



3 LESSONS PODCAST

Stop Looking at Properties: Keith Weinhold's Contrarian Strategy to Build Real Estate Wealth (Ep 1)

Episode 1 Transcript

Matt Bowles:

Hey, it's Matt Bowles and this is three real estate investing lessons I wish I knew. My guest today is Keith Weinhold. He has been investing in real estate since 2002. He is the host of the Get Rich Education podcast, one of the longest running real estate shows in the United States. Since starting his podcast in 2014, it has over 5.5 million listens across 188 countries. He's a member of Forbes Real Estate Council. His writing has appeared in major publications like USA Today and he is a sought after keynote speaker at real estate investment conferences around the world. Keith welcome to the show.

Keith Weinhold:

Matt, it's an honor. Thanks for having me.

Matt Bowles:

I am so excited to have you here. You and I have known each other for well over a decade. We have bonded on everything from 90s hip hop to world travel to real estate. It is always a pleasure to be in conversation with you my friend. Let's just start though by setting the scene and talking about where we are recording this from today. I am actually in the Blue Ridge Mountains of Asheville, North Carolina. And where are you today?

Keith Weinhold:

Matt knows where I am. Maybe you the listener can guess. I am currently 15 minutes from a seacoast, 15 minutes from mountains, 15 minutes from a small urban core of 300,000 people, 15 minutes from an international airport, a place with zero state income tax and zero sales tax. If you wonder why I live here. And yes, this place is in the United States. This place is beautiful and pristine. Anchorage, Alaska.

Matt Bowles:

Amazing. You have been there for quite a while. I of course follow you on social media, so I am actually able to see visually some of those incredible mountains that you have over there and all of that. But you did not grow up in Anchorage, Alaska. Keith, I'm wondering if we can start this off by taking us all the way back, talking a little bit about where you grew up, what that was like for you, and then what ultimately led to you deciding to buy your very first rental property.

Keith Weinhold:

I grew up in tiny Croudersport, Pennsylvania, a really rural area in Appalachia. In fact, the county that it's in, Potter county, has more white tail beer than human beings. A really rural place. But my sensibilities and interests were more urbane, so I had to go to an urban place. So now that I live in Anchorage, Alaska, it's kind of opposite of how a lot of people would think. Matt When I leave Alaska to go back to visit my parents in Pennsylvania, I leave the city which is in Alaska to go to the country which is in Pennsylvania. But I Knew I wanted to live in Anchorage. After vacationing here a few times from where I grew up in Pennsylvania, I got a job as a construction inspector at a state dot. And the way I got to buying my first property, Matt, which was in Anchorage, is I fell in with a certain group of friends, as you do. You have probably heard the well known quote from the late business philosopher Jim Rohn. You are the average of the five people that you spend the most time with. Take your five closest friends, average their moral virtues, average their educational attainment level, average the way they dress, average their income, the average of those five. That's probably about where you are. And if you want to change yourself, change your five. But two of my five closest met, you know, I had just been a rent paying tenant at the time. I knew that they made their first ever property purchase of any kind. An acreage fourplex building where they lived in one unit and rented out the other three. Now, I had always heard that real estate investing is what builds wealth for regular people, not stocks and bonds and mutual funds and ETFs. But I just didn't know how. All I knew, Matt, is that my friends were living for free. And that's what enticed me in to make my first ever property. An Anchorage, Alaska fourplex building that I bought for \$295,000. I didn't have any experience with real estate, have any sort of certificate. It doesn't take a certificate to buy a rental property and be a landlord. And I also don't have handyman skills. People think you need a lot of money or knowledge to get into real estate investing. I didn't have either. I use a tiny 3.5% down payment. I can tell you how. And I'm still not a good handyman. But before I buy a property, I am not poking my head into the crawl space to check out the duct work. I wouldn't even know what I'm looking at. Okay, so that's how I began. It's because my friends brought this sense of relativity and normalcy to me.

Matt Bowles:

So how did it go with that very first rental property ownership experience and what ultimately then prompted you to start buying more?

