# Ep #254: Aaron Chapman - Shorting the Dollar with Good Debt


## Full Episode Transcript

**With Your Host**

**Dr. David Phelps**

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David Phelps: Good day everyone. This is Dr. David Phelps with the Freedom Founders mastermind community and the Freedom Blueprint podcast. Today with a good buddy of mine from the collective genius, it's Mr. Aaron Chapman. Aaron, how are you doing sir?

Aaron Chapman: Not bad, brother. How are you today?

David Phelps: I'm doing great. Aaron comes out of Mesa, Arizona. He's part of the dynasty clan. He's a man of really multiple talents. One thing I know about you and your wife is that you've been long time volunteers with the local Sheriff's department where you do both technical and air rescue. So any time, day or night you could get called out to the desert, OUT to the mountains and have to go rescue people out of some pretty extraordinary circumstances. I'm sure you've got some stories to tell there.

Aaron Chapman: We've got a lot of really cool stories we can get into in there and it's always beneficial to have a campfire to get into a story like that. But the story I do got to tell is we did retire from that exactly one year ago this month. It got to a point where there are just some things going on with it that all it takes, starts to play, things play into that a lot more. The department started creating a unit within the department that was 100% paid, that was seeing a lot more of the action than we were.

So when you started looking at that kind of thing, we had to just start deciding, okay, where do we want to put our energy. Now we're putting a lot of energy and time in that and now I've poured way more into people's futures when it comes to their investment real estate, the finance piece, the leverage piece, and I've poured it probably, I've taken 30 hours a month, sometimes according to this. And it's helped other people in different ways.

David Phelps: That's good because I want to talk about that because I know, like all of us, Aaron, you went through some points in life where you had to overcome some limiting lease, some constraints about what you could be, what you could do. And I know for you, just from your background that what you do and where you put your efforts, it is definitely not all about you. You have a servant's heart, you've got four children that you are also wanting to transfer your mindset or the best mindset you can provide them, not just yours but through providing them resources and feeding their brains with hopefully what you believe to be the best things.

We'll maybe talk a little about generational legacy because I know that's a big part of what you do, but helping other people. So before we jump into the meat today, which is going to be about real estate, about finance, about leverage, about the opportunities that the market presents today, give us that piece about where you came from. And when I did tell people, no, I apologize, Aaron, because I get ahead of myself sometimes because you and I know each other, but I forget that people may be hearing about you on this podcast for the first time.

So what Aaron does is he actually does financing, investor financing for typically single family, to four unit real estate investments. That's his specialty. He's been in the finance arena for 21 some years or more than that over 20 years. Rated as a top 1% nationally and ranked very high. You'll have to tell me currently by the Scotsman guide for units closed in real estate and that's industry wide.

As I said, you're based out of Mesa, Arizona, but you've been in this finance world for a long time. So maybe walk us through that a little, where you got started and what you had to blow through to go beyond what you thought was doing enough or running the business in certain capacity and how you change that. Then we'll dig into the meat of the show today.

Aaron Chapman: So how it all started is I was living in Arizona, working in Northern New Mexico in the mines. My dad and I would come back every 13 shifts, would be 13 shifts on 10 hours at a time. Then travel back for six shifts and I'd spend time with my wife and infant son. They started shutting down that project and laying the guys off that were the least amount of time on the crew and I had some of the least time there.

My dad had been there a long time. I had some of the least tenure and so I got laid off. I thought it would be no big deal, I'd come back, get a job. I grew up on a cattle ranch. I worked in the oil fields of Wyoming, ran heavy equipment, drove truck, all these things I had on my resume at a young age. Couldn't find a job to save my life. And it got to a point that in struggling trying to find something, I found myself applying for these nine and $10 an hour truck driving jobs to haul landscape rock.

