

The groundbreaking 1st book by Brandon Turner, co-host of the world famous **BiggerPockets Podcast**

Seven Years to Seven Figure Wealth

A Roadmap to Earning
Your First Million by
Investing in Small
Multifamily Properties



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7 Years to 7 Figure Wealth: A Roadmap To Earning Your First Million Dollars by Investing in Real Estate In Your Spare Time

By Brandon Turner
of
BiggerPockets.com

*This eBook is dedicated to my wife, Heather.
Your support, encouragement, and smile means more to me than anything.*

Thanks Bug.

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A Tale of Two Landlords...

The phone rings for the second time that night, waking him from his less-than-restful sleep. A sink is plugged and the tenants need it fixed. Now. He gets up, drives thirty-miles, and quietly knocks on the door of the tenants who called. They welcome him in with a look dirtier than the floor he needs to wade across to get to the kitchen.

The giant hole in the wall is larger than the last time he was here and the smell of cat urine is clearly evident above the smell of fresh cigarette smoke. The leak takes only seconds to locate but almost an hour to fix while the tenants pace through the kitchen complaining of the ant problem that won't go away and the "dirty, loud neighbors" who live downstairs.



Finally, he wraps up his gear and heads for the door. He passes the new 52" flat screen TV, turns before leaving, and asks if they have any of the rent they have neglected to pay for the past three months.

They look at him with disgust and explain again how difficult it is to find work since being fired from the factory, and that they need to buy clothes and food for their children first, so he would have to wait.

He walks out the door into the cold night and decides he can continue making the payment for a few more months before he will have to give this property back to the bank as well and file for bankruptcy.

After all, this was the life he signed up for when he took on the role of "landlord."

She wakes up at 8:30 in the morning, excited for another day. She puts on her jogging shoes and starts her morning run around the neighborhood of the condo she is staying in. She notices a new home for sale nearby and makes a mental note to call her agent about it later.

The sun is already hot but the ocean breeze adds the cool touch she needs to finish her jog. Back at the condo she checks her email while staring out at the waves breaking upon the shore. A heavy snowstorm was raging back at home, and three tenants moved out this week, but two were quickly replaced and the third would be soon.

Her manager sends her the weekly report which she reviews and sends a quick reply with a few marketing strategies she would like to implement to attract higher paying tenants. She gets on a quick video chat with her real estate agent and learns about a new apartment complex for sale, and within twenty minutes she has an offer submitted to purchase the property.

She sends an email to her accountant, acquisition supervisor, and several "bird dogs" to wrap up her work for the day by noon. She begins her walk in the warm sun to her daily Spanish lesson and decides that she might stay here for several more months before heading back home.



After all, this was the life she signed up for when she took on the role of "landlord."

Choosing to Live Life on Your Terms

Do you want to be landlord #1?

Does answering calls at all hours of the night, chasing rent, and flirting with bankruptcy make you stand up and shout "me!"?

Of course not!

No one gets into real estate investing to be landlord #1, yet for some reason – most landlords end up this way. There are rumors about investors who make a killing off real estate and spend more time watching their golf ball than their investments, but this is not the life that actually occurs. Why the disconnect?

Let me give you a hint – its not luck. Real estate investing is a proven technique to

create large sums of wealth over time. By following simple rules and guidelines, investing can be profitable, fun, and rewarding. However, most would-be-investors simply jump into the game because of a television show they have seen or a get-rich-quick course they saw on late night television.

Take notice that the title of this e-book is not “Thirty Days To Seven Figure Wealth” but “Seven Years to Seven Figure Wealth.” **Building wealth takes time and it takes hard work.** You do not get to be “landlord #2” without putting in years of hard work and dedication. However, you do not need to “pass through” the life of landlord #1 first in order to get to landlord #2.

The goal of my real estate blog , found at www.RealEstateInYourTwenties.com is to teach you ways to invest in real estate without slaving away at maintenance calls, hassling tenants, and chasing rent.



Yes, there are examples of individuals who have made huge sums of money in real estate in little time, but those are the exception and not the rule.

Investing is Dull, Boring, and Explosive

Investing in real estate does not have to be difficult. It does not have to be complicated. In fact, investing in real estate is incredibly simple when you boil

it down to its basic parts.

In the book “Rich Dad's Guide to Investing,” the author writes, “Investing is a plan, often a dull, boring, and almost mechanical process of getting rich.”

How can this be? Why do so many people fail at making money in Real Estate then? The answer is one of two, and surprisingly simple:

- 1.) They don't have a plan
- 2.) They get bored and try to get fancy

That's it. If you want to build wealth, you simply need to overcome those two problems. In other words, to build wealth you need to:

- 1.) Have a Plan
- 2.) Stick to that Plan.



