Ep #61: Interview with Jim Ingersoll

Full Episode Transcript

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Dr. David Phelps and Evan Harris

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You are listening to the *Dentist Freedom Blueprint* podcast, with David Phelps and Evan Harris. Navigating you through the uncharted waters of a turbulent economy with straight-forward advice to, transform your practice into a self-sufficient cash machine, compound your net worth assets, and multiply, multiply, multiply your passive cash flow streams.

David: Welcome back everyone, this is Dr. David Phelps with the Freedom Founders mastermind community and the *Dentist Freedom Blueprint* podcast. Got a great call today for you. A good friend of mine, been friends for well over ten years. We've kind of seen our families grow up together. My friend is not a professional practice owner but he is a professional. A professional in so many different ways.

He grew up in a small town in western New York where he was taught to work hard. He came from a hard-working family, his dad worked hard. He was taught to get a good education, work his way up the corporate ladder, and that's exactly what he did. He received a Bachelor of Science in electrical engineering from the Rochester Institute of Technology and a Masters in engineering management.

He eventually got tired, sick and tired, of the corporate life, business travel, and decided to venture into real estate as a full time investor. That's huge. That's a transition from earning an active income, trading time for dollars supporting one's family, and giving that up and actually turning to real estate as the full time income replacement.

He's also been married for a lot of years, several decades, to his wonderful wife. I know her well, Cheryl. He's also the father of two beautiful daughters and now two grandchildren. Originally from Jamestown, New York but resided in Richmond, Virginia since 1998.

Also the author of two books on Amazon, you can get them both there, *Investing Now*, which is a book about fixing and flipping, the more active component of real estate investment. Then the other book, *Cash Flow Now: How to Create Multiple Streams of Income*, more about the passive side. Two great books on Amazon. I better give you his name so you can find him. His name is Jim Ingersoll. Jim, how are you doing today?

Jim: I am great, David. It's nice to be here with you today. Appreciate you having me on here. I always listen to your podcast by the way, so it's nice to be your guest today.

David: Hey, it's awesome to have you on here. You know, one of the reasons I like to have you on, I mean there's lots of reasons, but one of the ones is I think your story can relate very well to a lot of my listeners which are typically professional practice owners, the doctors and dentists, and chiropractors, veterinarians, who are like you were—like so many of us—like I was too, working hard in a career, a profession, trading time for dollars, supporting our families as we set out to do. But never really having an exit plan.

This was like over ten years ago when you decided to make a change but let's see if we can go back before then. What first got you and Cheryl to even looking at real estate? I know there's a backstory there and it revolves around your dad and some things there. So take us back there.

Jim: Way back there, to when I was a kid, like 12 years old?

David: Hey, you know what, the bud starts somewhere. So I'd like to know where it started, yeah.

Jim: Well when I was really young, my dad is an extremely hard working guy and a very good investor. What I saw him do, David, was he bought a series of duplexes. I think only like maybe four of them over a period of time.

I remember him, he managed them himself. He worked on them himself and did all the work and then our family built a house back in 1978. After maybe six or seven years living in that house back in the 80s, my dad took his duplexes and he sold them all and he paid off our family home. Man, he made it look so easy, didn't he?

David: Yeah, you didn't see all the moving parts behind it, did you?

Jim: No, not at all. And he helped us, Cheryl and I got married, Cheryl was 19 and he said, "Well you don't want to rent, so you'll have to figure out how to buy a fixer upper" and he helped us rehab it. We lived there for a while and sold that one.

Then we ended up buying our own duplex and didn't know what we were doing and that didn't work out real well so we took some time off and all roads ended up leading back to real estate again. Back around Y2K or right after Y2K for us, after we took some time off.

David: So tell us why. So like a lot of people when they first start out in real estate investing, Jim, they try something and sometimes it doesn't work out great, right? Sometimes people just say, "Well, I'll never do that again." How is that you and Cheryl said, "You know what, let's go back and look at it." What gave you the impetus to go back and look at real estate one more time?