Keith Weinhold:

It went pretty well, despite some laughable mistakes. When you're living in one unit of a fourplex and renting out the other three, you kind of have this interesting relationship with your neighbors because you also have this financial relationship. The best short advice for how a landlord should act around tenants is be friendly, but not friends. You don't want to get too chummy with them or they'll think they can pay the rent two weeks late. And that really doesn't work. The most laughable mistake I made is when I had a vacant unit. You know, you want to get that vacancy filled quickly to generate income. It was a unit right next to mine in the fourplex. I rented it to three attractive girls and their primary qualification criterion is that they were attractive. I didn't check their employment history. I didn't do a criminal background check or check their credit score. To me, if they looked that good, they were

qualified. Well, it totally didn't work out. They had parties so loud that the police had to show up. And I'll tell you one thing, they sure weren't inviting their landlord, me to any of the parties. So that didn't last long. I had to replace them with some other tenants. So there is this human relations element to it as well, is having to have the finances. But overall, it went well. I bought this building in 2002. Three and a half years later, by 2005, this property, besides enabling me to live for free, had appreciated from 295k up to 425k.

Matt Bowles:

Wow.

Keith Weinhold:

That's about a 14% rate of appreciation, which is not unheard of. That happened again in the year 2020. But really, Matt, this gave me three lessons for the rest of my real estate investing career that would help me. I learned that you actually don't want to focus on getting your money to work for you. That's not your best and highest use as an investor. And you might have never heard that before. The listener. And you might think, wait a second, I know I don't want to work for money. I want to get my money to work for me. No, you're thinking too small. If you're focused on getting your money to work for you, the way you ethically get ahead is provide people with good housing and use other people's money three ways at the same time. That's what I did with this fourplex. How? Using the bank's money for the leverage and the loan, which gave me a great return. Like I told you about the tenant's money to control the mortgage and the income stream. And thirdly, using the government's money for generous tax incentives at scale. So the lesson, and it takes an element of contrarianism here is don't focus on getting your money to work for you. Focus on ethically employing other people's money to work for you. So there is an element of contrarianism, and you're going to hear that throughout our chat. Because, look, why would I just tell you, the listener, what you expected to hear? If I just said everything you would expect to hear, there would be no reason for me to be here. So therefore, there's the contrarianism. And yeah, if you'd like, Matt, I can tell you how I grew out of that into more.

Matt Bowles:

Yeah, I would definitely like to hear about how you have scaled your portfolio over the years because you've now been investing in real estate for over 20 years. So, yeah, give us that sort of journey about how you went from that very first fourplex to the portfolio that you have now.

Keith Weinhold:

Realizing that I don't want to employ my money, I want to ethically use other people's money is I took equity from that first fourplex building. And let me drive back because this is something very actionable for the audience. You can still buy a four plex building today with just a three and a half percent down payment. Living in one of the units at least 12 months and a minimum credit score of 580. That is all you need. And a 4 Plex is the biggest building that you can do that with something extremely actionable. The same way I started is how you could start today. And then what I did with that equity growth, I told you the Property appreciated from 295 to 425 is I kept that first loan in place on the building and then took out a second mortgage on this \$130,000 of equity. Most of that chunk I could

borrow against in the form of a home equity line of credit. And I use that to make a 10% down payment on a second fourplex building. So here's the lesson. I'm not using my money. I'm using other people's money, the market's money from the equity growth that I got in this fourplex, all enabled because I was able to get a bank loan since I didn't have a lot of money and only put 10k down on this 295k property. 295 To 425, that's 130k on only a 10k down payment. I need to use that. I need to employ that money into a second fourplex building. And some people would say, wait, aren't you taking on more debt? You still got debt on the first building and now you got 90% debt on your second fourplex building. Financially free beats debt free. That's the lesson you need to keep in mind. As long as you have income that meet or exceed all your expenses, you can expand. So I bought more properties, including single family homes and out of state properties, trying to use as little of my own money as I could in taking equity for one property and putting it into another one. That gives a lot of people pause, but as long as you're controlling your income streams, you're going to be okay. You're actually lowering your risk when you expand to other states because your risk isn't confined to just one market like it was in Anchorage, Alaska when I first started out. So it's by using cash out refinances and a vehicle called a 1031 exchange to take the equity that the market built for me and spread it out into more properties.