And sitting outside that company, them turning me down because I was overqualified for the job, literally in tears because I was broken at that point, I had nothing. As I'm driving away from there to go get diapers for my infant son with a coupon my wife gave me cause we're out of diapers, my gas light comes on in my truck. And I'm driving to the grocery store, pull up to the gas pumps in front of it to get some fuel to get home, run my debit card. I didn't have a credit card and I got a decline. So rummaged through the truck, found a couple of dimes or nickels or something and I started walking the parking lot.

Two hours later I'd found enough change to get two gallons of gas to make it home. So I went into the grocery store, I got the diapers that corresponded with the coupon. As I'm walking out, I ended up face to face with a guy that I used to run heavy equipment with and he was the guy who did all the scheduling in the office. He asked me how things were and I explained. Well, he then shared with me that he had a gift certificate for red lobster and wanted to take me and my to get dinner the following night.

So we went to dinner and he shared with me about the mortgage industry and gave me a business card for a branch manager at a broker shop. That weekend they started me on as a telemarketer and that's how it started.

Well, that was 22 years ago this month. 22 years, 1997 this month. I walked in there, cut a foot off of my hair, cleaned up. My mom bought me some clothes and I went into this place to start off as a telemarketer.

And after I got 10 leads, I asked them, I literally begged the broker to allow me to work with leads. They introduced me to another loan originator, said there's your trainer. And I had to split commissions with him for the first 10 deals. And then I was on my own and I had to figure my way through this crazy freaking industry that we, it was all Cowboys at the time. And then through the crash and then I got in a motorcycle accident in 2008, and I had to learn how to walk again. I had to learn how to literally, my memory was wiped and I had to, it only last three minutes. So I had to learn how to train my brain back to take the call from people who still want to trust me with their business and walk around the notepad for years till my brain started to work again.

2012, I guess it was like 2010, people started to come into Arizona to buy turnkeys. That was starting to become a thing. And I started working with those people and made it a very personal business with them. And then they went to Indiana. So I got a license in Indiana and then Texas. And I started following them around. Now I have a license in 25 States. I've got 15 people that work for me. I have underwriters, funders, a customer service person and processors all on my team, making the deals work.

David Phelps: So who did you have to become, Aaron, as you went through the challenges, the adversities, the turns in your life and like people who persevere, you kept getting up, getting up. What did you have to break through in terms of mindset just beyond getting yourself back into gear after being down at low points in your life to actually build a company with as many people as you have.

How did you feed yourself to get there? Because a lot of people would get to a point where maybe they were making up money to put food on the table and they weren't living day to day. But what takes you to the next level once you've been pretty far down and feeling like you've got a long ways to go to get to where you have security for your family?

Aaron Chapman: That's a real good question to try and quantify what happens in a person's life, to get them to decide to keep moving forward. And then when you come to the conclusion that I should have been dead, there's several times. There's several things in my life that should have killed me or I woke up on the ground completely out cold and I had to literally get moving. When I look and think, I'm here for a reason. There's something going on here.

And then when you start discovering the real estate investor and understanding why they're investing in real estate, because it's not taking advantage of people, that they're literally helping people and that there's a way to help them and all of these things are going on, it really got to a point that there's only one thing that I can do, which is to charge forward and touch every single person that I can.

And then you start thinking back on the lessons of life and analyzing every single thing that your given. And one of the things that I was able to analyze rather remarkably, when I was laying in that hospital bed, unable to get up, was my two year old daughter climbing up on the bed, doing something really funny and walking away and I remembered that. That was one of those rare occasions I remembered something and it hit me. I was like, that's the only time that's ever going to happen, that's gone. I will never, ever, ever see that moment again.

How many of those have I lost? How many people out there have I not touched? How many things have I done strictly for the benefit of Aaron? So then I started realizing that if I start doing, if I need to focus on benefiting somebody else because I got my body back. That's why I joined search and rescue. Before that I would run marathons, I climbed mountains, I would do all this physical activity. Me and my buddy would try and find every mountain that had it published, how long it'd take to climb it, and we wanted to cut it in half.