Jim: Cheryl said she would never do it again so it took a while to convince her back to allowing us to go back in because we bought a duplex when we were really young. So we were maybe, say 24, when we bought our first duplex alone and it looked really good on paper. I think it was $21,000. You know with two rental incomes, you would say that’s a great investment, right?

David: Yeah.

Jim: But the problem is it needed a ton of work and we didn’t have capital to do the work so I ended up doing a lot of it myself. Then the other problem was I had no training. I had no coach. I had no mentor. So my property management philosophy when I was in my early 20s was I would go over and show the property and the first person who showed up with a pulse and a deposit would get in.

David: Yeah, we know how that works out.

Jim: So you know that path led me to some really nasty evictions that I didn’t even do right or even understand. But I learned a lot. I mean, that’s probably the biggest mistake I've made because it cost me ten years of investing.

David: Wow.

Jim: So you can argue how much money that’s worth. So that’s the value of having a good coach like yourself and a mentor in the right network and the right training and the right people to help you succeed and shortcut those mistakes. So that’s a big takeaway for everybody today that’s in your group or should be in your group, the Freedom Founders.

David: Well, we both agree, Jim, and that's where I met you. I met you in part of another investing community because that's where you learn. That's where your safety net comes from so that when you do step out maybe the first time you're going to try something, you're not doing it alone.

You've got the support of other people who can help you weigh in and help you ask the right questions and setup the right structure so that depending on your situation, you're doing it the right way. That's where you and I met.

So how did you and Cheryl though decide you'd go ahead and try it one more time because, like what pressed you? What was that burning inside you that said, "We need to go do this." What was it?

Jim: I mean, I've always been entrepreneurial. I've always done different things and looked into different things. But the real estate market really got cooking pretty good in the early 2000s, remember? It was going up like crazy and all of that. So we jumped in and we tried one while I was working full time. I think we fixed it up and I held on to a couple. Went back into being a landlord. But I got myself some better training.

For instance, I went to see David Tilney. David Tilney really taught me about the systems of being a landlord. When you've got the right systems and the right processes and approach, it makes it a lot easier. So I was able to ease back in. Then I think we did a fix and flip. Then I started to learn about wholesaling.

All of that was starting to happen at the same time that I was getting sick of my corporate life because when I first moved to Virginia in 1998 they told me I was going to travel say 15 percent of the time. When I got down here, immediately they had me traveling international and I was helping open factories all over the world.

So while Cheryl was out shopping for a house for us to move into here in Virginia, she bought it when I was in Mexico, and four weeks later when all my goods arrived, or whenever we closed on it and my stuff came from New York to Virginia, I was in England at that point. So I wasn't even here when the moving truck pulled up to the curb. She had to do that on her own.

Then I think six or eight weeks later they sent me to China. So I went from Mexico to England to China in like three months. I went to all three of them. I got thinking, "This isn't what I signed up for, this 15 percent travel thing, I don't have any control of my schedule. I have to go do what they tell me to do." I became like a corporate slave. It was a well-paid slave and not that I didn't enjoy what I was doing but I had no control and no freedom at all.

So I did that for a while and then I worked for part of Lucent Technologies, it was a good company. They started to struggle and then they started closing all kinds of factories in the United States because we opened them up all over the world, everything outsourced. They asked me to move to St. Louis and I didn't want to move to St. Louis so I jumped off that one and I took another job running another factory.

That went good for about three years but I kept thinking, "There's got to be something else because I don't like this outsourcing thing and I don't like closing factories. I don't like laying people off. Time to go do my own thing." So I searched through franchises and businesses, all these roads kept leading back to real estate. So I just had to figure out how I was going to replace that corporate income.

David: Right, and Jim, your girls were like what age at that time?

Jim: Maybe one was in middle school, one was in high school. That's tough ages, right?

David: Well, yeah, that's what I'm saying. You had a lot of responsibility on your shoulders. You're trying to say, "Well I need to make the income to support my family but if I can't be there, if I'm gone all the time, then what good is that?" Right?

