The Art of Passive Income Podcast
With Mark Podolsky, AKA The Land Geek

Today's Guest: [Edna Keep]

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 for today's guest for a lot of different reasons. But before we talk to her, I'd be remiss if I didn't properly introduce my co-host, Six Sigma. You know him; you love him – Scott Todd from ScottTodd.net, LandModo.com and most importantly, if you're not automating your Craigslist and your Facebook postings, PostingDomination.com/TheLandGeek. Scott Todd, are you ready?

Scott: I am ready, Mark.

Mark: All right. For those of you that don't see Scott's video, he's taken to another level. It's quite upsetting to look at him now.

Scott: Is it disturbing? You need me to shut it off? I mean, I don't want to distract you from focusing.

Mark: The only way I can describe it is, remember when the first HD TVs came out and you're like, "This is so clear compared to like analog,"? That's how Scott looks right now. He's in HD and our guest and I look like we're in analog. But, let's not—

Scott: You guys look fabulous by the way.

Mark: So, today's guest it Edna Keep. If you don't know Edna, she's the cofounder of 3D Real Estate, Profit in the Prairie Real Estate Investor Group and Multiple Ways to wealth, a training, education and membership organization for real estate investors. Over the last nine years, Edna has built her own real estate portfolio to over 437 doors with a value of over 47 million dollars. All expect the pursuit of properties were bought with the help of other people's money and joint venture partners. Her husband, Warren and her own 14 doors personally and the rest of the joint venture partners. Most of these partners are passive investors looking for a great return without being actively involved in generating it. Plus, she trains other people how to be Edna Keep. Edna Keep, welcome to the podcast. How are you?

Edna: Oh, thank you so much, Mark. I'm wonderful. How are you?

Mark: I'm great. I'm great. By the way, I just want to let all the listeners know today's podcast is sponsored by GeekPay.io, the only set-it-and-forget-it system to automate your note collection payments. So, learn more, get your first note free at TheLandGeek.com/GeekPay. So, Edna, let's rewind the tape.

Edna: Okay.

Mark: And how the heck did you wake up one day and it's like, "Real estate, passive income"?

Edna: Well you know, I was a financial advisor for year and I sold mutual funds, life insurance, and I drank the Kool-Aid. That's what I believe in. I believed in investing in the stock market and all that kind of stuff. And then, after doing that for about 10 years, my husband and I just decided we wanted to try something different. Not because we wanted to get out of mutual funds, but because I was tired of my income being so tied to the stock market. So, if the markets were up, I did extra good. If the markets were down, not so good and I loved the recurring income of it which was like the … they call it the trailer fee or service fee. I love that part of it and I thought, "Okay, if we're looking at something else, I want something that will give us passive income. Let's look at real estate."

So, we took a class with the Rich Dad Group and we … it was in the evening class then we signed up for the three-day weekend. You know how it goes. And you know, we thought, "Yeah, this is definitely something that we can do without you know, buy a few houses that would supplement our income and then it wouldn't be over the map. But you know, once I learned how real estate worked, which was within about the first year, like I really got to understand it, my favorite class was creative finance. I couldn't sell mutual funds anymore. I just couldn't. It just didn't make any sense to me and so within two years' from buying our very first property, I sold my financial planning practice and went into real estate full-time.

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

Scott: Well, I would say that Edna, for a while, a very short period of time, I did work for… I mean many, many years ago, I worked for a financial services firm. I took the Series 7, all that stuff and it was kind of hard for me because I was young and I'm going there and I'm seeing people and I'm like, hey you know I'm just repeating the company Kool-Aid as you said. I'm just rehashing whatever they said and the people I'm talking to had more money than I did. I couldn't have fathomed like asking someone to invest in a bond or a mutual fund, but I did it and I never felt good about it.

Then I would go and I'd talk to these guys and they're like, "No, I'm not going to buy your mutual fund. I only invest in real estate." And of course, I'm feeding the company line back like, "Well, you know, real estate …", "The stock market has gone up over every ten-year period whatever." I forgot the line and yeah, I think we're so ingrained, like we're so taught. Like, "This is the motto. Follow it. shut up and follow it." That to really stop and think for a second, like "Man, there is something else out there." It really does transform your life and from your perspective, those trailing fees. Mark, I don't know if you know, but these guys that are selling you these mutual funds or the Class A mutual funds et cetera for every quota, every month, whatever it is, you'll notice like some money hits your account. It's your commission for keeping them in that fund. The whole system is designed to keep you in that mutual fund.