I mean, we were worked our asses off physically, so I did that all for me. And then when I got my legs back, I went back to the mountains for somebody else. And then when I discovered what real estate investors are about, I put every, I get up at 4:30 in the morning, every morning and I put every single bit of energy on the table, eight to 10 hours a day, to be sure I get them when they need, the same that I did for somebody when it comes to rescue. I lay my life on the line physically and mentally for every person I do business with during that time. And then I got to take time for my family and for myself.

David Phelps: I was going to ask you if that was the reason why you joined search and rescue and I felt like it was. That's where it comes from and you and I have very similar stories in that regard and in terms of realizing that life goes by and certain moments you never get back again. And then when you do learn those lessons, as you said, and you find a way, a path, you want to be the biggest advocate, the biggest fan you can for people who want somewhat of what you've discovered.

And I think that's where the key, so let's jump into the real estate piece. Obviously finance, mortgage industry, you started working with investors who were buying turnkeys in Arizona and then you said Indiana, Texas and state after state from there. So what do you see in those people?

Let's talk about the people first and then we'll dig into what turnkeys are. What do you see those people? What makes them different than other people that are also trying to build security for their family. What have real estate people seemed to have found that there's, is there some common themes, something you really like about them, what is it?

Aaron Chapman: Well, it's gone from an investment where, people look at this as an investment. You just take money and you put it into something and you expect a return. Let's talk about stock and you're your shareholder in something. When a shareholder throws money into something, they don't care what you got to do to get that bottom line up, but you get it up, right? We hear about companies who are cutting jobs, who are changing the dynamics of how things get done.

You get people in the C suite that have absolutely no idea how things work on the ground level and they want to take from everybody and cut everywhere and try and shuffle things just so that bottom line looks better from the shareholders. That right there, humans are the apex predator on the planet, right? No other species preys upon humans, except other humans. And what we start seeing is this predatory thought process in many other ways.

We need to use somebody to extract something from them for our benefit. That's what we're doing. Well, then you see real estate investors and they start to evolve this from spending money and going into debt like a consumer and looking at like, as a shareholder and say, you've got to do whatever you got to do to get my bottom line up.

They're like, no, I want the best house I can get my hands on. I want it with the best mechanicals, the best interior, the best roof. I want this thing to be 100% solid. I want a really good tenant. I want them happy. I want them to content with what I'm giving them. I want a really good property manager who earns what they produce for me. I want a great agent out there or turnkey group out there, finding good properties, doing good work and getting paid for what they do.

Everybody in this deal wins. You've got the lender, the buyer, the tenant, the property manager, the seller, the title company, Fannie Mae, Freddie Mac, the insurance company. Everybody in the deal wins. The second somebody starts trying to capitalize on another, the deals go to hell. And so I started realizing that when they look at it from the right perspective, they get the right mindset as a business owner who gets good people at their board table that do the best work in that field and that field alone, then let them do their work.

It's benefiting so many people and it's creating so much revenue, creating so much wealth that why would I not dive in there with every bit that I've got? It's not somebody buying a house to live in, that's got to be on the perfect street, the perfect floor plan, close to the yoga studio, and I'm going to be perfect when I have this perfect environment and it's my right as an American to have this house I can't afford. I don't have to deal with that emotional crap.

I get to deal with people who want to change themselves, their future and a life for somebody else. It's really the dynamic, the ripple effect to me is what gets me excited every day. I mean, hopefully you're wearing a raincoat because I keep spitting in the phone here in my ear pod here because it's so damn cool, when I really understand what's going on there.

David Phelps: So you've been doing this for 20 plus years and we both know that there are lots of different models for investing in real estate and I'm sure you work with a number of, a certain percentage of relatively new investors. You get referred by a lot of people when someone starts and they want to learn how. You bring part of the team together that provides the financing. That's what you really get.

