

REI NETWORK

Episode: 099

Prepare Not Panic - The Coming Recession

Hosted by: Gavin Timms and Joe McCall

- Joe:** What's going on, our friends? Dear friends in real estate world. How are you? I'm Joe McCall with Gavin Timms. Hey, Gavin.
- Gavin:** How are you doing, good morning, everybody. Good morning.
- Joe:** Morning, guys. Hey, listen, we are on a little series here talking about how to recession proof your real estate investing business. And there's a lot of important things to understand. And we're gonna be talking today about how to prepare, not panic. We're going to be talking about how to identify problems and solve them and what to do if you're personally on the ropes or you soon will be. And then we're going to be touching a little bit on the different things you should be focusing on in real estate specifically. And we have a lot more to kind to cover. I don't know. I think this is our third one. We've probably got three or four more. But all of this is we're talking about a PDF roadmap or book that we have where it's going to kind of help you walk through step by step how to survive and thrive and profit in this coming recession because it is coming and some may say it's already here. So we want you to be prepared and we want you to have your most profitable year ever in 2022 and 2023 in real estate investing. So you've got to get your hands on this PDF report. It's very simple, easy to go through. It will take you just a couple of hours. It's not a whole book, but we give a lot of stuff away and when you get the PDF, there'll be an opportunity to get to the mind map that we're going to show you here in a minute. It's all 100% free. There's no strings attached. So to get our recession proof roadmap to make 100 grand in a year or 100 grand a month doesn't matter. Go to REI proof dot com right now and get this free resource REI proof dot com and it's completely free. And by the way, as we're recording this, we are live on Facebook and YouTube and we've got a friend, Scotty says hello again and that was.
- Gavin:** Scotty, just an acquisition. He just closed three deals for us. We got another one closing this week. Awesome. From that guy right there who liked them all. So good job.
- Joe:** But you know, the other day I got a message, Gavin, for one of our students, Nathan, and I think he's in Tennessee. I hope I remember that. Right. But and you might even be here watching this, so. Hey, Nathan, what's up? Did over \$48,000 will do \$48,000 this month in deal. So we're getting mixed signals, right? Like recession, economies collapsing, high inflation, high interest rates. People, the companies start to lay people off and people are kind of freaking out. But at the same time, we're still wholesaling deals. I'm still doing vacant land deals. We're closing on three this week. After we're

done here, I'm going to the bank to wire some money and we've already got him sold. So we're doing land deals, we're doing house deals or wholesaling deals. I was at playing cards the other night with a friend who's rehabbing a house, put it on the market, got 23 showings that first weekend in one day or something and got seven offers above asking price. So like people still want housing, they still need roofs over their head. There's still a demand from investors excuse me, from investors, from landlords, from retail buyers. So the housing market is still strong. So it seems like we have mixed signals. We talked about this yesterday and we talked about this in that PDF that you can get right now at REI proof dot com. But there's always this gap and there's this gap where people are trying to figure out what's going on. Sellers think their house is worth this. It's really worth this. Investors, they already see the tea leaves or whatever, and they're kind of like waiting on the sideline what's going on. So there's sometimes when we head into a recession, there's a period of like, people aren't knowing what's going on. And so it's called kind of called the gap, but we'll figure that out. But anyway, so there is there's a lot of opportunity in the market right now, and we want to make sure you're prepared so you can do your first ten grand, your first \$10,000 month, your first hundred thousand dollars a year, your first hundred thousand dollar month learning the things that we're going to be talking about. So get this. Get your hands on this thing. It's free. I don't know why you would want to do it unless you hate money. I don't know. Maybe. I'm sure there's somebody here that hates money watching this or listening right now. But go to REI proof dot com to get your free PDF blueprint. All right.

Gavin: And a lot of people are fearful of success I know that for sure.

