's some way for them to just shadow different industries just to see what maybe will take with their personalities. Because their personality is probably going to be somewhat similar to what they... They may not be able to define what career path they go down, but stuff that they really hate that may not change.

Mark: All right.

Scott: Hey Mark, did you do anything in terms of like when you were in junior high school or high school did you do anything with like career sampling or are you know like they used to call it like in my area it was part of the boys scouts like explorers. You had different career paths and then you had different groups you could go in and sample these things. Did you ever do anything like that?

Mark: You know I was always a hustler from like age 10 from the lemonade stand then I started my own cookie company and then in high school I had several jobs. Like I love to hustle and I remember like I was like the Mafia in high school. If you wanted to get a prom or a homecoming corsage you had to go through me and I was the middleman for all of these florists. Then if you wanted that you had to go through me.

Tom: For him it's like a no-brainer because I mean that's just like you know he was born an entrepreneur type thing.

Mark: I don't think so. I don't think I was born an entrepreneur. I think my dad was an entrepreneur and so I think I saw that and I think I got a lot of praise for doing that and I was just like a pleaser, but eventually like it's expanded beyond like my parents approval. I think for me.

Tom: Okay so yeah. I was kind of in the... You know my parents were not entrepreneurs so they wouldn't even have encourage that's. So that's kind of interesting seeing somebody who went the other way, that's probably how I'll be. So I'll probably end up encouraging my kids to do entrepreneurial things whether they want to or not maybe that remains to be seen. But my kids are so young now, I've got a four-year-old and one-year-old and a four-month-old so career paths aren't something they're analyzing anytime soon for us.

Mark: Look not too young to start sending out those offers Tom. That four year old put that stamp on, like hey this could be worth this amount of money one day, this is your inheritance.

Tom: Yep.

Mark: You know what the funny thing is like they don't care.

Tom: I think it going to be interesting though because I mean careers are changing so fast now with technology and just small businesses the way that they're run today. I would be curious once you kids actually get out of college kind of what the job environment looks like compared to when I finished and I'm not that old but, I mean it was wow geez 14 years ago when I graduated. So I am getting somewhat up there.

Mark: Yeah, it's interesting. I love that line from Jeff Bezos if everything is going to change what's not going to change and you know it's really something interesting to think about. So Tom, we're at the point now in the podcast where we're going to put you on the spot 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 improve their businesses, improve their lives. What have you got?

Tom: I mean I think the tried-and-true *Rich Dad* is like the first book that really should be read because in the beginning it's all about mindset you've get over that hurdle. That there's a different world out there that's not just show up to work 9:00-to-5:00 get your 5% or 10% raises each and every year. The other good one that I really like is *The 4-Hour Work Week*. Not that I believe at all in the four-hour work week because I work an 80 hour work week but I believe in a lot of the principles in that book and how you can kind of leverage yourself out and how you really have to start thinking about how you spend your time and what you're doing. Are you doing what you love then if you're not then you really should be.

Mark: Scott Todd, what's your tip of the week?

Scott: Well, Mark, not to introduce the shiny object syndrome to everybody, but it's kind of relevant to what we were talking about today and it's a book that I'm kind of reading. I'm not necessarily jumping on the bandwagon here but it's called *Crushing It In Apartments and Commercial Real Estate* by Brian Murray and it's really a cool I think perspective. If someone is looking for something that's not land another component, there is a cool book out there, it's cool resources.

Tom: I think that now like we talked about books I think my biggest tip period would be find someone who is doing what you want to do because I did personally spend a lot of time reading books and I love reading and I love learning. But how I've learned the most over the course of my career is really by finding not necessarily mentors but people that are doing what you're doing and just getting into that kind of like group. Because at least for me when I grew up I was surrounded by people that didn't want do anything like what I wanted to do and once I started kind of breaking out of those circles and breaking into circles where people were doing the types of things that I wanted to do on it was a game changer for me.

Mark: Yeah, it's so true that Jim Rohn line, "You're the average of the five people you hang out with the most."

Tom: A hundred percent.

Mark: Well, my tip of the week is learn more about Tom Cafarella at TomCafarella.com. No one is going to be able to spell Cafarella but I will have a link to it as well and Tom has got a really great site. He's got weekly training recordings, he's got video tips I think they're on iTunes. Is that right?

Tom: Yeah, we've got a podcast and we're doing training sessions every single day practically for real estate investors. So, we give everything away, it's all free content. So if you go on the site you'll see I mean there's at least one or two postings a day of new content that we do. We're kind of a big believer in the Gary V. philosophy where you just got to basically become a production company because that's what people want nowadays. I mean people do like to read but everything is kind of going on video so we try to put everything that we can on video including the podcast, our trainings, company trainings, everything that we have we put up there.

Mark: Fantastic, fantastic so go there and learn more. Tom, are we good?

Tom: I think we're good. Yeah, absolutely.

Mark: Scott, are we good?

Scott: Mark, we are great.

Mark: Well, I want to remind the listeners the only way, the only way we're going to get the quality guests like a Tom Cafarella who is crushing it in multifamily 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're going to send you for free our \$97 Passive Income Launch Kit. So please do that. Scott, we're just going to do it.

Scott: We're just going to say one, two, three.

Scott & Mark: Let freedom ring.

Mark: Tom is like oh no.

Tom: I don't know. I know what it means but I don't know the context.

Scott: Listen, it's a lot better than it used to be.

Mark: Yeah. You know Scott one of my first questions I was going to ask Tom was how come you can pronounce your R's and Mike Zaino can't?

Scott: Well he's from a different part.

Tom: No, I'm one of the few people in Boston that does very, very few, very few.

Mark: Why is that?

Tom: I don't know. I've never moved out of Boston or anything like that. I have no idea it's just one day I kind of... I mean I'm not completely Boston accent you know it's not really gone, but I've lost a lot of it and I don't know how it happened. There's no logical explanation.

Mark: When was the last time you called somebody wicked smaht?

Tom: Oh, this week probably.

Mark: See, all right.

Tom: Yeah, that's what I am saying. I mean people can pick up on that I am from Boston but the Rs for some reason they are now pronounced.

Mark: We're going to have to work on our buddy Mike Zaino, he lives in... I'm not going to pronounce it Scott. Is it...?

Scott: Havarell.

Mark: Havarell.

Tom: Oh Havarell, that's where we buy a lot of our multifamilies. It is a great multifamily market that Havarell. Yeah, we do a lot there.

Scott: Havarull or Haverhill?

Tom: We call Haverull.

Scott: Haverull.

Tom: But it's Haverhill.

Mark: See.

Scott: Haverhill.

Mark: Haverhill.

Tom: Yeah, but that's one of the few markets in the greater Boston area right now that does cash flow. So we are buying there, but even there it is getting tough.

Scott: Mark, are we kind of like honorary firemen there?

Mark: We are, we have the shirts so Tom not that we could save your life but we could look like we could from Mike.

Scott: Don't call us, okay.

Mark: Don't call us, yeah. All right, thanks guys.

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