That is what this book is about. Creating a (good) plan and learning to stick with that plan. Once you have a plan, getting from where you are now to where you want to be is **as simple as following a path.**

You've probably seen the investment firm Fidelity's television commercials in which people walk around their daily life with a path at their feet made out of green arrows, illustrating the importance of creating a financial plan for yourself and simply sticking to that plan. This is

the exact concept I am referring to, but I advocate using real estate investing to get there.

The good news is – that if you can stick by a simple plan of investing, **you will succeed.** You will build wealth and find financial freedom. Real estate investing is explosive, in that each year you will earn more and more wealth. This is the power of compound interest. Real estate enables not only you to earn money, but will allow your **money to earn money.**

Ten Ways To Fail Investing In Real Estate

- 1.) Don't continue to learn
- 2.) Don't connect with other investors
- 3.) Don't make a plan
- 4.) Only listen to “Gurus”
- 5.) Don't listen to seasoned investors
- 6.) Buy with your emotion
- 7.) Get fancy and complicated.
- 8.) Spend money you don't have.
- 9.) Don't stick to your buying standards
- 10.) Wait until tomorrow

Why Real Estate Beats Stocks, Gold, and Other Investments

There is a plethora of investment vehicles in our world today.



From stocks to gold to commodities, wealth can be built using nearly all of these techniques. So why do I advocate using real estate to fund your life? There are

three major reasons:

- 1.) **Leverage:** If you had \$20,000 dollars to invest, you could buy \$20,000 worth of gold or stocks. If the investment increases in value, it does so in relation to the exact amount you put in. However, if you invest that \$20,000 in real estate, you could purchase a \$100,000 property and get the full investment benefits from the \$100,000 not just the \$20,000.
- 2.) **Dual Purpose:** You cannot live in your stocks, gold, or oil. You can, however, live in your investments. This is especially helpful for those who are just starting out. Everyone needs a roof over their heads, so if you can use that roof as part of your investment strategy, wealth can be built even faster.
- 3.) **Directly Actionable:** My favorite aspect of real estate is that it is

real. It is not some concept I am investing in or a .0001% ownership role in a mega-corporation. It is a physical object that can be changed, altered, or improved at the whim of me. If I want to improve income, I can improve the property. With stocks or other investments, I am merely a passenger. With real estate, I am the driver.

Saving the Princess Is All About Knowing The Game

You should see me play the Nintendo.

Do you remember Mario Bros? Yes, the original Nintendo NES game where Mario speeds through 8 worlds (each with four sub-worlds) in an effort to save the princess from the evil king Bowser. This game was life for me growing up and I still play it to this day. The first time I beat the game, it took me hours. The second time it was quicker.



The more I played, the more shortcuts I learned and better I became (remember the unlimited life hack in level three or warping from level four to level 8!?) Today, I can beat the entire game in less than 8 minutes, and I'm sure there are people out there who can do it faster than that.

The game never changed. The mushroom guys came at the same time and at the same place. The levels progressed in logical order, and the shortcuts were always there. The reason I could beat the game so quickly is because **I memorized the patterns.** I learned the rules, and I learned how to exploit them to get me to the end as soon as possible.

I realized one day that Mario Bros was just like investing. The game never changes. Yes, there are ups and downs in the market but the fundamentals do not change. As long as a person sticks to those fundamentals, getting to the end is not only possible but **inevitable.**

The only time I “die” anymore when I play Mario Bros is when I try to get fancy. I want to explore those levels I have never explored before, or try to play a level with my eyes shut (yes, I've tried).

This is exactly the same concept when investing in real estate. Following a basic plan will get you to the end because the plan works and never changes. When you try to get fancy and complicated, you run the high risk of failing.

“But that's so boring,” you complain.

Exactly. That's what makes it so easy to create wealth.

Understanding The Rules of the Game

By now, you must be wondering what those patterns and rules are that make investing so easy.

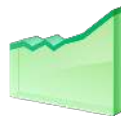
Its not a secret and this is not a “program” like those late night infomercials. This is simply the rules that I, and thousands of other successful investors, have used to create passive income from real estate. Like knowing where the hidden bricks are in Mario that give you “fire bullets,” these are the simple fundamental rules you need to follow when investing in real estate.

1.) Cashflow is King:



Never buy a property that loses money each month. I'll repeat that again: Never buy a property that loses money each month. If you live in an area that positive cashflow is impossible, invest in a different area. If you want to build wealth faster, reinvest that cashflow. If you want to supplement your income, live off that cashflow. The choice is yours.