Jim: Exactly. I didn't want to miss my kids growing up. Being a dad is the most important job that I've ever had, so yeah, I was looking for opportunities and trying to figure things out. That's when I started to bump into you and other people that helped me figure out some of the paths I could take. So I started investing part time while I was working full time.

David: Was it a matter of before you could make the jump, I mean, because you had come to a point where you'd actually just flat out quit your corporate job. You didn't like go part time for a while and kind of ease out, did you?

Jim: No.

David: So you had to have the confidence that you had the capacity and you had enough going on, built up on the side already, that you could transition and replace that income. I'm not going to ask you what that was but it wasn't an insignificant amount of money that you were making, obviously with your degrees and your level of

	experience. So how did you and Cheryl wrestle with that? Where did the confidence come from?
Jim:	I had a good job, I was making a lot of income.
David:	Right.
Jim:	But the thing is, when I started investing part time, I didn't wait long enough probably—people would argue that I didn't have enough reserves and all of that. But what I knew I was doing was I was starting to make as much part time as I was full time.
David:	Okay.
Jim:	So when I started to get close, like working 10-15 hours a week part time on real estate deals, that I was approaching my income, that I worked my whole life to receive, I knew I was getting close. At some point, you've got to just take a leap of faith and jump in. I did that as you're aware, by jumping off by replacing my income with wholesaling. Went into really high-volume wholesaling once I got it figured out.
David:	Just so people know what that is, Jim, just briefly explain wholesaling so people understand that.
Jim:	Wholesaling works, you're going to go out and you're going to find a motivated seller, off-market deal. You're going to put it under contract or get an option to buy the property. Then basically you're going to assign it or sell it to another investor and you make money in the middle. That's the nice thing about wholesaling. You don't make tons of money on each one but you build a buyers list, you build a buyers community, and you can do really well. So the first year I was out of corporate America, I did 120 of those deals.

David: Wow.

Jim: You do 120 of any kind of real estate deal and you're going to be fine.

David: So the good thing about wholesaling is you're not dealing with the fixing of the property. What you're doing is you're becoming a really good marketer because you're lead generating. You're finding those motivated sellers. So you’ve got to be a good marketer and you’ve got to be a good negotiator, which I know you’ve always been a good communicator, so you're a negotiator.

So you're negotiating contracts with this lead generation flow and then turning those contracts over, selling them, assigning them to other investors and taking the spread in the middle. That was what creating your transaction-based, fully transaction-based, right? You had to go out and kill every day to make that happen. But you had replaced your corporate income and now you're able to do that at home and spend time with your family.

Jim: I learned a lot because you learn about motivated sellers, why people need to sell, the poor decisions they make to lead them to turning over their equity to you for a fast sell as is. And you learn about what investors want. You learn about contracts. How much repairs a house might need. Marketing, continual marketing, like you said David, both for the sale side and for your buyers and understanding what they want, how the financing works for them, and all of that. So that was a good foundation to build upon for sure.

David: So to be clear, wholesaling is a business. It is a business.

Jim: No doubt. Hey, if I stopped doing the deals, the money stopped coming in.

David: Exactly. Okay, but it's a business that allows you to spend time with your family. So it's a new business for you. Now, let's go next steps. So you're doing that and you're still thinking, "Okay, this is great, I'm home with my family." But you're starting to think, what? Future, you're thinking about how to have time off, how to build a retirement plan. You knew how to do that in real estate, how did you start transitioning and what sort of a model did you start transitioning to at that point?

Jim: I think the key is the people that you associate with and those relationships, people like you, had a huge influence for instance, right? Because you've got to get to the point where you've got to have some passive income and there's a number of ways to do it with notes and financing and lending and different things. For me, I started to buy and hold. I started to do some fix and flips as well but also buy and hold along the way.

So instead of trading everything away, just started holding on to some of them that could create cash flow for a long time. The nice thing about rentals is that you do the deal, you fix it up, you rent it, and then you get paid month after month after month rather than like a wholesale deal or a fix or flip, where you get paid one single time.