But you also mentioned the whole team. That's very, very important. You listed all the people that need to win. How many times do you talk to people or investors who have tried it but they didn't have the team and they felt like, well, this real estate thing doesn't work because they were missing key elements of the team. Maybe they had one piece, right, but they were missing the management. Maybe they had bad financing, maybe they bought the wrong house, they didn't know how to deal with the tenant, contractors. How much of that enters in and do you also help those investors by plugging them into other team players that can make the whole thing more holistically work for them?

Aaron Chapman: I do. I actually prefer to work with somebody who's new and doesn't have the right idea about it. I work a lot with people who started down the path or sold something because somebody need to sell something and get somebody else to buy it. There was no team concept and there's also the philosophy that if I do all the work, then I'm going to make more money.

David Phelps: Yeah.

Aaron Chapman: And then they come to the realization that their job is suffering, their family is suffering and they still don't have this property rented because they don't know what they're doing and it's costing them 10 times more. I had a real wise investor tell me one time, that every time he tried to save a buck, he spent three. So I share that with these guys, that you need to come change your mindset. You're not consuming something. You're not spending money and going into debt.

Go to that CEO mindset, sit at your board table, interview people to take those jobs. Some of the most successful CEOs in the world say they were successful because they understood and embraced the fact that they were the dumbest person in the boardroom. You have to embrace that fact. You are right now the dumbest person in the board and you know nothing about this, so be happy about that and get to know who you're working with. Verify they're doing the right kind of job. Look them up, check it out, make sure that all that's working and then you put them in their role and make sure they're doing that, so you can be free to continue to do what you already are doing.

The other thing that I've also noticed with these folks is, well, there's one guy, he decided to do it that way. He took the worst advice because it was the cheapest advice he could find and the cheapest path to what he thought was going to be his end goal. And he called me up, freaked out and stress because he didn't have enough income to be able to support everything he had going on.

So he had to undo many of the things that were done. We got a new deal put together for him really fast. A lot of these properties, which I'm not a big fan of refinance. If refinancing for rate is wrong, his situation needed it. So I was doing his refinances for him and four days before he went in to go sign, he had a stroke. This man was in his early forties. Now luckily he was with somebody at the time, they were able to get the medication on board that he needed to be able to break those clots and he was able to come into the closing table and he was able to sign it.

He actually was little bit impaired, but not bad. So he's doing really good now, but literally people sold him on the process being cheaper in a way to make more money, put this man in medical jeopardy. And it goes back to the whole predator thing. So I love to spend the time upfront helping them change their mindset, helping them consider things for what they really should be, not from where they're hoping they are from this magic dust that they're hearing about and then help them hand hold them as much as we can. I can only do so much though. I mean, we're doing 700 transactions a year. I try to talk to everybody twice in every deal and it's not possible all the time.

David Phelps: No, I totally get it. Lots of wisdom there for sure. Lessons we all have to learn. Trying to be the rugged individualist and do it all yourself because you think you need to control it. You want to make all the money. You're right, you definitely can't go that direction.

Aaron Chapman: One other quick thought there. I had a friend of mine asked me one time, he says, my wife keeps wanting to do everything. She wants to jump in there. She wants to do all the jobs, and we lined it all out. She works all day running the business and then at night, she wants to go out and do all the work on the houses. He says, how do I get her to stop this? I said, you need to tell her she's a damn thief. He's like, what? I said, tell her she's a thief. So what she's doing is stealing from other people.

Rather than taking her time to do what she does best, which is to go out and build your business because she's very good at that. And then allowing somebody else to do the handwork. She's trying to do it both and now she's stealing the opportunity to get more in your business and stealing that handwork job from somebody else. She would be able to triple down if she would just focus where she's good at. He went and told her that she understood it. She started doing it and the business tripled in probably about six months because she stopped stealing from herself and other people.

David Phelps: Totally believe it. That's a mindset, but it's so true. See it so many, many times. So we both love real estate. The finance part of it is a key component. So I want to make sure we get to the finance part, but let's talk about why single family, I know you do single family up to four units, so you can describe that a little for our listeners.