Edna: Yeah, and you know I build it up to, I was getting over 120,000 a year but just internal fees alone.

Scott: Wow.

Edna: So, it was powerful. I loved it. But you know, I got a lot of slack when I decided to leave because people would just [inaudible 00:06:25] absolutely crazy and nobody was selling their books when I did. So, I got absolute top dollar report and never looked back, and I also made the deal with the fellow [inaudible 00:06:39] monthly for four years, so that helped me over the hump because in 18 months, we bought 50 doors and that gave us a passive income of 5,000 a month. So, I knew I needed at least another 5,000 a month while, just to cover the day-to-day stuff while I was building this. So, I negotiated that with the fellow who bought my book and then yeah, and then we've just taken it from there.

Mark: All right. So, Edna, let's get into the creative financing piece of this that you did with your partners, because to buy that many doors that fast, you've got to have money. So, walk us through your model if you would.

Edna: Sure. So primarily, now at this point in our life we buy multi-family only and our sweet spot is between 12 and 36 doors. If we go higher, we have a lot of competition with rates and stuff like that, but what we can do is we can buy the smaller units one at a time and then package them up, sell them to a lead or something like that. So that's kind of our sweet spot and we haven't done that yet. We're still holding on to everything because I love real estate, I love owning it, I love having the passive income. I love having the tenants pay down their mortgage, that's huge for us.

But our business model is that we'll bring in inventors. So, saying on a classic deal would be 50-50. Sometimes it's 60 to us, sometimes it's 40 to us. It just depends and what we do is, they come in as full joint venture partners and we work to get them paid off as quickly as possible. So, we want to return their principle to them as fast as possible so then we share in the cash flow from there. So, one thing that I learnt when I was selling mutual funds is … no, the wealthy people kept saying to me, "Edna, if you could find me something that would pay 8% consistently, I'd give you the rest." They would say that to me all the time. And of course, it would never happen, right? Every time you think, "Oh yeah, three good years in a row." Then it would go away. So, I always kept that in my mind.

So, what we … and then plus we got our trophies regardless and the mutual fund managers got their payment regardless if the market turned … paid the investor 12%, well it probably earned 14 or 15 and we got the rest. But if it was a -12%, it was actually -15% off your portfolio because we still got paid and I had seen a different business model. So, what we do is we pay our investors out first before we share in the profits. So, we can't win unless they win.

Mark: Scott Todd.

Scott: I mean, you're right. The system is rigged. Those mutual funds are rigged, real estate and I think you've got to find good operators because there are a lot of people out there that just aren't operators. So, if you have a strategy, if you kind of have developed your sweet spot, I think that's a great resource. Are these people that you're finding – are these people that they're doing these partnerships with you, are these people in your network?

Are these people that you had established relationships with while you were their financial advisor? Or are these people that are kind of … I'm sure now it's grown beyond that, but are these people you took with you?

Edna: You know, I had actually made arrangements with the guy who bought my book, that there were a few clients I wanted to take with me. They were not a lot. I had about 20 clients that I wanted to take with me and I couldn't do it all at once because I had to find the deals and stuff like that. So, he was confident enough in his skills that he would keep them, and I was confident enough in my skills that I would take the ones I wanted. So, I actually did an event before I left them and I invited those people out and I said out of the … at one point I had 600 clients but by the time I sold my practice, I'd downed that to about 300. And I said, "Out of my 300 clients that I deal with, you're the ones I want to take with me and this is why."

First of all, they listened to whatever I said. They took my advice, they were easy-going, they were not micromanaging me, all that stuff. And it wasn't always the people who had all the money because sometimes people with all the money, they just aren't your ideal client. They were hard on you; they were not ideal. So out of those 20, I think only about 8 actually came with me. I think I did too good of a job selling them my mutual funds because I think they're all still there. But you know, just talking to different people in my network to start with and when they found out what I was doing, they went, "Yeah, that's something that interests me." And I started getting more and more investors like that. So yeah, it started with a few investors from my mutual fund days, but not the majority of them. That came after.