Matt Bowles:

Well, Keith, you and I have known each other for over a decade now, and Maverick Investor Group has been helping your clients buy out of state turnkey rental properties for that entire time. And you have grown your podcast and your business, Get Rich Education over the last decade and it's been really incredible to see. I'm wondering though, if you can take us all the way back to 2013. So at this point, you'd been investing in real estate and building your portfolio for a decade. Can you talk about why you decided to start Get Rich Education at that point and what those early days were like?

Keith Weinhold:

I started an educational platform, Get Rich Education, because co workers at the DOT were wondering how I was going on another vacation to Hawaii or even more exotic places. And they weren't. They would drop by my cubicle. I just was a grunt worker in an 8 by 10 cubicle until about 2014 and asked me how I did this. And I would get very used to explaining concepts like I just explained to you about using other people's money so that I could tell that it made an impression on people. And I thought, gosh, I should tell more people. I like talking about this. Back in 2013, get rich education was just a blog that nobody read, okay? And I was starting to learn that at least at that time. There were about 200 blogs for every one podcast that was out there. And I had enjoyed listening to podcasts for a couple or three years. So I launched the Get Rich education podcast in 2014 and that changed everything for me. There weren't really a lot of shows like that back in 2014. So just the fact that I had one, like at a real estate investing conference, that would get a lot of attention and people would just want to download it in the hallway right away, that wouldn't happen today. There are way too many shows today. And it was interesting, Matt. Back in 2014, I constantly had to describe to people what a podcast even is. I was having to say, like, it's an Internet radio show where you listen through your phone. So I was definitely doing some weird stuff in the evenings after work that, that a lot of people didn't understand. So that's why I started it and that's how it began.

Matt Bowles:

Well, take us on that journey over the last decade and talk a little bit about Get Rich Education, the podcast, as well as the larger ecosystem that you've built and currently run today.

Keith Weinhold:

Yeah, we're still led by the audio only podcast where I publish one every single week without fail, 52 weeks a year for more than years. And we've never replayed an old show. Always fresh content. And the paradox here, Matt, is that is not passive income. It takes work and research and preparation and building an outline which you already know. So the paradox is I'm here talking about, you know, relatively passive income that you could build for yourself. But here on the other side of the microphone, it is not passive income to come up with a content. It's very active income. We have the get rich education YouTube channel. We also have our newsletter. It's kind of strange. I'm really of a writer than a talker, but yet I'm more known for my podcast than anything else. So it's the podcast, YouTube and the newsletter. And then about four years ago, we offered a coaching service. People can learn from me on the microphone about concepts I'm talking about right now. But in order to make it actionable, we offer people free coaching where we learn their goals and connect them with just the right properties. So that's the ecosystem and part of what we do here.

Matt Bowles:

Well, today you have got over 5.5 million listens on the podcast. You are now on the Forbes Real Estate Council. You're a keynote speaker. I see you at major real estate investing events around the world. And I want to ask you, Keith, if you can reflect back on your 20 plus years of your real estate investing journey and identify the three most important lessons that you wish you knew back in 2002 when you were starting out. In other words, for somebody beginning their real estate investing journey today, what would be your top three pieces of real estate investing advice that you wish someone had given you when you were starting out? Let's start with lesson number one. What would that be?

Keith Weinhold:

I think the first thing to keep in mind is that most real estate investors, including me when I started out, is you need to stop looking at Properties. Yes, you heard that right? Now that strikes people unusually. Stop looking at properties. If I'm going to directly invest in real estate, I need a property. But my point is most people start with the property and you've got it all wrong. You're not being strategic at all. In fact, in real estate investing, the property is only the fourth most important thing. The number one thing is you. What do you want this real estate investment to do for you? Begin with the end in mind. Are you looking for appreciation or income production potential or tax benefits or even a lifestyle benefit where you could live in the property yourself a few weeks a year, maybe as a short term rental? So first get strategic. Number one is what do you want real estate to do for you once you're clear on that? The second most important thing is the market. The market that's going to deliver what you want. A lot of times you think in terms of geography and that's certainly one way to think about market. But there's other things. Asset types you want, mobile homes, apartment building, self storage units. You know what market number two is going to deliver for you, Number one, what you want. The third most important thing, and so many people overlook this, is that team of professionals that you surround yourself with. Your mortgage loan officer, your 1031 exchange officer. And the most key piece that keeps us relatively passive is your property manager. Identify a good respected property manager in your market. It's actually pretty hard to find. If you just find it an adequate one, that's enough. But my