David: By being a good buyer, which you already were, you had learned how to be a good buyer. You knew because of your marketing for wholesaling, you could find those really good deals. So we know in real estate if you're a great buyer, you buy well on the front end, you make your profit on the front end.

So you could buy a property that would be a good property for a buy and hold and you would describe that as a property that would, what? Attract a good stable family? It has a certain setup, a certain number of bedrooms, of baths, a certain location. You know what that is because you know your market.

You decide instead of wholesaling that property, that's one that you and Cheryl are going to keep. So you buy that property, you negotiate it, and because of either price or terms you've already gone in and got it at a discount, what we call equity capture on the front end, right?

Jim: Yeah, as you know, that's really the golden rule of real estate is you don't want to buy houses like everyone else in America where they go out and they pay full price for a house. As an investor, that would be called speculating and don't want to do that.

So you want to have equity going in. You've got to know what your max offer formula is and you've got to be able to negotiate. Find people that are really motivated to sell, they're willing to trade that equity for a fast sell as is.

David: So you get a discount on price or terms because you've got a motivated seller. Then oftentimes those houses need some level of updating or maybe a little bit more rehab. So that's the other area where you add the value and also increase your equity position, correct?

Jim: Absolutely.

David: So give our listeners examples. I know they're kind of thinking in their head, "What does that mean?" So just kind of give me an average price point in your area, in Richmond, that you buy for and by the time you negotiate and capture some discount on the front end and maybe do a modest level of rehab, what kind of equity do you think you and Cheryl have captured, just on the front end by doing that?

Jim: I did like six of them just a few months ago. Here's one of them that was on—I won't give the street name but it's property that we bought from the owners, it was an expired listing. But it was an expired listing on a house that had gone through probate. I remember sitting in the living room with them and asking them a simple question, which was, "What's important to you in this sell? Do you want like a no hassle sell? Do you want top price? Do you want a fast closing?"

The said "no hassle, fast closing." So we ended up negotiating that into the, I don't know, say it was $52,000 or $53,000 range for a four bedroom house in south Richmond. So we went through and we probably put $20,000 of work into the house I would say. So we're in it in the $70,000s and that house we rented for $1,245 a month.

David: Wow.

Jim: It's got an ARV of say $120,000.

David: Okay, perfect, that's what I was looking for. So you're $70,000 all in. It's producing $1,245 and of course we've got property taxes, insurance, some maintenance, some reserves there but what do you think your net NOI would be on that property from $1245 down to what? What do you think you keep every month off of that?

Jim: At least $500 a month.

David: Well, I think you're adding some financing in there too, are you not?

Jim: Yes.

David: So after financing, so what kind of…?

Jim: Okay.

David: So what kind of financing did you bring in? Are you using joint venture partners?

Jim: Yeah, I do a lot joint ventures. I really like doing those in my self-directed accounts now. So at $1,245 a month, the taxes and insurance on that house are probably $150.

David: Right.

Jim: So you're close to $1,100 net. Now if I happen to have a property manager, that would leave you with like $1,000 a month. Divide that by two, it would be about $500 net per month.

David: Perfect. Then also you said that you've got in the low $70,000s into the property. The property is now worth about $120,000 so that's where that equity capture comes in. You've got about $50,000 worth of built-in equity which effectively is producing a return because you're getting $1,245 per month.

You have created that cash flow and the equity position. And that equity that you kind of captured on the front end, the cool thing is, Jim, as you well know, you didn't have to write a check to Uncle Sam for that.

Jim: That's correct.

David: It's there and in fact, you never have to write a check to Uncle Sam for that equity unless you choose to do so by actually selling the property someday, which you may decide to do. But we both know that you can also do a 1031 exchange if you decide to and just move the equity elsewhere to other properties without paying tax.

Or you could keep the property indefinitely until the day you pass away and your daughters or whoever you decide to leave the property to will pick it up in a stepped-up basis and they would have no tax on it based on the sale. So it's a very cool way to build wealth long term and along with having the passive cash flow.