But also you described turnkeys pretty quickly about the team concept and about right product, right tenant, right management team concept. Why do you like single family? It's my bread and butter as well. So we're very common there. I put money in other assets in real estate as well. You may or may not, I', not sure what you do, but why do you like single families so much?

Aaron Chapman: That is the easiest entry point for everybody. So I know everybody wants to own apartment complexes. Everybody wants to have a high rise in Manhattan, but you got to start somewhere. You can't learn how to run a 20 story building in Manhattan without knowing how to run a single family house. So when you learn how to crawl and then walk and then run and then sprint and then go to the Olympics, you can take it all the way back to your days of crawling.

So my ability to help everybody, one, change it from that consumer mindset to a business mindset, to eventually grow to a point that if you want to go to large apartments or syndications, you can. You understand it, you feel more comfortable. Nobody's comfortable walking into a world like that, with syndications and all that stuff with zero understanding.

So one, is the entry point. The education capability is much better for me to help that person understand what they're getting into. And to me, it's like you said, it's bread and butter. There's huge risk in the other stuff, especially if you don't have the education behind you, right? Getting the education really limits the risk and the other things. Big dollars, big risks or big dollars, very minimal risk if you understand what you're getting into.

When you're talking about real estate on the single family, it's been so, I want to say dummy proof. But it's been so built that when you're leveraging it with conventional lending, that there's so many checks and balances in place and so many jail sentences being given out for people who take advantage of others, that it makes it easy for a person to start there and really it's impossible to not win there if you've got the right team, if you've got the right leverage.

David Phelps: Yeah, exactly. You laid out the points very, very well. So the people that, and your part of our trusted advisor group that comes with Freedom Founders. Our doctors, dentists, veterinarians, et cetera, they want to be relatively passive and so they're not going to go out and actually be the deal operators, the deal sponsors of a syndication or a multifamily. They may want to invest in some, but still goes back to your point, as you learn the aspects of real estate and you've got to be active to some degree in orchestrating your future finance.

Learning how turnkeys work is the best way to go. Now. Some people would say right now, Aaron, that we are somewhere near the top of a market cycle. We've been talking about that for several years in a lot of our different groups, who knows how long this market continues on without any kind of reset.

But if that's the case and people say, well, a single family, it's hard to get a deal today because everybody's chasing them. You got HGTV and flip flop this house on TV and everybody, cab drivers are doing houses. You just can't get a dea, so I don't want to buy at the height of the market. Dispel a little of that thinking in terms of particularly what you do so well. And that's the institutional financing piece that really provides us where the discount comes from. I know you've got a good piece on that, so I'm going to let you roll on with that one.

Aaron Chapman: So a lot of people that are looking at that way, they definitely subscribe to the Kiyosaki thought process of, you make money on the buy, right? The deal is you get it cheaper than what it's worth. Well, the way I look at that is I understand that. I can get behind the philosophy of it, but at the same time also, it really doesn't apply when you're leveraging it the way that's available.

When you can leverage a single family residence, duplex, triplex, fourplex for 80% of the value or 75% of the value for 30 years, it changes the dynamic completely. The other thing of it is, is what is the deal? You've got to ask yourself what that is. If you're saying you've got to buy it and it's going to be worth 30,000 more, of course that deal doesn't exist.

Those were rare even when it was great, right? When you look at the full scope of real estate investing and people buying real estate for the last few decades, how many of those real deals were out there like that? It's a very small percentage of the total, right? Still a lot of deals, but a small percentage of the total.

Well, when you're looking at that, I always look at this with folks and say, if you're buying $100,000 property and you're putting 20% down and you're financing it for 30 years and you're making $200 a month in cash flow after all expenses paid, that's a huge win. Most folks will say, well, that doesn't sound like a really awesome deal. Well, it may not sound like an awesome deal when you're looking at from just those quick numbers. But we dive into the depth of it, so there's several ways a person makes a really good return on this. So I'm going to go through some math with you, if you're cool with that.