point is that you then the market, then the team are more important than that fourth thing, the property. And you know the amazing thing, Matt? Most people do it exactly the opposite way. They go 4, 3, 2, 1. They get all excited about a property, maybe some pretty blue duplex. They drive past both ways on the way to work and they think, oh, that's always look pretty. And I can't believe there's a for sale sign on it now. And I could probably manage it myself because it's on my way to and from work. And then they're not even thinking about the market that they're buying in. Like was there, is there job growth and wage growth and population growth in that market that you're buying in, which is now they're up to number two and then they go up to number one and well, it's you. What did you even want this to do for you if you didn't buy strategically? Now you've got tenants that can text you at any time because you didn't identify a good manager before you bought the property and you get it all backwards. So this is why I say stop looking at properties. You have to look eventually. But there's a hierarchy here. And again, that is you, the market, the team, and then fourthly, and only fourthly is the property.

Matt Bowles:

All right, so stop looking at properties. Lesson number one, Keith Weinhold. All right, Keith, what is lesson number two?

Keith Weinhold:

It would be to get more debt. Again, that sounds paradoxical, but debt has become my favorite four letter word. Unless it's loan. Okay, Back in the fourplex example, if I wouldn't have employed debt, I never could have bought a property. I could not have started at all. Let me give you something more concrete with a math example. But this is easy math. All the math in real estate investing is so simple. I've never used exponents or trigonometry or calculus. It's just addition, subtraction, multiplication and division. This is simple even if you're in an audio format. Here, your return on investment formula is your annual gain divided by the amount that you have invested. That's what we're talking about here. Actually, it's the inverse. It's the amount you've invested divided by your gain. Let me give you an example to make it real for you. Say you want to buy a 500k property. You put a 100k down payment on that property. All right? So that means you borrowed 400k from the bank. All right? Straightforward enough. Let's just say you get 6% appreciation on that 500k property in the first year. That's pretty close to a normal appreciation rate. Your 500k property is now worth 530k. All right, so what, like a 6% return? That's not very exciting. You can get higher than that in a lot of places. Oh, but remember what your ROI formula is. It is your gain divided by the amount that you have invested. You got a 30k gain and you've only invested 100k. A 30k gain divided by your 100k of skin. In the game, that's a 30% rate of return. You just got a 30% rate of return. And if you're scratching your head and saying, well, wait, how did that happen? That is because you got 6% appreciation on both your \$100,000 down payment and the \$400,000 that you borrowed from the bank. That 6% gain on the \$400,000 you borrowed, that doesn't go to the bank, that goes to you. And that is what is known as as leverage. Now, I know if you're listening, you might skip back on your podcast player about a minute there so that that can crystallize and be concrete. But this compound leverage, where I just gave an explanation, it actually trumps compound interest. Compound interest in the real world is worn down by inflation and emotion and taxes and fees and volatility. The strong wealth building force is leverage. And how is that created debt? To my point, get more debt. This doesn't mean we're getting any type of debt. You're not going to buy a pizza and make four buy now, pay later payments on the pizza and pay 20% APR on that. That's not what we're talking about. We're talking about good debt. How is the debt good? It is good when it is reliably outsourced to tenants. See in this case, where you buy a property where the income exceeds the

expenses, you typically don't have to make those payments like you do on a buy now, pay later for a pizza that might take you six months to pay off. You've reliably outsourced those to your tenants and is creating leverage for you. So the lesson is get more debt. That's how to do it, that's what to avoid. And that's why.

Matt Bowles:

All right, so lesson number one, stop looking at properties. Lesson number two, get more debt. What would be lesson number three, Keith?