Jim: Or you could also do it in a Roth IRA as you know.

David: There you go.

Jim: Or an HSA.

David: Perfect. There's so many ways to make real estate work for you and reducing the effect of taxation. A lot of people don't get that. I know that people get tired of writing the checks, either quarterly or annually to pay their federal taxes, but they don't realize how much that's killing their ability to build wealth. By using real estate, either inside or outside of IRAs, both work, it's a way you can really ramp up your wealth building.

The next thing that's really important here and we're starting to walk into it is the fact that—Jim, I call you a boots on the ground—you're a deal flow creator. You find the deals, you negotiate them, you package them together. You manage them.

Now, I'm a doctor. In fact, I'm not even close to where you live. I'm in Texas. You're in Richmond. I know you. I've built up a relationship with you. I like you. I've actually even gone and checked you out. I checked out your family. I've done my due diligence. Okay, Jim. I've checked other people you've done with business with. I'm pretty darn sure that you're a pretty solid guy to work with.

So I'd like to get some of my money working with you. I'm too busy in my practice. I am not going to go out and create a second business like you've done but I would like to participate with you on this deal you just talked about. So you've got a little over $70,000 into it. If I want to do a joint venture with you, how would I do that? What does that look like?

Jim: Most likely you're going to fund it out of a self-directed IRA but it could be out of a checking account as well. But basically what I like to do is have somebody fund the deal completely, 100 percent. That would include the acquisition plus the renovation. Then what we'll do is I like to do joint ventures where we do equity participation and cash flow participation.

So say we could divide the monthly rental income 50-50. Then some day when we go to sell it, whenever we choose, we'll split the upside profit 50-50 as well. So if somebody puts $75,000 into this particular property, the day we sell it, they get their $75,000 investment back and then any upside above that we would split 50-50, whatever number that comes out to.

David: Okay. So I just ran the numbers on my little handy dandy calculator here, Jim. So if we're splitting 50-50 the net cash flow after property, taxes, insurance, and even management, because there's a manager, whether it's you or somebody else, we're going to split $1,000. That's $500 each. So that's $6,000 annual.

If I put in $75,000, that comes out to a clean 8 percent return for me. But that's not all. That's not all. As you said, I've got the equity capture. We already figured out that we've got about $50,000, close to it, maybe $45,000 of built in equity on this deal.

So from day one, by going in with you, I'm going to get $500 per month and I've got about $22,000 of equity built into the deal from day one. And I haven't lifted a finger. I have actually just wired you money, and of course, there's documents that give me my protected interest and that sort of thing which is important, but I haven't lifted a finger. Eight percent plus, and I haven't done a darn thing.

I tell you, that's incredible. If I do that with an IRA then all my profits can be built in the IRA. Hopefully it's a Roth or HSA so that money comes out completely tax free. I beat the tax man. I have created incredible cash flow and equity, way beyond what I could ever even hope for in the stock market because that's so volatile.

Jim: I agree. And that's a pretty juicy deal but that is real numbers and that is a real deal.

David: Perfect, perfect. All right, last thing I want to cover, Jim, that is the fact that the reason why it's so important to have passive income. I call it having a plan B. Now plan B can be a short term need like when my daughter was really sick some ten years ago and I needed to be out of my practice when she was recovery.

Plan B could be long term meaning, "Hey, I'm sick of tired of this job. I'm sick of tired of being in practice. I want to transition out. I've got my plan B because I've built up the cash flow, the passive income from real estate."

You recently had a situation that came up, now it wasn't out of the blue, you had planned it. Talk about that and how having your passive cash flow made it a smooth transition for you from a financial standpoint.

Jim: Okay. Well one of the things you've got to overcome when you leave corporate America or leave your job is your medical and the fact that you don't have the same benefit package. So you don't likely have disability for instance, right? So as you know I had complete hip replacement January 5th. That derailed my ability to get out of the house for a period of time. So the question is, how do you maintain your income levels when you can't leave the house?