2.) Buy at a Discount/Force Appreciation – the



simplest explanation of good business is this: buy low, sell high. Another term you may have heard is to buy wholesale and sell retail. Real estate should be no

different. In addition, you can also force the property to appreciate in value by improving the condition of the property or increasing the income it produces. There are many techniques you can use to buy properties at steep discounts or force appreciation, and you can read about many of them at my [blog](#).

That's it.

Those are the two major rules you need to follow when buying real estate.

The exact pattern may change, and I will be soon discussing some specific rules that will govern how much cashflow and equity we will need to have in anyproperty purchased, but the fundamentals are simple.

Buy property that has both cashflow and equity. It really is that simple.

It's time to go from “theory” into “practice” and learn how to make a million dollars in seven years buying only five properties.

What is Equity?

“Equity” means the amount of profit you have in a property. It is the difference between how much something is worth and how much is owed.

How to Make a Million

As the title of this book suggested, I am going to explain the exact steps to make over a million dollars in real estate while part time investing in just seven years.

The rest of this book will focus on the exact steps needed to get to this point.

While the names and addresses are made up, each of properties are real examples of properties I have either myself purchased or have seen at these prices. They are real-world examples but in order to find them, you need to dig.

Not every property is worth buying. In reality, **less than 1% of properties currently for sale are worth buying.** Yes, you can buy almost any property at today's low prices and still make average returns on your money. However, as the phrase goes, average returns are for average investors. We want to let the masses blindly invest in normal property and you are going to focus only on the best deals.

By focusing only on the best properties at the lowest prices, you will take less steps to build financial stability and wealth. As I discussed above, this plan requires only five purchases over a seven year timeline. This is, on average, less than one each year.

This plan is a conservative strategy at

investing in real estate, but maximized to produce the highest results the fastest. If you have more money to invest or more time to commit you can really speed up this plan.

On my blog, I discuss several different strategies to invest in real estate, taken from many different perspectives. However, for now I am going to assume the investor in this plan has a stable full time job, a small amount of savings, and good credit. If this is different than you, that's okay. This plan is tailorable if you just put your head to it. For example, if you don't have the initial down payment amount of \$20,000 – that's okay. Your strategy will require a little bit of tweaking, but the end result can be the same.

You could earn that initial \$20,000 by flipping a home, saving like crazy for the next year, forcing more equity doing a remodel, grabbing a partner to help fund the down payment, using a Home Equity Line of Credit, or simply make your first investment your primary residence, using a 3.5% down FHA loan – thus needing only \$3500 for a down payment. Check out my [article on ways to invest in real estate when you are broke](#).

Tony Robbins says, “You don't lack resources, you lack resourcefulness.” I love this quote and use it all the time for inspiration. It is never more true than in real estate investing. Just like your mom told you as a child – you can do anything you put your mind to. If you want to use

real estate to earn significant passive income over the next several years, just put your mind to it.

It's time to get into the details of what the seven year plan will look like. The following six items are rules I am going to follow in mapping out the seven-year plan. These are not lofty, unattainable goals but actual rules that I live by. These are requirements that every property I want to buy must fit within.

✔ **We will start with \$20,000.00 investment.** As we just talked about, there are many ways to start this plan without the initial \$20,000. However, this is the simplest way. Also note – this is the only money ever needed to be used in this plan. If you have more than \$20,000 to invest, or can add more each year – you can work this plan even faster.

✔ **We will purchase properties for 20% discount from their value.** Again, it is important to always buy at discount. When I buy, I usually try to buy for 30% to 40% discount, but in order to make this plan work you would not have to be that strict (but if you can, do!) This might mean it takes twenty or thirty offers on different properties before you get one accepted, but if you ask any seasoned investor, 20% discount is not a difficult number to achieve.

✔ **We will put 20% on each property we purchase.** Most banks today require 20% of the purchase price. Yes, it is possible to put less than 20% or more than 20%, but for the purpose of this demonstration it is a good number to use.

✔ **We will force a 10% appreciation during the first year:** All properties have room for improvement. I will make sure that by decreasing expenses, increasing rents, and improving the property, the value will increase by 10% during the first year. Again, ask any seasoned investor - this is not a difficult feat to accomplish.

✔ **We will assume that the properties will appreciate 4% per year.** Except for the first year, the property will appreciate at 4% per year. Economists at Freddie Mac and Fannie Mae have used 5% as an average number, but to be conservative, I will use 4%.

✔ **The properties will cashflow \$200 per unit, per month:** This is another actual rule I have when buying property. A single family home needs to cashflow at \$200 per month. A duplex needs to cashflow at \$400 per month. A four-plex needs to cashflow at \$800 per month. This means after

all the bills and the mortgage are paid – and reserves for repairs and big-ticket items are set aside – there is still \$200 per unit per month cashflow left over.