David Phelps: Yes.

Aaron Chapman: Is a calculator handy?

David Phelps: I've got one right here.

Aaron Chapman: Okay.

David Phelps: Let's do it.

Aaron Chapman: So you talk about a $100,000, purchase price.

David Phelps: Yep.

Aaron Chapman: You're going to put 20% down, that means you're going to finance what dollar amount?

David Phelps: $80,000.

Aaron Chapman: 80,000 bucks, so 20,000 down, financing 80, right? We talked about, let's say a 1% rent to value ratio. How much is that?

David Phelps: $1,000 a month.

Aaron Chapman: $1,000 a month, right? 1% of 100,000 that's the value. Well, that and you're getting $200 a month cash flow, so that's our baseline. So how I share with people is, one, you're making money on the buy because you only putting up 20%. Some people say, well I spent 20. You didn't spend 20, you moved $20,000 from a liquid account, losing money because it's sitting in a bank account getting a fraction of what inflation is, to a non-liquid asset that is now growing.

And how it grows is if you have a tenant in there, you've got a great team, boots on the ground managing your property, and they have a tenant in there paying the payment to you, basically, and your cash is 200 bucks, you're paying down the note, right?

David Phelps: Right.

Aaron Chapman: So if you're paying down the 80,000 over 30 years, divide 80,000 divided by 30.

David Phelps: All right, $2,667 perspective year.

Aaron Chapman: Yep, so $2,666 and 66 cents, so you rounded up a little bit. So you take that and you divide that by the 20,000. That means your 20,000 is growing by 13.33% of the original 20,000 every single year you have a tenant in there, right? They're paying that down. You're growing your asset. That 20,000 becomes a hundred over 30 years, so we shelf that. 13.33% of the original 20 every year, we're going to shelf that. That's growth. Now we get into the fact that we're living in an inflationary environment, correct?

David Phelps: Yes.

Aaron Chapman: What would you say the rate of inflation is today? Well, do this, not you, what would the official number be?

David Phelps: I don't know. Officially, are they telling us, we're somewhere around two, two and a half. What are they saying today, Aaron?

Aaron Chapman: They said like one and a half recently.

David Phelps: One and a half, okay.

Aaron Chapman: Right? So they're saying 1.5%. Well, we know that's only based on really, really minute metrics.

David Phelps: Right.

Aaron Chapman: So there's a place everybody can go to that's listed, you can go to shadowstats.com, as in shadow statistics, economist by the name of John Williams, put that up and shows the national average of inflation. Then you go to another place called the Chapwood index, C-H-A-P-W-O-O-D.com and they take the top 50 metropolitan cities in the United States and they look at the top 500 things people spend money on and they factor in the inflation of those areas.

Southern California, like 12%. You get up into the Bay area and San Jose is 13. Where I'm at in Arizona is eight and a half. So John Williams says it's about an average of say 7% across the country. Right? So let's say 7%. so because of that, we get to raise rents to pace inflation, correct?

David Phelps: Correct.

Aaron Chapman: The average person, from what I understand, I got to re-look at the numbers, about 3.5% rental increase per year across the country. So let's say for this example, David, we're going to do 3%.

David Phelps: Okay.

Aaron Chapman: What is 3% of 1000.

David Phelps: $30.

Aaron Chapman: 30 bucks, nothing sexy.

David Phelps: Right.

Aaron Chapman: But you're getting $200 a month, right?

David Phelps: Yes.

Aaron Chapman: Did your $200 a month go up?

David Phelps: No.

Aaron Chapman: Your cashflow didn't go up, since you raised rent by 30 bucks?

David Phelps: Yeah, if you add the $30 to it, we just went up. Yeah, by how much is that? Yeah.

Aaron Chapman: 30 bucks, right? So that's 15%.

David Phelps: Yeah.