What I really realized in the month of January when I was rehabbing here was that my tenants didn't know that I had hip replacement and all of them went on to their jobs and worked their 40-hour weeks regardless if I was sitting in my living room or I was out on the street doing deals. Really that's the nice part about doing passive income, right?

David: So essentially, Jim, what you had done is over the years you have acquired really solid capital assets, that's real estate properties that produce cash flow because a tenant, an occupant, is willing to trade the use of that property for shelter over their head and pay you rent every month. That property produces that. That capital asset produces income, whether you're working or not.

Jim: That is absolutely true.

David: That's what gives us the ability to get free in our lives. It doesn't mean, Jim, that you're not active. You're going to be active all your life, I know you will. You'll be doing something always. But the fact is you've always got this safety net, this passive income because of the capital assets you have acquired over the years that will always be producing for you. It's something you can also transfer as a legacy to your heirs.

Jim: Yeah.

David: Your children, your daughters, your grandchildren, and build them a legacy as well as they can follow your footsteps and see what you've done. Just like your dad set in place for you so many years ago because you watched what he did and that instilled something in you that never left you. You came back and you hit it again and now look where you are today. It's awesome. It's a great, great story.

Jim: Investing in hard assets that produce cash flow from somebody else going to work every day is a great way to go, no doubt about it, just focused on the cash flow component only.

David: That's what I say.

Jim: Plus they get appreciation, a little bit of appreciation nowadays, so many other benefits of investing in single family homes. There's really no investment like it.

David: Exactly. Well, Jim, I told people that they could pick up your books on Amazon, how else can people connect with you? Your Invest Now Network? What's the best place to go?

Jim: I think that's fine, InvestingNowNetwork.com is a good website.

David: You do a lot of active investing and you've got your finger on the pulse of a lot of markets because you do also active coaching and masterminds. Also, you have a boot camp coming up here in just a few weeks. Give us just a quick scenario, a snapshot of what that's going to look like.

Jim: Oh boy, I am so excited for it. It's right after I get back from Freedom Founders with you. You can check it out, it's InvestorTrainingSummit.com. It's three days of really great speakers, nationwide speakers. David, you know many of them including Walter Wolford, and Quincy, and Mary Hart.

But we're also pulling in panel discussions, we're going to have some breakout sessions, we're going to have a mastermind in the final afternoon. So we've got a lot of things going on right there. The event is really filling up fast. I'm going to have to be a good negotiator again, David, because I'm going to oversell. We've sold out and I'm going to see what I can do to either reconfigure the room or negotiate with the fire marshal I think.

David: One or the other, you'll make it happen. Well I've been to your events, Jim, and you do an awesome job with them. Anybody who's got the ability to go, you're going to meet some great people. You're going to get some great info there and learn more about the nuts and bolts of investing in whatever capacity you want to. Whether you want to be more passive or more active, but that's the place where you meet the people that are doing it and you fit what your goals are in with other people.

The joint venture model is the best in the world and Jim and I have been doing it for years. That's how we've been able to scale our passive income up much more than if we try to do it all by ourselves.

So, Jim, thank you so much. Great information. I think this call will be very inspirational to a lot of my listeners because like you, many are getting sick and tired of putting up with what they have to in the industry, the healthcare profession is changing rapidly and they're looking for a faster exit, a more secure exit, for sure.

You and so many other people have proven that real estate is the way to go. You've got to take a little bit of time to learn about it, do some due diligence, but there's no faster way than to be around people like you and others that we know that can fast track it. That's the whole key.

Jim: It is and I look forward to connecting with you at Freedom Founders. You've got a phenomenal community and Cheryl and I really appreciate you and Kandace being friends and a mentor to me as well, David. You've helped me for so many years and you're just great at helping so many people around this country. So thank you for that.

David: Well we know what we give out, Jim, always comes back in spades and that's the way we live our lives. I know you do too. Thank you very much. Jim, I will see you soon then, all right?

Jim: Thanks, David.

David: Take care.

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