A Note From Brandon-

Remember, this plan is tailorable to your own situation. As long as you stick by these basic principles of positive cashflow and building equity, you are going to succeed.

Why I Invest in Multifamily Properties to Supercharge my Real Estate Investing

While there are many different types of real estate investments, the small multifamily property works best for gaining wealth quickly with this road map.

We are going to start with a four-plex. This is a property type that has four units.

This does not mean you need to live in this property. In fact, **this road map doesn't require you to live in your investments**. If you choose to do so, it is a great plan and you can build wealth even quicker. The down payment requirements, interest rates, and ease of financing is much easier if you live in the property. However, most investors do not want to mix personal and business life, so the steps outlined below utilize simply a twenty percent down payment on a purely multifamily investment property.

There are many reasons why I choose multifamily properties to invest in, and why we are going to start with a four-plex. The following are three of the main reasons we start with a four-plex:

✓ **Higher Cashflow** – remember, we are shooting for \$200 per unit, per month in cashflow. If we began with a single family home, our cashflow would only be \$200 per month. However, we want to supercharge our investing to build wealth as quickly as possible. There is nothing wrong with single-family homes – and in fact, they are much easier to manage and learn the business with. However, if you truly want to gain cashflow and equity quickly, starting with a multifamily is a great way to go.

✓ **Less competition** – Most homeowners (the vast majority of buyers) do not consider multifamily properties. This means there is significant less competition for the

multifamily properties. Your main competition are other investors who are also looking for a killer deal.

✓ **Easy financing** – Banks and other financial lenders (including the government) look at multifamily properties up to four units in almost the exact same way as single family homes. If you can qualify for a single-family home, you can qualify for a four-plex.

✓ **Less holding costs**- When it comes time to sell your properties and “trade up” to larger investments, a multifamily property does not sit empty for months while it is on the market to sell. Instead, it continues to generate income every month. This adds a huge degree of security, as you can wait for a good offer to come in and not feel the need to sell to someone quickly just because you need to stop losing money each month. This results in higher sales prices for you as well.

If you are sincerely interested in investing in real estate but would rather focus only on commercial, single family, or other types of investments – great! Real estate is a game of math, and math always works. If you can follow the same rules as I outlined above (20% down, force 10% appreciation, and minimum cashflow requirements) with another form of investing – by all means **do it**. Multifamily is simply the vehicle I enjoy most to invest with.

Final Preparations

A journey of a thousand miles begins with a single step.

As you work your way through the next several pages, and years, take your time. Truly seek to understand each phase. This is not a complicated path, but it is easy to get lost in the math.



I also recommend that you print this guide out, as you will get a lot more out of it. Furthermore, make sure to take notes so you can properly remember all you are learning and apply it later.

The best way to really learn this is to share it with someone you know. Learn by teaching. Get excited about the possibilities and share it with your spouse, your family, or your friends. Seek to internalize what you are learning. Then, go out and do it.

For the rest of this book, one page has been dedicated to each year of the seven year guide. If you have any trouble or would like to know more specifics, check out my blog at <http://www.RealEstateInYourTwenties.com>.

How to Read the Road Map



To begin year one, we will make our first purchase.

I am going to use very simple, rounded numbers for the purpose of explaining this plan. Obviously, the homes that you will buy in the real world may not be the exact prices we will use here, but that's okay. It's the principles that matter.

	Value	Loan Amount	Equity	Saved Cashflow
Year				

I will be using the above chart as a starting point to explain the seven year road map. The chart consists of several important numbers that change each year:

Value: The value is the cost that the property is worth.

Loan amount: The total owed on the monthly mortgage to the lender.

Equity: The total value minus the loan amount.

Saved Cashflow: The total amount of cashflow collected, in savings.

This plan requires saving all cashflow to invest in later purchases. While you could choose to live off the monthly cashflow and still invest, investing your profits back into your business is the best way to

grow a strong and stable portfolio.

Each year I will add a row, showing the changes for that particular property. Our initial purchase begins the process, starting at the beginning of year one. Furthermore, each page of the seven year plan includes a section titled, "What Happened". This section – found in a red box – explains exactly what took place during the year in case you get lost.

Finally, each year includes a green box that shows what our current real estate portfolio looks like. This box helps keep track of what properties we own in which years.

