

How to Build Wealth

A Masterclass in Passive Investing through Real Estate

with Julian McClurkin and Jim Pfeifer

Julian McClurkin and Jim Pfeifer are not attorneys, financial advisors, or tax professionals.
The information contained in this class is for educational purposes only.

Chapter One

What is passive investing?

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Passive real estate opportunities

Private lending (for house flippers)

Mortgage notes

Crowd funding websites

Tax liens

Single family rental properties

Ways to spread the risk

- Invest in multiple deals
- Use different sponsors
- Invest in different markets
- Invest in different asset classes
- Use Tribeinvest to reduce the minimums

Benefits to Investing in Real Estate

Tax advantages

Can use leverage to increase returns

Comparably stable markets

Protection from inflation

Consistent cash flow

Appreciation

Chapter Two

What is a Syndication?

Limited Liability Company (LLC)

General Partner (GP)
(Operator or syndicator)

- Find the deal, negotiate, gather and sign documents, communicate with LP's
- Manage the property

Limited Partner (LP)
(Investors)

JOBS Act: 506(b) and 506(c) designation

Defines what type of investor is allowed into the deal
and if they can advertise

Accredited investor

- Meet certain income, net worth or licensing requirements
- Provides broader range of investment opportunities

Common fees:

Acquisition Fee
Disposition Fee
Asset Management Fee

Information and documents to expect from the GP

Prior to investing

Private Placement Memorandum (PPM)
Operating Agreement for LLC
Subscription Agreement

Information and documents to expect from the GP

After investment

Distribution checks

Reports

K-1 (tax document)

Chapter Three

What are the pros and cons of passive syndications?

Cons to Passive Syndication

- Give up control
- Loss of liquidity
- High investment minimums
- Multiple K-1s
- Trusting the sponsor
- Complicated document review

Pros to Passive Syndication

- Tax benefits
- Diversification
- Group investing
- Asset management
- Variety of asset classes
- Sense of community
- Velocity of money

Chapter Four

How to pick a sponsor

Picking the sponsor

Use your network

Referral from those you know, like & trust

Experience

Deal exits

Research through website and podcasts

Sponsor interview

Chapter Five

How to pick an asset class

Asset options

- Multi-family
- Self storage
- Mobile home parks
- Triple net leases (industrial or commercial)
- Office and retail

Lesser-known asset classes

- ATMs
- Private notes
- Private lending
- Assisted living facilities
- Resort properties
- Agriculture
- Student housing
- Oil and gas
- Development

Chapter Six

How can you diversify by market?

Which markets are “good” markets?

- Popular markets
(Phoenix, Dallas, Atlanta, etc.)
- Less well known markets
(Boise, Colorado Springs, etc.)

Indicators of a “good” market

- Population growth
- Landlord-tenant laws favorable to the landlord
- Beneficial tax laws
- Business-friendly regulations
- Job growth
- Diverse economy
- Major companies locating to the area

Indicators of a challenging market

- Population decline
- Job decline
- High cost of living and high regulation
- One dominant employer or industry
- Landlord-tenant laws favorable to tenant

Chapter Seven

How do we choose a deal?

Analyzing the deal

- Analyze deal metrics
- Test the sponsor:
 - Do they respond quickly?
 - Do their answers show comprehensive knowledge of the deal?
 - Are they receptive to being asked questions?

Important deal metrics

- Reasonable rent growth
- Break-even occupancy no higher than 80%
- Economic vacancy of at least 8%
- Property taxes in the proforma should be higher than current

Chapter Eight

What to expect when investing in a syndication

Steps before investing

Find a sponsor

- Interview the sponsor
- Review thier previous deals
- Review current deal and make investment decision

Submit a reserve

- Hard reserve
- Soft reserve

Show you are accredited if necessary

Making the investment

Review and sign

- Subscription agreement
- PPM
- Operating agreement

Get the secure wire instructions

Send the wire

Get written confirmation of receipt of wire

After investing

Save all the documents

Date invested

Amount invested

Name of investment

Sponsor's name

Entity's name

How you invested

Financial Assumptions

- Expected annual cashflow
- Internal rate of return (IRR)
- Refinances expected
- Distributions

K-1s

Chapter Nine

How to Invest With a Tribe

*Contact and follow
Julian McClurkin at*

 **@MINJulian5**

or

Tribevest.com

@Tribevest



*Contact and follow
Jim Pfeifer at*

Jim@leftfieldinvestors.com

or

LeftFieldInvestors.com