

Helpful Investing

Making it easy to buy and sell properties!



How to Prevent the Seventeen Most Costly Habits of Real Estate Investors

by Marcus Thomas

www.HelpfulInvesting.com



Disclaimer

This information is solely meant to provide information based on the experience of 919 Investing LLC. It is in no way to be offered as legal, accounting or professional advice. Professionals should be consulted in the event that expert advice is necessary.

Reproduction is strictly prohibited unless authorized by 919Investing LLC any violation will be prosecuted to the full extent of the law.

"BE FEARFUL WHEN OTHERS ARE GREEDY & GREEDY WHEN OTHERS ARE FEARFUL!" ...Warren Buffet

Who better to reference than Warren?

If you adopt that principle alone it will help you assess any risk and give you the gut feeling of when to take action.

The following are the most common mistakes that we and other investors make when building success in real estate investing. We can provide this report to every man, woman and child but only those that **APPLY** it will limit their mistakes.

1. Procrastination, not knowing when to jump into the market feet first.
2. Not staying "In The Know"
3. Over assessing a property at first glance
4. Knowing when and how to use contracts
5. Not getting written estimates
6. Paying for services before they have been rendered
7. Analyzing risk vs. reward (financing, exit strategies, etc.)
8. Renting to the wrong tenants
9. Separating business from personal relationships
10. Installing non-value added amenities to property
11. Overpricing
12. Minimizing your buyers herd
13. Ignoring the experts
14. Allowing your business to run your life
15. Allowing other to waste your time
16. Ignoring the budget
17. Not having a plan

1. Procrastination

The main reason why there is any hesitation to begin investing is fear. Most are scared to fail, some are scared to fail, and others just are scared. You must overcome this. Assess how much of a risk you are willing to take and then **BEGIN!**

2. Not Staying "In The Know"

"I'm too busy", "I have to work late, there is not enough hours in the day", "I don't have an email address, or a website, or a cell phone...", Those are just a few of the common excuses of why people do not stay informed of what's going on in the market. They will not pick up a paper, magazine, or flyer, read a website, email or text message. They have **NO** idea of what's going on amongst the who's who in the world of real estate investing. You must keep your ear to the pavement and stay focused on new advancements in the world of lending, sales, education to be successful in real estate investing.

3. Over Assessing a Property at First Glance

Like most businesses, real estate is a game. It is a game of numbers where the early bird gets the worm. Only the lateral thinkers will win. Those who look too deeply into a deal will miss out. Develop a system that you can use quickly when evaluating properties. It will save time and you will make loads of cash!

4. Knowing When and How to Use Contracts

If it's not in writing, it's no good. Never take a verbal agreement as a binding contract. Something as small as putting terms in the "For" section of a check made out to a Service provider will keep things legal. When you need to render payment, get the service agreement in writing.

5. Not Requiring Written Estimates

Contractors are businessmen; some good, some bad, however, they are also in the business of making the biggest profit possible. If a written estimate is not provided you will not be able to negotiate properly or establish a ceiling on what you are willing to pay on work to be performed.

6. Paying for Services Before they have Been Rendered

Really simple mistake.....**don't do it.** Most contractors want half up front and half later. **NO!** You can pay for materials, maybe some small demolition up front, but the real professionals will understand receiving payments as work is done. It keeps the project on schedule and everybody honest!

Helpful Investing

Making it easy to buy and sell properties!



7. Analyzing Risk vs. Reward

A huge mistake made by new investors. We often want to take on the project that seems easy on the surface because we have to do too much homework yet we look to make all of the money. We would rather do things that will yield a huge profit and an *OK* product. Instead look for profit in a great product. It will keep you in business longer. Sometimes a larger risk may not reap a large reward initially, but it will in the long run.

8. Renting to the Wrong Tenants

You buy a property; get it ready to be rented. Your timeline runs too long and you have to make a mortgage payment. Instead of doing the proper screening and due diligence of prospective tenants, you take the first one that comes with a security deposit. You don't pull credit, check rental history, or even inspect their current living situation. Sometimes you even use the security deposit to pay the mortgage.