If you are ready, feel free to continue ahead to year one. We are about to make our first real estate purchase – **123 Main Street.**

Year One

Start of Year One:

In the beginning, we are going to search for our first property to buy. We find our first property located at 123 Main Street. This property is located in a family neighborhood and contains four units. See inside the house to the right for details on the purchase:

Placed on our chart, it looks like this:

123 Main Street	Value:	Loan Amount:	Equity:	Saved Cashflow
Initial Purchase	\$100,000.00	\$60,000.00	\$40,000.00	\$0.00

At the start of year one, our property was valued at \$100,000 but we bought it for \$80,000 and put \$20,000 as a down payment (slightly more than 20%, but I am assuming there would be a few thousand in deferred maintenance to take care of, bringing our total investment to \$20,000). Our total loan amount would be only \$60,000, giving us \$40,000 in equity. **It is key that you understand these principles before we move on. Each year we will be building upon this foundation, so feeling secure at this point is imperative.**

End of Year One:

By the end of year one, we have received twelve months of cashflow, paid down the loan a small amount, and increased the value 10% by forced appreciation. I'm now going to add a row to show us the results of those changes.

123 Main Street	Value:	Loan Amount:	Equity:	Saved Cashflow
Initial Purchase	\$100,000.00	\$60,000.00	\$40,000.00	\$0.00
Year One End	\$110,000.00	\$59,200.00	\$50,800.00	\$9,600.00

Now that year one is complete, we will move on to year two...

Year One – Starting Portfolio:

123 Main Street

Number of Units:	Four
Income:	\$2400/month
All Expenses*:	\$1600
Cashflow:	\$800/month
Asking Price (value):	\$100,000
Purchase Price:	\$80,000
Down Payment:	\$20,000
Loan Amount:	\$60,000

*expenses include mortgage (5% interest, 30 year fixed), water, sewer, garbage, taxes, insurance, maintenance, and reserves for future big-ticket repairs and vacancies. For more information, search for "The 50% Rule" on BiggerPockets.com

What Happened:

Our **value** is now \$110,000.00, which is 10% higher than when we purchased the property.

Our **loan amount** has been paid down to \$59,200.00

We now have \$50,800 in **equity** (\$110,000 - \$59,200).

We have **saved the cashflow** of \$800 per month for a total of \$9600 in savings.

Year Two

Year two is a year of learning. No purchases, no sales.

See, I told you this plan was simple! You simply spend the year learning how this whole “real estate” game is played. You will spend your time reading blogs like www.RealEstateInYourTwenties.com to learn tips, tricks, and techniques of how to manage rental property without turning into “Landlord #1” from the story that started this book.

During this year, however, the property has been cashflowing. Each month, you have been saving this money in a savings account – a full \$800 per month (\$200 per month per unit, as was our requirement). We will now add a row to our financial chart, showing the changes during the second year:

123 Main Street	Value:	Loan Amount:	Equity:	Saved Cashflow
Initial Purchase	\$100,000.00	\$60,000.00	\$40,000.00	\$0.00
Year One End	\$110,000.00	\$59,500.00	\$50,500.00	\$9,600.00
Year Two End	\$114,400.00	\$58,500.00	\$55,900.00	\$19,200.00

Let's move on to year three, where we will make our second purchase.

End Of Year Two Portfolio:



123 Main Street
\$55,900 in Equity
\$19,200.00 in savings

What Happened:

Our **value** is now \$114,400.00, which is 4% higher than the previous year due to appreciation.

Our **loan amount** has been paid down to \$58,500.00.

We now have \$55,900 in **equity** (\$114,400 - \$58,500).

We have **saved** an additional \$800 per month in cashflow for a total of \$19,200 in savings.


Year Three

At the start of year three (or end of year two, however you want to look at it), it is time to make our **second purchase**, 987 Fir Avenue. For simplicity, this property is going to be identical to our first purchase in terms of equity, cashflow, and purchase price.


This purchase is going to require another 20% down payment, but as I mentioned earlier, this amount is not going to come from our wallets. If you personally want to contribute more to your investment plan, by all means do it and you will build wealth even faster. However, we are going to purchase this property using the saved cashflow we have from our first property. As the chart above shows, at the end of year two we have saved a total of \$19,200.

You can start to see a pattern here. We will simply reinvest the profits from our previous properties into the down payment for the next. Like I said earlier in this book, investing is not fancy and difficult. It is, in fact, quite boring.

End Of Year Three Portfolio:



123 Main Street
\$62,000 in Equity
\$9,600.00 in savings



987 Fir Avenue
\$50,800 in Equity
\$9,600 in savings

123 Main Street	Value:	Loan Amount:	Equity:	Saved Cashflow
Initial Purchase	\$100,000.00	\$60,000.00	\$40,000.00	\$0.00
Year One End	\$110,000.00	\$59,200.00	\$50,800.00	\$9,600.00
Year Two End	\$114,400.00	\$58,200.00	\$56,200.00	\$19,200.00
Year Three End	\$119,000.00	\$57,000.00	\$62,000.00	\$9600.00

987 Fir Avenue	Value:	Loan Amount:	Equity:	Saved Cashflow
Initial Purchase	\$100,000.00	\$60,000.00	\$40,000.00	\$0.00
Year Three End	\$110,000.00	\$59,200.00	\$50,800.00	\$9,600.00

What Happened:

There are now two income streams running together. By the end of year three, 123 Main Street has built up another \$9,600 in cashflow (remember, we spent the savings from years one and two to purchase 987 Fir Ave). Fir Avenue has now also saved up \$9,600 in cashflow savings as well as built some equity. Total, we now have \$112,800 in equity and \$19,200 saved in cashflow. It's time to move on to year four.