Mark: So, Edna, from a structural standpoint and you're working with you know, outside investors, why did you choose the joint venture route over the fund route?

Edna: Oh, you know what, we actually set a fund up early in my career. As a matter of fact, that was one of the deciding decisions for me to leave being a financial advisor because I was wanting to carry my trailer fees of course as long as possible while I was building the real estate side, but I just got to the point where I couldn't do it. But we … okay, now I kind of lost my train of thought. Tell me your question again. I was going [inaudible 00:12:21].

Mark: Okay. So [inaudible 00:12:23] joint venture [inaudible 00:12:26].

Edna: Joint venture opposed to...

Mark: I've got 12 apartment complexes in Tampa. It's going to cost three million, right? You're going to put in the three million, I'm going to do the work, we're going to split the profits 50-50 or whatever it is. Or you're going to put in 600,000, whatever it is, right? As opposed to saying, "Hey, look, here's a fund. We're going to raise 20 million dollars and we're going to buy these assets. We're going to take a management fee and if you're a credit investor, you can do this or however you're going to structure it." So, why did you go the JV route over the fund route?

Edna: Okay. Now, I just have to back up here just a little bit. So that was actually the reason I decided to leave being a financial advisor. I was approached by a guy who wanted to set up a fund of real estate and I was going to be one of the leaders in that, and so that's when I gave up my mutual fund license because I couldn't do both. I did end up getting my exempt market license at the time because it helped me with of course a bigger network again. But you know with the fees and everything else involved in that fund just didn't make it worthwhile. Within three years of us starting that fund, we sold everything that was in there because we couldn't get the financing we needed that we could get personally.

We could get 80 – 85% financing if we bought personally, and through the fund we could only get 65% and our interest rate was higher. It was like 4.5% and we were routinely getting two, two and a half. So, it just didn't work. We had to have other people involved like in our incumbents called Olympia Trust. We had to pay them like 8600 a year, we had to get audited financials and everything, there was just so many costs and then also we had to answer to the securities commission. You had to write up an offering memorandum, you had to follow your offering memorandum and all of that.

In the meantime, we were still buying a house here, a house there and doing joint ventures on the houses and doing really great. So, it wasn't the market, it was the model. So yeah, we got out of that within three years. We were able to get everybody their money back and a return of about 9%, not near what we should have been able to get if we would have done it just in a joint venture model. So then from there, that's all we do going forward, just joint venture models because you can get really, really good financing. Like I said, with the lender, we can go up to 80% financing. If we get venture takeback, we can go up to 90% financing. And...

Mark: Let's define vendor takeback.

Edna: Okay. Vendor takeback is seller financing. So, a lot of … just for every deal well do, we'll ask for vendor financing or for the seller to leave some money in the deal and we get a lot of them because we know how to ask and give them the benefits. Not everybody goes for it, but lots and lots of apartment building owners do because they drink the Kool-Aid. They love the real estate. Most of the time they're getting out of it because they're retiring or moving onto different types of deals or wanting to be more of a passive investor anyway. So why not leave your money in the solid real estate you already know and understand?

Mark: Awesome. Scott Todd, you're smiling and in HD.

Scott: In HD. I mean, Mark, I would love it if our sellers would owner finance. And in fact, there are some that do. Like I've bought land that I've turned around and resold and it's on owner financing. I bought on owner financing and it's just the way that it is and it really works magical because you know, like on the deal … Like one of the deals that I've done. So essentially, I'm paying I think 250 a month but I sold that and for 295 a month. Yeah, 295 a month. So right now, I've got a $45 positive cash flow on that one deal. I know, $45 is not that much money. You know, it's not necessarily going to … I don't know, it's like lunch, right? However...

Mark: It's lunch at Panera.