BAD MOVE!!!! Do not operate in this manner.

Prospect for tenants the day you get the property under contract. Remember it's better to have too much interest than too little. Charge for application fees, use an online tenant screening such as e-renter.com. Automate the process as much as possible so that you will perform every step of your due diligence process. Oh by the way, offer incentives!!! I have a friend that never loses a tenant as he gives 500.00 a year for every year they rent from him and are never late. What better Christmas present?

9. Separating Business from Personal

It is the thin line between love and hate. In these trying times it is very difficult to not form a bond with good people. However, it can be a huge detriment to your business. You must know when to say when. You would never let a stranger take anything from you; therefore you should never let a business partner do the same. Make it very clear where you stand in your business relationships. Be stern, concise, serious, and diligent.

Be very careful of how close you allow individuals to get to you. You want to be personable, but not gullible. Protect yourself as you would protect your assets!

10. Installing Non-Value Added Amenities

This can be a flippers biggest mistake. Every property does not need granite, marble, stainless steel and hardwood. You must know your market. You must know your exit strategy. These things will directly influence how you 'dress' a property.

Helpful Investing

Making it easy to buy and sell properties!



If your goal is subsidize rentals, rehab with low price and low maintenance items. There is no need to make a property in a lower-income neighborhood look like a house in Beverly Hills which leads directly into the next mistake.

11. Overpricing

In this market there is no reason why you must overprice. You can buy low, sell low and still make tons of money. Do not let greed get in the way of the goal. The best way to do this is by "Buying Right!" When you are prospecting a project analyze your exit strategy and determine how you can extend the end user the best deal possible. This may seem like working backwards, however by implementing this tactic you will attract more buyers, more sellers and be able to make more \$\$\$\$\$\$.

12. Minimizing your Herd

This is a necessary step but it must be done properly. First you must niche. By doing that you will disqualify the type of individuals that you do not want to work with and qualify the ones you do.

This is not the opportunity for you to just turn away all leads as the individuals that you do not want to work directly with may serve some other purpose. Evaluate your business model and plan to see how you can use them.

For example, an individual with bad credit may not be able to buy an investment property that requires 20% down yet they may be a great candidate as a wholesaler or bird dog.

13. Ignoring the Experts

A costly mistake that "Novice" investors make. Choose a mentor that works along with your goals. Majority of them have been there and done that. Never ignore experience, as someone else's mistakes **CAN** prevent you from losing time and money.

This does not mean spend all of your money chasing gurus around the country. This does not mean stay up late night and purchase every product on an infomercial. Check with your local REIA's and Meetup's and get close to the experts.

14. Allowing your Business to Run your Life

Money is not everything, well, it can be, **BUT**, you should not achieve the level of wealth that you desire by any and all means. There is no need to work seven days a week. There is no need to constantly put off friends and loved ones because you are constantly in meetings, seminars, or just busy.

Never forget where you came from. Never forget your support system. Having all the money, fame, and success in the world with no one to share it with is just as bad as being broke!

15. Allowing Others to Waste Your Time

This works along with “12. Minimizing your Herd.” We must determine who is worthy of our time. Let’s face it, time is money. We don’t want to waste either. If you deem someone unworthy, tell them why. Make sure that they respect what your time is worth. If they are not willing, do not spend another minute with them.

This will help you increase productivity and time management. You will be surprised how much more time you will have to do all the things that you were never able to do before.

16. Ignoring the Budget

Too often we invest in what we want and not what we need. From education to rehabs, we lose focus of the goal and misappropriate funds. Concentrate on the prize and keep the books balanced. If you set a budget, stick to it. It will save your pockets in the end.

17. Not Having a Plan

The one thing that can save you from every mistake above is a plan. Develop one early; set goals and milestones. Constantly evaluate yourself to diagnose whether you are within scope and within budget. If you aren’t that’s ok because you recognized it early. Take another look at your plan. They are meant to be altered and made better.