Year Four

By now, you can probably guess what we are going to do at the start of year four – buy another property. Once again, we will use the exact same numbers as before, giving us a total of three separate four-plexes, totaling 12 separate units.

123 Main Street	Value:	Loan Amount:	Equity:	Saved Cashflow
Initial Purchase	\$100,000.00	\$60,000.00	\$40,000.00	\$0.00
Year One End	\$110,000.00	\$59,200.00	\$50,800.00	\$9,600.00
Year Two End	\$114,400.00	\$58,200.00	\$56,200.00	\$19,200.00
Year Three End	\$119,000.00	\$57,000.00	\$62,000.00	\$9600.00
Year Four End	\$124,000.00	\$56,000.00	\$68,000.00	\$9,600.00

555 Cherry Street	Value:	Loan Amount:	Equity:	Saved Cashflow
Initial Purchase	\$100,000.00	\$60,000.00	\$40,000.00	\$0.00
Year Four End	\$110,000.00	\$59,200.00	\$50,800.00	\$9,600.00

End Of Year Four Portfolio:



123 Main Street
\$68,000 in Equity
\$9,600.00 in savings



987 Fir Avenue
\$56,200 in Equity
\$9600 in Savings



555 Cherry Street
\$50,800 in Equity
\$9600 in Savings

987 Fir Avenue	Value:	Loan Amount:	Equity:	Saved Cashflow
Initial Purchase	\$100,000.00	\$60,000.00	\$40,000.00	\$0.00
Year Three End	\$110,000.00	\$59,200.00	\$50,800.00	\$9,600.00
Year Four End	\$114,400.00	\$58,200.00	\$56,200.00	\$9,600.00

What Happened:

While our cashflow reserves were drained to buy 555 Cherry Street, they were quickly replenished to \$28,800 by the end of year four, having three separate four-plexes producing good cashflow.

We also have a total of \$175,000 in equity between our three properties.

It's time to upgrade our properties. If you are familiar with the game of Monopoly, we are about to trade our houses for a hotel – or in our case, a small apartment building.

Year Five

Start of Year Five:

Year five begins with a trade-up. We are going to sell the properties that we have accumulated and use the funds as the down payment on a larger investment, a 24 unit apartment building at 321 Cedar Lane.

As I mentioned in the last “What Happened” section, we have \$175,000 in equity built up. However, a sale requires certain expenses, so we will deduct 9% of the combined value of our three properties to account for the fees to pay the real estate agents as well as other closing costs. Our combined value is \$348,400 so we will deduct \$32,000 to account for those sale costs. This leaves us with about \$143,000 in profit. We will combine that with the \$28,800 we have saved in equity from year four, and we are left with \$171,000 for our next down payment.

We use that \$171,000 as a 20% down payment on our next property. We are going to be looking to buy a property for around \$855,000. However, remember that one of our buying rules is to buy property at a 20% discount. So, we find a property worth a little over \$1,000,000 and are able to purchase it for just \$850,000 (I'm rounding a bit to be conservative and for easy numbers. In real life, we could actually buy a slightly more expensive building and still make this work!)

We are now in control of our very first apartment building. For simplicity, I am going to round down our down payment number of \$171,000 to \$150,000 (after all, there will probably be closing costs associated with the new purchase or a luxury trip we may want to take to reward ourselves for the work we've done thus far!). So, we have a new mortgage for \$700,000. The details of our properties can be more easily seen in our familiar graph:

321 Cedar Lane	Value:	Loan Amount:	Equity:	Saved Cashflow
Year Five Start	\$1,000,000	\$700,000	\$300,000	\$0
Year Five End	\$1,100,000	\$692,000	\$408,000	\$48,000

End Of Year Five Portfolio:



321 Cedar Lane
\$408,000 in Equity
\$48,000 in savings

What Happened:

We started year five trading up (selling the the old, getting a new one) to a 24-unit apartment at 321 Cedar Lane.

The building's **value** at the time of purchase is \$1,000,000 and we purchased it for \$850,000. By the end of the year, the value has climbed to \$1,100,000.