Scott: Right. But I don't go to Panera too often... I know you think I do, but I don't. Anyway, it's lunch at Panera. That said, I think it's going to be paid off in three years. Well, it was three years total, so it's like a year into this thing now, more than that. So, it's going to be paid off. My buyer is going to basically pay me an extra three years on this thing so my positive cash flow goes from you know, $45 to $295 the minute it's paid off. So, it's cool because I'm able to control a 40-acre piece of property literally for $500 down and I sold that thing for $1,000 down. So right there, I doubled my money.

Edna: Yeah. And that's the power of leverage in dealing with other people's money too. You've got to access the entrepreneurs who do all the work. We have [00:17:40] [indiscernible] return because we didn't put any money in the deal and I'll give you an example of one that we're working on right now.

We actually bought a vacant apartment building. The last owner had rented it to the same group. It was like a group of disabled adults through a company but he rented it for 20 years to this group. So, when they moved out, they built their own building, they just wanted to sell it vacant, they didn't want to do all the work. So, we bought this property. We paid 855,000. We got a $600,000 vendor takeback because of course, you can't go to a traditional lender and get financing and the guy understands that. He's been an investor, he owns tons of property in our city and so we got 600,000 from him, 400,000 from an investor. We're going to refinance it out at 1.2, 1.3 million dollars so we'll make a couple of $100,000 profit in a six-month period and all financed by somebody else.

Mark: Amazing. Amazing. So, Edna, what's some of the worst advice you see or hear given in your area of expertise?

Edna: You know, some of the biggest mistakes I see people making is they'll buy their first two, three, four houses and they all decide to property manage it themselves, so 'deal with tenants and toilets' is what I call it because they want to save themselves that couple of a hundred bucks a month and that is one of the biggest mistakes they can make. Because first of all, you'll get so frustrated dealing with tenants and toilets that you'll quit and waste all your time and you have no time to grow. So, you have no time to go on and get the next deal and the next deal and the next deal because you're too busy saving that 200 bucks a month. So, that's one of the biggest mistakes I see people do all the time.

Mark: Yeah Scott, how many times do we say like in a week, "You can always make more money, can't get more time."

Edna: Exactly, right. Yeah.

Scott: You can't man. When you start embracing that and making decisions based on that, I think that your life all of a sudden becomes much more enjoyable because the little things that you kind of take for granted sometimes, you're like, "It's just money." Right? Literally. I'm not saying be out there wasting it, but the memories you can create with your family and loved ones and experiences if you just follow that model it greatly enhances your life.

Edna: You know that game Cashflow 101 by Robert Kiyosaki? Okay, so we play that with my kids and my students for years because I love it, it totally makes sense. Once you can get your passive income to cover your day to day expenses, you're financially free and I mean, you can earn more and more money once you get to that point and your lifestyle can change, but that's why it's so interesting to see who gets out of the rat race first. The janitor, the secretary, not the doctor, not the lawyer their lifestyle is too high. So, I tell people, "Follow that model till you get your day-to-day expenses covered then you can do whatever you want and that's where you can start making the big money because you can actually concentrate on it, and you don't have to keep thinking about putting food on the table."

Mark: Yeah, I know it's interesting the point that a lot of times we don't even discuss is the lifestyle of inflation and how it can really sort of be this obstacle to grow real wealth and cashflow. I always often ask people, is there one luxury that you have that you can't live without? Like, you wouldn't just be able to live without? So, I'm going to ask you Edna, is there one luxury that you own that you just wouldn't be able to live without?

Edna: Well, I don't own it, but it's my housekeeper. I hate cleaning house. I always have and I've had a house keeper since 1992 and I even tell my husband, I'd give up my truck and I'd drive a brand-new Escalade. I'd give up my truck before I give up my housekeeper. I love having a housekeeper.

Mark: Yeah, that's a really good answer and yeah, it's interesting. But is there any one thing that you actually own? Like an asset?

Edna: Well, you know what, my apartment buildings because my tenants are paying them off, they're assets that keep up with inflation. If somebody would have told me when I was young, because you heard my story, I was s single mom at the age of 16, lived in subsidized housing, my daughter went to subsidized daycare. I made only 1,200 bucks a month that time. If somebody would have told me that at some point in my life I'd have over well, it's between 25' and 30,000 a month going in mortgage pay down alone. So basically, somebody else putting money away for my retirement of 25' to 30,000 a month, I wouldn't have believed … I wouldn't even have been able to understand how that could happen, and that's the lifestyle we're living right now today. So yeah, I want to keep those apartment buildings forever.