Joe: By the way. Scotty says more deals are coming. So much money. All right. So we've got a mind map here that we're going to share with you. And let me hide this banner. All right. So we were talking the other day about invest, don't say grow, don't shrink hoard positivity, not toilet paper. I'm not predicting the toilet paper shortage again, but we need to hoard positive thinking, not stuff. We need to be producers and consumers. And then here's what we've kind of left on this the other day. We need to learn how to identify problems and solve them, because in any kind of market, wherever we're in, this is where the producers and the consumers kind of show themselves out. Right. So a producer is somebody who creates solutions. Consumer is somebody who creates problems. So if we want to make a lot of money in this business, in real estate or anything, we need to learn to be producers that solve problems. So as the recession evolves, there's going to be new problems that emerge every day. But as entrepreneurs, we are problem solvers, which is exciting. So there's exciting new innovating ways that people and businesses are adapting to change in this business. This we originally created this mind map during the when COVID first happened. But when COVID happened, you remember a lot of people were really freaking out, but the innovative entrepreneurs were actually figuring out new ways to do things right. We started having companies were telling people to work from home, so we started doing virtual meetings, we started doing Zoom, started cleaning up our rooms. When we were on video, we would have nice screen backgrounds, right? So we started, remember, brick and mortar stores started offering specific store hours for high risk customers. A lot of restaurants and cafes, the way they survive was doing more takeout and to go options. And they're still kind of doing that right now because they can't hire help. So a lot of stores, you know, they're closing for their less busy times. They're not opening up their dining rooms.

They're only doing drive thru. All right. So anyway, this world is going more and more virtual and that's not going away anytime soon. So the whole point is this. Times like these that we're in from the COVID pandemic to this recession that were coming in, times like these create innovation and creativity. That's the point I want to make. And how you change and adapt to uncertain circumstances can have a huge impact on your business today and in the long run. So this is why it's so important to stay involved in networking, masterminding, masterminding, finding, and being in coaching programs. Hanging out with other people that are actively doing deals and are in the business, knows what's working today. Not what was working yesterday, what's working today.

Gavin: You're only as successful as the five closest people around you. Right. And people need to analyze that. And that does not mean that you have to start kicking people to the curb. But if you're around a lot of negativity, a lot of people that adjust in the way they go and do their day job, which I know a lot of people are. But as an entrepreneur, you get to build different you need to retrain your mind if you're coming out of your day job and you'll go in as an entrepreneur. There's no one to self motivate you within yourself, right? So it's how much do you want it? And that's why it's important to be in the right group, surrounded by the right people, because you will never get ever get another entrepreneur with this success. If you bring something to the table that they're going to say, yeah, no, there's no way you can do that is not going to happen. Right now, they may say, well, this is how I would do it, or you need to watch for these things and guide you. But it won't be. No, that's stupid. That's never going to work. You'll never do that because anything's possible. If you work hard, you get the right plan in place and you execute. Anything's possible.

Joe: And again, I want to clarify, because somebody made the comment here, Jason, that we're not talking we're not saying that the housing is going to crash and the housing market is going to go into recession. There are two separate things, two separate things. And we're seeing a lot of mixed signals and people are kind of like what's going on? High inflation, high interest rates, cost of living is going up everywhere. Right. It's companies are starting to lay people off. It's hard for companies to find people. Everything has gotten so much more expensive.

Gavin: Sorry. I was just going to say in to Jason's comment, though, that's why you shouldn't be waiting. Yeah, that's why you should be now. Now's the time. Because we could be waiting another six. But you've got to be prepared because something's going to have to correct. It has to.

Joe: Yeah, both. And Jason says, Yeah, I think both are going to happen. It's just a matter of time. But we need to be prepared and we're not going to sit around and do nothing while we try to figure out what's going on. That's like the stupidest thing to do. All right. We're going to be marketing harder than ever for sellers and for buyers. I think, though, you are going to see because of the recession, people's wallets getting hit, right. You're going to see more layoffs. You're going to see we already are seeing higher mortgage delinquencies and you'll start seeing that in the news soon here, I'm predicting. The next one or two months. We're seeing it on the streets right now where 30, 60, 90 day lates for mortgages are increasing pretty rapidly right now. So you're going to start seeing a lot more people can't refinance right to it's because their payments are going to go up