We put \$150,000 down for a **loan amount** of \$700,000.00

We have \$300,000 in **equity** immediately due to our buying discount and down payment and by the end of year five, we have \$408,000 due to the 10% appreciation during the year.

We have \$40,000 in saved cashflow during the year (\$200 per unit per month cashflow).

Year Six

Like we did in year two, we are not going to do anything in year six. Instead, this year would be learning how to manage a property like the 24 unit apartment building.

At this point, the building would support a live-in manager who would take care of 90% of the issues that arise. Our only job is to manage the manager, and to make sure things are running at optimum efficiency.

Each month, the apartment is producing \$4000 in positive cashflow, even after setting aside reserves for future big-ticket items like carpet, roofs, parking lot repair, etc.

321 Cedar Lane	Value:	Loan Amount:	Equity:	Saved Cashflow
Year Five Start	\$1,000,000	\$700,000	\$300,000	\$0
Year Five End	\$1,100,000	\$692,000	\$408,000	\$48,000
Year Six End	\$1,144,000	\$682,000	\$462,000	\$96,000

A Quick Note About Taxes:

You may be wondering, "What about the income taxes that would have to be paid when we sell a property?"

The reason I didn't include those costs is because of the 1031 Tax Exchange. This US IRS rule allows investors to roll over the profits from the sale of an investment property into the purchase of a new one – without paying any income tax. The tax is deferred until someday when (or if) you liquidate everything and sell off all your properties. In essence, the government is partnering with you to invest in real estate. For more information, see your tax advisor or accountant.

End Of Year Six Portfolio:



321 Cedar Lane
\$462,000 in Equity
\$96,000.00 in savings

What Happened:

By the end of year six, the building's **value** is \$1,144,000 after the 4% appreciation that occurred during the year.

Our **loan amount** has been paid off slightly to \$682,000.

We now have \$462,000 in **equity**.

We have a total of \$96,000 in saved cashflow – a combination of our cashflow from year five and year six.

Year Seven

Year seven will continue like year six, doing nothing but maximizing efficiency and preparing to sell 321 Cedar Lane, our 24-unit apartment building.

It is at this point where we can truly make real estate investing significantly more passive. Like “Landlord 2” in the story that started this book, we can relax and manage our property from anywhere. However, we still have not “arrived” and thus we are going to continue to save our cashflow each month, reinvesting our profits.

End of year seven:

At last, we have come to the end of year seven. As I have mentioned throughout this book, this plan will get you over \$1,000,000 in equity within seven years of investing, buying only five properties. First, let's take a look at how 321 Cedar Lane is performing:

321 Cedar Lane	Value:	Loan Amount:	Equity:	Saved Cashflow
Year Five Start	\$1,000,000	\$700,000	\$300,000	\$0
Year Five End	\$1,100,000	\$692,000	\$408,000	\$48,000
Year Six End	\$1,144,000	\$682,000	\$462,000	\$96,000
Year Seven End	\$1,189,000	\$672,000	\$517,000	\$144,000

It's time to trade up to our final property. We will sell 321 Cedar Lane for its current value, \$1,189,000. There will be sales costs associated with the sale of this property, so I will assume that there will be 5% in sales expenses giving us roughly \$1,129,000 at the sale. After paying back our loan amount of \$672,000, we will net \$457,000 in profit.

But how do we get to \$1,000,000? It's time to do one final trade-up at the end of year seven.

End Of Year Seven Portfolio (before-sale):



321 Cedar Lane
\$517,000 in Equity
\$144,000 in savings

What Happened:

By the end of year seven, the building's **value** is \$1,189,000 after the 4% appreciation that occurred during the year.

Our **loan amount** has been paid off slightly to \$672,000.00

We now have \$517,000 in **equity**.

We have \$144,000 in saved cashflow by the end of the year.

Final

At the end of year seven, we are going to make our final trade-up. We have \$457,000 in profit from the sale of 321 Cedar Lane, and additionally have \$144,000 in saved cashflow. This gives us just over \$600,000 to use as our final down payment. Assuming we will spend some money on legal fees and other closing costs (plus another luxury vacation with some of our profits and keeping some for savings), we will use the number \$550,000 as our down payment on our final property.

777 Retirement Road is a 75-unit apartment building currently for sale at an asking price of \$3,400,000. Using the same rules as all other times in this book, we will only pay 80% of the value, or \$2,750,000 for this property. Our 20% down payment of \$550,000 brings our total loan amount to \$2,200,000.