Mark: Amazing. Alright, Edna. Well, we're at that point now of the podcast where we're going to put you on the spot—

Edna: Sure.

Mark: 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. I think mentorship has been great, but I'm going to ask you for one more tip. What have you got?

Edna: Sure. So one tip I would take when it comes to earning passive income is hire a coach. Somebody who has done what you want to do. Not somebody who's just teaching it, but somebody who's done what you want to do. That's my number one tip.

Mark: That’s a great tip. Often times, real estate information has like the sleaziest reputation because you see so many of these people that you know, basically they made a lot of money in 2006 and then they make all of their money in teaching. They’re not doing deals anymore and people are like, “Wait a second, you’re teaching me a strategy that no longer works” and it sort of hurts the people that are like legitimate.

Edna: Yeah, it does.

Mark: But, I do think that even having somebody even a bad somebody I better than having nobody.

Edna: I agree. They may not know everything if they’re not buying today – they may not know all the rules and stuff because rules do change all the time. You know, I even have students that come to me with new stuff that’s come out maybe through a lender or through a networking event they went to that they’re teaching me. So, I’m continuously learning and you can't close yourself off and think you know everything because there’s always more.

So yeah, working with somebody who knows even if they’ve done it in the past. Like I say, don’t take your advice from the father in law that’s never bought a property in his life other than his own home. At least talk to the neighbor who owns a rental property, you know? Even if it’s only one.

Mark: Absolutely. Scott Todd, what’s your tip of the week?

Scott: So many tips, so many opportunities for tips and yet, how do you choose? So, Mark, I would say that a book that I’ve really started reading, like I went back and reread it again and I think it’s still really relevant is *The Art of Social Media: Power Tips for Power Users* and in this book...

Mark: Let me get this book right now.

Scott: Yes. It’s by Guy Kawasaki and if you don’t know about Guy, this is a guy who worked for people. He was their chief evangelist officer at Apple and he’s gone on to... You know some of his other companies like Canva, you know Canva, the website that you can go to [00:26:00] [indiscernible]

Mark: Oh, sure.

Scott: So, he’s like promoting them. This guy has social media down. Like he is a big sharer of information. He’s just a wealth of knowledge and just to be able to take his strategy and look at it into practice really, really cool.

Mark: So, *The Art of Social Media*. Is that right?

Scott: The book is called *The Art of Social Media – Power Tips for Power Users*.

Mark: All right. Now should I get the audio or the book?

Scott: I think the audio is fine.

Mark: The audio is okay?

Scott: Yeah, audio is good.

Mark: All right. Done and done.

Scott: [00:26:43] [indiscernible].

Edna: I'm going to get it, too. I have not read that. That sounds very interesting.

Mark: I'm going to get it. All right. Awesome. Well, my tip of the week is probably the best tip of the week. Not just because it's mine, but because you learn more about multi-family and how to start building your passive income in this incredible niche and have other people … use other people's money, is EdnaKeep.com. We will have a link to her site, EdnaKeep.com and please, go there and learn more. Edna, are we good?

Edna: Yes, if you want a free resource over and above the website, I do free training by video. It's just Training.EdnaKeep.com. So, if people are thinking they might be interested but just don't know enough about it to find out, that's also a good place to start. So yeah, your guests and audience can go through that as well.

Mark: Great. Scott Todd, what are you going to say? Nothing? All right. Well, I just want to thank all the listeners and remind them, look, it isn't easy getting guests. It's even harder getting really good guests and the only way, the only way we're going to get the quality of guests like Edna Keep from EdnaKeep.com, is if you do us three little favors. It really helps. You've got to subscribe. Make sure you subscribe. Subscribe, rate and review the podcast, send us a screenshot of that review to Support@TheLandGeek.com. We're going to send you for free the $97 *Passive Income Launch Kit*, so please do that. Scott, are you ready for this?

Scott: I think we're ready. Let's go, Mark.

Mark: All right. In HD one, two, three.

Scott & Mark: Let freedom ring.

[End of Transcript]