

Don DeRosa's

Real Estate Investing for The Real World



Volume 2, No. 9

Building Your Team: You Can't Do It Alone

In the end, all business operations can be reduced to three words: people, product and profits. Unless you've got a good team, you can't do much with the other two.

- Lee Iacocca

If you're like some people, you want to quit the rat race in part because of all the rats you have to deal with. Many people assume that when they go into business for themselves, they're not going to have to deal with unpleasant personalities anymore. That's partly true. You do have a lot more say about who you deal with. If someone is really difficult you can choose to work with someone else.

But perhaps you're hoping to take it one step further: You're looking forward to going it alone. Maybe you'll deal with sellers and buyers, but otherwise, you're looking forward to peaceful solitude. And to keeping all the profits for yourself, while you're at it.

Like it or not, you can't do everything in this business yourself. For one thing, there's a good chance you will overestimate – perhaps by quite a lot – how much of the work you can do yourself. And you'll underestimate how long it will take.

You may want to save money by doing it yourself, but there's real danger in getting in too deep. Watch any of the "house-flipping" shows now on television and you'll see what I mean. So when it comes to real estate investing, there's wisdom in the old proverb, "penny wise and pound foolish."

Even if you can do most of the work yourself most of the time, there will be times when you can't or won't want to do it. You may become sick or injured, or you may just want to take a vacation. Either way, sometimes you'll need help.

And there are some jobs that the vast majority of investors simply can't do for themselves. Legal work and accounting are the two most obvious examples.

The best time to assemble your business partners is before you need them. Just like many parents interview pediatricians before the baby is born, you can – and should – start collecting names before you buy your first house. In fact, it wouldn't hurt to have a couple people in each category in case one is unavailable or falls through. Carry their contact information with you at all times.

Here are just some of the folks you'll need to line up:

Attorneys.

You'll need the names of a few good real-estate attorneys. Try to find attorneys who know how to handle subject-to transactions. Make sure your attorney has a "can-do" attitude. If an attorney starts telling you what they can't or won't do, you're in the wrong office. Look for someone who's willing to figure out how to do it right, or who already knows.

The best place to find attorneys is through organizations of people who are like-minded, like at your local REIA group (GAREIA here in Atlanta). Just start asking around. Find out who people use and find out whom to avoid. This sort of networking is one of the benefits of joining an organization like GAREIA. (While you're at it, use your networking to develop your own reputation. Word of mouth is a very powerful thing. If you treat people right, you get a reputation. If you treat people badly, you get a reputation. Make sure your reputation is a good one!)

A word of advice about attorneys: Don't try too hard to get a bargain! Certainly you don't want to pay more than the going rate, or perhaps somewhat less if you can, but you'll do yourself no favor by hiring your neighbor's son the paralegal just because he's cheap. And for heaven's sake, don't write documents yourself unless you're willing to have them checked by an attorney before you use them!

Finally, don't assume that all attorneys are qualified to do real estate. They're not. Get someone experienced in real estate.

Certified Public Accountant.

You'll also need a certified public accountant (CPA) on your team. Like your lawyer, you'll want someone who's well-qualified. GAREIA is a good place to look for a CPA, since it's very helpful to find a CPA who is an investor. Your CPA needs to be creative (but legal!) about minimizing your taxes, and a CPA who's an investor has made a point of learning the tax angles of real-estate investing.

As with attorneys, don't go with someone under-qualified just because they're cheap. A good CPA will pay for herself many times over. A bad one will cost you for years to come.

Inspectors and Appraisers.

If you're new at this, you may feel more comfortable hiring professional inspectors and appraisers to make sure that the houses you buy are sound and worth what you think they are. Here, finding someone with paper credentials is less important than finding someone knowledgeable (unless your lender is requiring the appraisal).

If you know a construction contractor who specializes in renovations, it may make sense to hire him instead of a certified home inspector. Likewise, if you know someone who's experienced in real estate and knows the market in a particular neighborhood, she may give you a good feel for value.

There's an excellent chance that one of your friends is a real estate agent. That person may be perfect. But before you hire a friend or relative, remember that not everyone who says he's qualified really is. Make sure the person really knows what they're doing or their mistakes may cost you a friendship as well as money.

Contractors

Yes, I know you installed a vinyl tile floor last year and it looks great! But that doesn't mean you're qualified to do electrical or plumbing work. Unless you've done it for a living at some point, you're probably not the best person to do sophisticated repairs. Hire someone.

Once again, GAREIA is an excellent place to find good contractors. As with the other members of your team, you can't assume that someone knows what they're doing just because they say they do. You want someone experienced and reasonably priced who understands that you're looking for the most bang for your repair bucks. Word of mouth will help you find just the right person or company.

Cleaning Service. Okay, I'll admit it: you probably *can* clean your own houses. Just remember that if you spend six hours cleaning a house, that's six hours you won't be looking for the next purchase. And some bargain houses are in pretty nasty shape when you get them. Some will give you nightmares.

I love finding houses that smell putrid and have pet stains everywhere, but I don't want to clean them! For those times when you just want to hand the broom over to someone else, have a cleaning service lined up.

Answering Service

It may sound like an unnecessary luxury, but I strongly recommend hiring an answering service. Why? Because you don't *ever* want callers to wind up in voicemail.

When you're looking for motivated sellers, you're dealing with people in crisis. They're sitting at the phone with the newspaper in front of them, and they're going down the list of "we buy houses" ads. They need help now, and if they don't reach you they'll just move on to the next ad. An answering service can provide a live person for each caller to talk to, and it can also help you prescreen sellers if you give the operators an appropriate script. Trust me – it's well worth the money.

There are other people that you'll need on your team. Among others, you might need real estate agents, mortgage brokers and "bird dogs." No doubt you can think of some business partners I haven't named.

With the right team in place, your investing business will run smoothly. And while your partners are taking care of business, you'll be free to find the next great deal.

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Don DeRosa was recognized as one of the nation's top 21 real estate investors in the New York Times bestseller The Millionaire Real Estate Investor. Don, who is a full-time investor, trainer, and mentor, offers a complete system to build and run a thriving real estate business. For more information on Building Wealth with Real Estate, visit www.donderosa.com.

Synopsis: One of the advantages of working for yourself is the ability to pick and choose, at least to an extent, the people with whom you'll work. But if you want your transactions to go smoothly, you won't want to go it alone. You'll need business partners like attorneys, CPAs, inspectors, appraisers, contractors, cleaning services, and even an answering service. By choosing experienced, qualified people, you'll find you have more time to find the next deal.