too much. So we're starting to see more delinquent mortgage delinquencies coming in. All right. So anyway, so how you change and adapt to uncertain circumstances and being ready for them can have a huge impact on your business today and in the long run. So start making a list of problems that you're seeing right now. Start asking yourself how you can start solving them, whether it's in the real estate market or anything that you're in, any kind of business. Start looking for problems and think about How can I become the solution to that problem? And in real estate, it may be the solution to a seller's problem. When they can't take your cash offer is to, I don't know, offer them seller financing, take over their mortgage, get their loan current. Maybe it's getting maybe it's going to get harder for people to get mortgages going forward because the interest rates are too high in their payments where they could before before afford a 300,000 other house. Now they can only afford a \$225,000 house, which is priced them out of the market. I don't know. So what are some solutions that you could offer to that individual? Maybe you could sell some of your properties with these options or on a financing contract for these land contracts, things like that. People are living in fear they will happily pay for solutions that will provide them a sense of safety and security. So we need to learn to pivot and insert ourselves into our customers internal dialog. All right. So the next thing I want to talk about is preparing and not panicking. You need to know your numbers. There's a certain phrase that I like a lot is called data, not drama. And if you have a business, if you don't know your numbers, you're rich. You actually really don't have a business. Bottom line, plain and simple, you've got to know your numbers. If you don't know your numbers, you don't have a real business. Go ahead, Gavin.

Gavin:

Oh dude. You're exactly right. And people don't. I mean, we had one client, Joe, that came a couple of years ago and he made \$450,000 right in that year, up up to date when he started working. And then when we actually looked at the numbers, he did 480,000 doing it. So 30,000 upside down because he had offices, he was doing marketing, he was paying staff. So they were doing deals. And obviously as money moves around, you think you're making money, but you didn't have a business because it wasn't profitable. And that happens all the time. Right. So it's how do you say lean and mean mean in keeping your overhead down? Running a business efficiently with high profit margins, again, is something that you should be going in to a recession with as well, right. That's more affordable and that's going to keep you afloat and then bring in another option. So knowing them numbers, knowing exactly what marketing's working with so many people listening to this now, they'll probably do some direct mail and cold call and some texting, but they couldn't tell you which one performs the best. They're just like, Well, we got leads on. I don't know. And then that's the problem, right? Maybe our emails bringing in two calls a month and culprit cold call ins bringing in 50 calls a month. Well, maybe we need to put that direct mail money into cold call or vice versa. So you've got to know it's not just knowing your numbers from a profit standpoint, but you've got to know your numbers from a marketing standpoint. You've got to know how many sellers you're talking to. You've got to know how many offers you're making, how much follow you're doing, because that is where you're going to get your conversions from. So if you know that if you close one in 40 deals or one in 40 lead, sorry, then you need to do 80 leads to get two and you need to do 120 to get three. And then with follow up, you might be able to get another two or three out of that and that 120 over the next three or four months. So the numbers are so, so important for you.

Joe:

Yeah. So how many sellers cash flow? There's so many different things and it's different for each business. But you need to know your KPIs. You need to know, all right, how many offers do I need to make to do a deal? How many leads am I getting per marketing channel? So to a point where it's like, all right, how many postcards or how much do this like how many an example, how many letters for one deal? And the other thing is your average profit source or deal. So in other words, if I need to make \$10,000 this month, I need to send 1575 letters. I'm just saying. Or I know if I need to make 50 grand this month, I need to make 3 hours of code. I need to do 3 hours of cold calling a day. And on average, I cold call, I don't know, 200. Numbers every hour. So I need to cold call three 600 phone numbers every single day. And I know if I do that, I'm going to be making ten, 20, 30 grand a month. The most successful clients that we have, the friends we have that are doing the most deals, they know their numbers. You've got to track your numbers every single week, every single day of month. How many offers do you need to make to do a deal? What's your average profit per deal? How many leads you get per marketing channel? Maybe you can't just rely on one type of marketing. Maybe you need to do some letters. Cold calling, driving for dollars. Well, I don't know. How many sellers do you have to talk to to make an offer or to get an appointment? How many of those appointments do turn into deals? What's your cash flow? Especially is really, really critical and important. So you need to know your numbers. Don't rely on the drama of what's going on in the news, the hype, the hysteria, focus on the numbers, on the data, because it will not lie. The numbers do not lie. And if you're tracking them regularly, you'll start to see a trend. One of the reasons why so many people got crushed in the last recession in oh eight and nine is they had no idea what their numbers were and they kind of just buried their heads in the sand and just hope that it would pass. But not realizing I only have four months left of cash in my bank account. Cash flow is slowing down. I need to either do something or shut it all down and save what I can. Now so many people held on to their overhead for too long. They kept their employees for too long. They kept doing marketing that wasn't working. We're spending money on stupid stuff, so you've got to know your numbers. You need to know things like What's your current cash on hand? What's your current run rate? How much are you spending every month? Are you bleeding cash every month? How long can you bleed cash? Right. Ask yourself what's going to happen if things go bad for three months, three months to six months? I mean, how long can I keep things afloat? You need to know those numbers. You need to face the facts, face reality rather than just brush it aside. I'm telling you guys, what I'm talking about here is so important because we're preparing, not panicking for any kind of recession that's coming in. Absolutely means you need to communicate with your team. You need to have a plan. This is so important. I wish I would have learned this back in 09, 08 and stuff. So you got to come up with a plan and you've got to think clearly and strategically, and it's easier to do this when things are going well, kind of like maybe they are right now for you. So you need to create some event based triggers or milestones for strategic decisions. What do you mean by that? Well, you got like, all right, we have three months to accomplish X. If we don't accomplish that goal, this is what's going to happen. Or something like if revenue drops to expand, our expenses have to drop to y. You need to know these numbers. This is so critical and important. Can't emphasize this enough. And I, i, again, I wish I would have done this better when the market went to recession last time. But you've got to know. All right, I got three months to cover overhead in savings. Maybe you need to have six months to start working towards that, saving that right now. And you can say, all right, well, if we

don't make 50 grand in this this month and 50 grand next month, we don't accomplish these goals. This is what we're going to have to do. I will have to lay people off. I'm going to have to cut these expenses, cancel this trip, cut these memberships, whatever. You've got to have a plan for this. If your revenue drops to something, then you need to have a plan, your expenses to drop to something. A really good book that you everybody needs to read is profit. First, you need to revisit profit first. Write that down. I'm going to write it down right here. Book must read called Profit First. The whole premise of this book is every dollar that comes in, you set aside profit, first profit. You set aside some money for taxes and you set aside some money to pay yourself. And then everything that's left over is covers your overhead and expenses. So, so many of us have it backwards. We're just checkbook business owners, right? Like, if we've got money in the checking account, that's what we can spend for the month. But we're not taking any money out for ourselves for profit and for the IRS tax. Okay. So you've got to know what these numbers are. All right, Gavin, you gotta bail?

Gavin: In a minute. Yeah, I got the coaching call.

Joe: All right.

Gavin: I won't go, If I leave, I won't ruin anything, right?

Joe: No, no, no. You can go ahead and leave. I'm almost done with.

Gavin: I appreciate you guys. I'll see you on the next one. I got to coaching call, bye bye.

Joe: Don't forget, guys, to get this free PDF report I'm talking about, go to REI proof dot com REI proof dot com to get your hands on it see if I can change this video a little bit. There you go. All right REI proof dot com and I move things around a little bit on my screen since we have a little more real estate as that is pretty good. All right. So read the book Profit First. If you do that, you will always have a profitable business. Your business will never lose money. What are you talking about, McCall? Yeah. So you start with every revenue that comes in. Dollar revenue. Certain 2% goes to taxes, certain percent goes to profit, 7% pays you and your salary. And then whatever's left, if you've only got ten grand left for that month, well, that's all that you can spend on overhead. And if you're overhead is 20 grand, you've got a problem. So you'll find out about these things a lot sooner. Most people that get in trouble in their businesses when the recession hits is they wait too long to take drastic action. They wait too long until their credit cards are maxed out. Their home equity line of credit is gone or the bank takes it away, or they go into debt over their eyeballs, up to their eyeballs, whatever, because they don't have a plan and they're just hoping that it goes away. They're hoping that it fixes itself. They bury their heads in the sand. So these scenarios of your revenue drops to this and your expenses have to drop to this, become your decision markers, and this will remove the emotions and the biases. Emotional reactive decisions will kill your business. Sometimes when a business is falling and revenue is falling, I mean, sometimes the splat is going to come. The sooner the better. Sometimes it's better to rip off that Band-Aid and save yourself and your family and your house. Your personal stuff always comes first. So I don't know. Who knows? This recession may be nothing, but if it does get worse, we need to have a plan. We need to be ready for it. We're going to be talking more about