Aaron Chapman: They've got a 15% increase in their cashflow. So 30 bucks just became sexy. And every time you raise it, that is a compound increase in your cashflow. So now all of a sudden you're like, wow, this is actually kind of cool. But do we get to raise the payment on your 30 year fixed loan to pace inflation?

David Phelps: No.

Aaron Chapman: No, it stays the same for 30 years. So in our example, I've got it right here in front of me. You got a principle payment and interest payment that equals out to $417.32 a month. So over 30 years, you're going to pay back the 80,000 using your tenants money, right?

David Phelps: Right.

Aaron Chapman: And you're going to pay the interest, which is $70,234.43 over the 30 years using your tenant's money, right? That's a hundred and, what is that? That's $150,234.43. A lot of people say compound interest is kicking my butt there. That sucks. I'm paying nearly double back. Well, one, it's not even your money. It's the tenant's money, but let's get into the inflation piece.

Let's say if we're at an inflation rate of 7% across the board and you recalculate every dollar that leaves your hands when you make a payment. And you calculate it against the value of the 80,000 the day you borrowed it, you're not paying back the 80,000 or the 70,234 in interest or the combined 152.34. You're paying back $62,726.03.

After you figure out what the inflation is doing, more raising rents, you're increasing your income, you're getting a compound growth and you're paying it back with a compound decorum. So it now all of a sudden becomes really amazing when you consider the properly leveraged real estate investor can take compound interest, they can take inflation, they can put them in the ring together and watch and beat the crap out of each other and they win. They win no matter who wins because they both kill each other.

The other awesome thing that's here is, and how I even came up with this is I was theorizing about this on a podcast because I had a lot of people calling me up at this. I just had this string of people asking me, well, wouldn't I do better with a 15 year loan? I keep saying, no, you can't capitalize a 15. You can get a 30 year and pay it like a 15. But If you get 10, 15 year loans, you'd need every single dollar of cash flow to make those payments.

And if one or two goes unrented, you got to go to your pocket now to maintain your business, your business should always maintain itself, so that's number one reason why. Number two is I just, I couldn't get behind it, but I knew that you were paying more money on a 15 year. Well, after that podcast of professor of accounting at Kennesaw State University called me and said, you need to come speak to my students.

Well, last month I was at the university speaking to the accounting students. After that, he also created this tool for me, I gave you these numbers from. So I ran the numbers on a 15 year loan and let's say the 30 year fixed was 4.75. The 15 year, let's just say it's 4.25, a half a percent better. It's really not. Let's just say for our example it is.

Well that means that you're going to still pay the $80,000 in principle, but you're only paying $28,328 in interest for a total of 108,328, versus the 150,000. Well, it seems like you're winning in the 15 year deal, right?

David Phelps: Yes.

Aaron Chapman: But since inflation has not eroded the dollar as much in that first 15 as it does in the latter 15, you're actually paying when you rerun every dollar that leaves your hands, which is larger chunks of dollars, right, for the first 15 years. You're paying back $66,956 in 15 years of after inflation adjusted payments versus 62,726 over 30. You not only have longer cashflow and keep more money and you paid less money.

So the bottom line all the way across the board, the turnkey investors winning, one, by creating jobs, creating housing, getting tax benefits because they're creating jobs and housing. They're taking advantage of inflation, they're nullifying compound interest and they're getting basically a house for free.

David Phelps: I think you nailed it right there. Well, well said. Well said. And I just want to make sure people are clear that when you talked about, in this case, $200 cash flow after all expenses, that's after expenses and the debt service, the 80% loan that you took out. So just make sure people are clear that are thinking, well wait, where do I pay the debt? No, that includes the debt service, the principle interest tax and insurance that will go along with that loan in this case.

So Aaron, with your experience, we know that there's obviously, and let's just stay with houses right now, even though you can finance up to four units, a quadplex. Let's just say with houses, if you were talking to me as a relatively new investor and I had an opportunity, through different people to invest in different types of houses in different markets around the country, could you squeeze me into what you consider an ideal box, a range in price point, a range or maybe some geographic latitudes?