Keith Weinhold:

It's the way that you need to think about real estate investing and how it affects with the economy. Supply and demand fundamentals are substantially more important than what one thinks. That's really the lesson. And a lot of people don't really get that. Look, the probability of a housing crash in this era is 100% certain. 100%? How could that be? I'm talking about supply. A crash in the amount of supply of homes. A supply crash, not a price crash. The supply crash actually hedges against a price crash. It keeps the supply of available properties paltry. In fact, our available supply of homes in the United States is still 11% below pre pandemic levels. We're actually catching up quite a bit. But nationally, we still don't have enough supply to meet the demand for housing. But you want to buy something that has both scarcity and need, and that's what real estate provides for you. And besides being 11% undersupplied below pre pandemic levels is we have a great paucity of entry level homes. Back in the early 80s, 40% of every home built was an entry level home, defined as 1400 square feet or less. It's gone from 40% down to 9% today. That's the share of new build properties that are entry level. So we really have a scarcity of entry level homes and they are the ones that are that make the best rentals. You typically want to buy just somewhat below the median in an area in order to get a high ratio of rent income to purchase price. So the lesson is you want to think about broader economics including supply demand, and there is no housing price crash in sight. That doesn't mean there can't be some price attrition in local markets. There already has been some national home prices have only fallen one time significantly since World War II, and having a low supply really helps hedge against any substantial price attrition.

Matt Bowles:

All right, well Keith, I have to say those were three incredible lessons and this is exactly the kind of stuff that you talk about and you teach on the Get Rich Education Podcast. Can you let folks know a little bit maybe who have never heard of the show? I of course have been a listener for a decade, so I know exactly what to expect. But for people, this might be their first time meeting you and hearing about the show. What can folks expect from the Get Rich Education Podcast and how can they tune in?

Keith Weinhold:

Well, thanks. First of all, hey, be sure to pay attention to Matt over the long term as well. Matt, you run these terrific webinars a few times a year that are actionable with properties and we do steer our audience over to them a few times a year because you provide your audience with something really good and valuable as well. But yeah, I'd love to have you as well as a listener to the Get Rich Education

Podcast. I'm there every week talking about estate pays five ways at the same time talking about why financially free beats debt free and concepts like that. So you can listen to the Get Rich Education Podcast on Apple Podcasts or Spotify or wherever you listen. A lot of times it's just me on the show, no guest, dropping these slack jawed monologues just like I'm talking from me to you right now. And we've had all the prominent guests in the space on the show, from Robert Kiyosaki to Grant Cardone and everyone else over there at the Get Rich Education Podcast every single Monday.

Matt Bowles:

And then Keith, if people want to find you and follow you and connect on social media or in other ways, how else can people come into your world and see some of those amazing hiking photos and videos from Alaska as well?

Keith Weinhold:

Oh, I can be found on all the usual places for the personal stuff My Instagram handle is just Keith Weinhold. It's a really simple one. But yeah, Get Rich Education with that same name I guess we're consistently branded can be found in all of the normal places. My newsletter, you can check that out @greletter.com that's free. But yeah, you want to start by tuning into me on the Get Rich Education podcast.

Matt Bowles:

Well Keith, I really appreciate you coming on the show. We have really appreciated at Maverick Investor group working with GRE clients over the last 10 years and supporting and helping your clients build their real estate investment portfolios over time and across markets. It's been great. So we really appreciate the relationship my friend. And this has been yet another incredible conversation. So thank you Keith for coming on the show and we are going to have all of the links to how to connect with Keith, how to follow GRE on social media, how to listen to the podcasts and everything else we have discussed in this episode. It's all going to be in one place at the show. Notes Keith. Thank you for coming on the show.

Keith Weinhold:

I love doing it. Matt, thanks for having me.

Matt Bowles:

DISCLAIMER: Just a reminder that nothing on this show should be considered specific financial, tax or investment advice. Please consult an appropriate tax, legal, real estate or financial professional for individualized advice. Opinions of the host and the guest are their own. All investment strategies carry risk and have the potential for profit or loss. Always conduct your own due diligence and consult with appropriate advisors before buying any real estate.

DISCLAIMER: Just a reminder that nothing on this show should be considered specific financial, tax or investment advice. Please consult an appropriate tax, legal, real estate or financial professional for individualized advice. Opinions of the host and the guest are their own. All investment strategies carry risk and have the potential for profit or loss. Always conduct your own due diligence and consult with appropriate advisors before buying any real estate.