that in these videos and in the book. A PDF report are proof. So if you wait to make these decisions until you're forced to, it's already too late. Bottom line if your revenue is dropping, you need to reduce your overhead. You also need to be thinking about getting your personal house in order. Again, this was stuff that I originally created from when the coronavirus happened. But, you know, that's a good point here. I was making this before. You're more likely to die from cancer or a car wreck than a virus. So it's not letting me undo. I just deleted that note anyway. So you're not going to die from a virus COVID? I mean, you might. That's tragic and sad. I know, but you're more likely to die from something else. So why let a crisis like what we were in with the pandemic, or what's coming up with the recession? Go to waste. Use this opportunity now to make sure you have things in order. You have life insurance. You have disability insurance. You have trust. You have a business partner. What's going to happen if the recession goes bad and you have to let them go? You have operating agreements that cover death and sickness. Can your spouse and kids get usernames and passwords to your bank accounts? What about your parents? Oh, there it is right there. I'm going to move this back up or I'm just working this mind map, moving these nodes up and down. All right. Okay, cool. Get your personal house in order. In terms of budget, make sure that your consumer credit card debt is under control. Prepare, not panic. So some of you guys, you might be personally on the ropes right now, or maybe you soon will be. You know, they're going to start requiring for the first time in over two years student loan payments to be made and why my camera keeps freezing. Sorry about that. But anyway, they're going to start requiring credit cards. I mean, sorry, college student loans just start being paid, and there's been two years. So what's going to happen to all these people that now have this two, 300, \$500 payment they need to start making? I don't know. So if you're personally on the ropes or you will be soon, don't expect the government to bail you out. Don't expect the government to bail you out. And excuse my French, you need to learn to get creative as hell. And there's a lot of things you can do. Work your tail off. People want to stay at home, so start delivering food for UberEats or DoorDash. If you have a skill offer for a half price of your competitors, reach out to 100 people every day and offer to help them in any way we can. Go to Fiber and Upwork. I just saw a job. Some people that are talking about working for Apple. Apple is paying \$18 an hour for stay at home customer support people. So maybe you could work for companies like Apple working and get a realtor's license, find tenants for investors, find a group of people who have money, large businesses, and find out how you can help them and serve them. Offer them whatever services. Call all of their major competitors and help them crush their competition. When you go to war with a team like that, you'll find a way to when the opportunities are absolutely endless. So anyway, get creative. Start making money if things are getting tough for you, right? Do whatever you need to do to make money or whatever. And whatever happens. Do not quit and do not give in and fight every single day. This challenge will come to an end at some point. All right. Now I want to talk about real quickly, just highlight and then we're going to be doing this in another video. The current opportunities that we're seeing right now in real estate and this is this has been true for the last couple of years. I think it's especially from the pandemic, but it's especially true going forward. There is a lot of opportunity in real estate. We're gonna be talking about that. But the main things you guys need to be focusing on is marketing. As we go into recession, do not slow down the marketing. Wholesaling works always works and lease options. Creative financing always works as well because like these, but they work especially well when they come into a recession.

And we'll talk more about that next video. But also what's working really well is rural vacant land. And so I'm going to be talking more about that in our future video. So for now, I think we're good. I want you guys to get this free PDF report. REI Proof from REI Proof dot com. You're going to be sent this PDF report and in that PDF report you can actually get the mind map that I was just showing you and you can play around with it and get in it and work it. There's a lot of really good stuff in there. I hope you got some good value out of this. Let us know what you think. If you're watching this on YouTube and or Facebook, comment down below, let us know what you think. Shoot us an email. Send me an email. Joe at Joe McCall dot com but get this pdf absolutely free REI proof dot com and you're going to get a lot out of it. We'll see you guys later. Take care. Comb your hair. Bye bye.