Is there a layout? Is there certain layouts that work better? Bedrooms and baths that seemed to rent better and we know there's qualities of houses. There's maybe A quality and there's B quality and there's C and there may be a place for those in different portfolios, but I want to be more passive. I want to play this game longterm, as you're talking about. I want to hold a good asset for as many year, as I possibly can with a longterm financing. Where would you fit me in? Can you do that? Can you give us some parameters?

Aaron Chapman: So where I see a lot of the people I work with going into is those high B's, low A's, right? There are the occasional C's. I have some C's in my portfolio. It's just dumb not to buy a house and have 40,000 tied up in it and making almost $800 a month in revenue. Right? So I'm like, why would I not do it? It's a brick house. It's got good bones. It was a pretty good buy.

David Phelps: Okay.

Aaron Chapman: But I think each individual investor has to really look at what they want to accomplish and look at the market, understand it. There's a place for all of them, but it all depends upon where you're at. The newer investor, I would say you want to play in those A minuses, A's if you can get them. In the B's, yeah, your cashflow is not going to be as awesome. You're talking about price points in the 90s to 130s, 140s, probably higher now.

But as long as you're meeting similar to what we're talking about here, these numbers that we gave and these ratios, we're talking about, the 100,000 with $200 a month in cashflow. You see the power is extremely powerful even at those really conservative numbers. It's a matter of finding the team that you want to work with more than anything. I can't really get into every single house that will work because I don't know. But I can talk to the guys that we have in Freedom Founders. And people ask me, well how good are their deals? How do they perform? So I can't speak to every deal, but I can speak to the man.

David Phelps: Yes.

Aaron Chapman: We sat there on a panel at that last event, I had Murr sitting next to me, had MJ sitting next to me, I had Mark Delatour sitting next to me next to me, I had Dave Parotson sitting next to me. Every single one of those guys, I can look them in the eyes and I know the type of man they are and I can say, I can trust that guy.

I also know I'll knock the hell out of him, if I can't trust him anymore. But those are the kind of guys that will sit there and they will bleed to ensure that you're successful. If you've got that type of person on your team, the house matters a little bit less. But that's where you still want to take the time to understand that market, know what's going on there. What does rent, is it two-two awesome in there? Is it a two-one that's awesome in that market? Is it a three-one or a three-two?

You've got to see what the market bears because each one's different. That's what I have noticed. It's amazing how one market, three bedrooms don't rent for crap ut the two bedrooms are literally moving like crazy. Or in another one, you can't rent a two bedroom to save your life. It's just interesting how those markets work.

So take the time, understand it, do the research. Just follow exactly what Reagan said. You've got to trust, but then you verify it. And if a person gets offended when you ask to verify it, you know you don't have to work with that guy because if their word is that good, they should be able to be called on their word and feel good about it.

David Phelps: Yeah. Well said. Well said. Aaron, I always appreciate time with you. You laid out some really good financial constructs today, I think and gave people a different way of looking at the myths and misinformation that's put out there many times about finance, about trying to pay off debt too quickly, particularly when you have a good capital asset that produces income, the cash flow, shorting the dollar, the inflation hedge.

Lots of good stats here today that really helped people out. So I appreciate your time as always. I appreciate the man that you are, the leadership you have. Next time we get on a podcast, I want to talk about some of the stuff you're doing with your family and how you're building through trust and showing them the principles that you're teaching them about finance.

I think that'd be very helpful because I think most of us have a big heart for legacy, whether it's our family or helping other people and you're also very strong in that regard. So we'll maybe pick that up on the next time we get together. Sound good?

Aaron Chapman: Oh, I definitely look forward to that one, man. I appreciate you letting me on this one. You count on me being there. We can bring some of that to the table.

David Phelps: I will have Lindsay set us up for that for sure. All right. Thank you so much. We'll talk to you soon, Aaron.

Aaron Chapman: Thanks, brother.

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