Not even including the year one 10% appreciation, we have made our first million with Real Estate. Let's take a look at our graph to see how:

777 Retirement Road	Value:	Loan Amount:	Equity:	Saved Cashflow
Year Seven End- Final	\$3,400,000	\$2,200,000	\$1,200,000	\$0

Final Portfolio:



777 Retirement Road
\$1,200,000 in equity
\$15,000 per month in cash flow

What Happened:

After the sale of our 321 Cedar Lane apartment building at the end of year seven, we purchased 777 Retirement Lane.

The **value** of this property is \$3,400,000.

Our **loan amount** is \$2,200,000, which means our current **equity** is \$1,200,000.

While we have no cashflow savings at the start, 75 units that produce \$200 per month in passive income each would produce \$15,000 per month in passive income, or \$180,000 per year.

Wrapping Up

Congratulations on becoming a millionaire!

At least on paper anyways. If you are still reading this, I am going to assume you followed along and now have a clear picture of how to gain serious financial stability and wealth investing in real estate part time.

Again, this plan is not difficult but it can be easy to get lost in the math. If you have any questions, just email me. I love to talk about real estate!

The important thing to know is that this plan works. It's based on math, and math is not subjective. If you can find properties that meet our minimum qualifications, you will find success.

But I Don't See Those Killer Deals:

If you are tempted to say “but there are no properties that cheap” then you haven't looked. Some areas, such as Southern California or other major metropolitan areas, have prices that are significantly higher than these. However, the rent is much higher as well, so the same results can be found.

Furthermore, you may need to invest somewhere besides where you live. I am a strong believer in local investing, but if it simply doesn't work – then invest elsewhere or move. How important is

your wealth building?

As I mentioned earlier, all these examples are true-to-life examples of properties. They may not be super easy to find, and you may need to invest outside of your geographic location, but these properties exist everywhere.

Not convinced? Send me an email and we'll talk! Just yesterday I went and toured a triplex that was listed at \$60,000, but would cashflow at easily \$300 per unit. Two weeks ago a 26 unit fully rented apartment complex was sold in my town for \$495,000.

Deals exist everywhere. You just need to start looking.

Can you really do this in seven years?

Yes! I have no doubt that this is completely possible, as I am living it. I am currently in year six of this plan right now, almost ready to make my final trade up.

That said, what if it took longer than seven years? What if it took ten? Or twelve? Or fifteen? The market changes constantly, and we are in constant need of adapting our investing to fit it.

Several years ago, flipping properties was the “in thing” and many people made a lot of money. Many of those same people, though, lost a lot when the market crashed because they lost sight of what the fundamentals of real estate were- cashflow and equity.

If it took ten years or more to complete this plan, that's okay. If it took five years, that's okay. If it took twenty – that's okay. Because it does not require a career shift, large sums of money, or vast amounts of time. You can set your own pace and invest how you feel most comfortable.

What about after year seven?

It is often said that the first million dollars is the hardest to make. Following this same plan, how long do you think it would take to get to \$2 million in equity? Or \$5 million? Or \$10? Do that math and find out.

How much wealth do you want/need? Each person is different, but rest assured, you can build serious wealth using real estate in your spare time.

How can I learn more?

If you want to learn more about real estate investing, I want to encourage you to jump into the community at BiggerPockets.com. BiggerPockets is the largest website online to learn about real estate, including blogs, podcasts, webinars, forums, articles, books, and more!

Also - if you want to pick up my newest book, "The Book on Investing in Real Estate with No (and Low) Money Down" - you can get it by going to www.BiggerPockets.com/nomoney.

Final thoughts from Brandon

To wrap up, I want to remind you of a few of the key principles we discussed in this book.

These principles are timeless and are foundational in finding success when investing in real estate.

✓ **Make a plan –**

Remember, getting rich is as easy as building a plan and following it. If you want to retire in seven years, great! Make it happen. If you want to quit your job within a year and go full time into real estate- then make that happen.



✓ **Be patient –**

Rome wasn't built in a day, and neither is your wealth. Take your time, invest soundly, and you will reap the rewards later.

✓ **Don't get fancy –**

Investing in real estate is boring. Don't try to get fancy and lose it all. It is not difficult to build wealth slowly, but it is also not difficult to lose wealth quickly.



✓ **Don't lower your standards –**

Don't let your emotion dictate what you buy. Have your standards written down - such as cashflow, equity, etc - and stick to them.

✓ **Continue to learn –**

Learning how to better invest in real estate is a life-long pursuit. Never stop reading blogs, books, websites, or other sources of good



information.

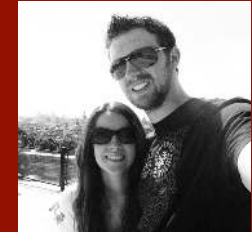
✓ **Just do something -**

You'll never build any wealth if you don't start. You have the guide map, you have the motivation. It's time to start. Right now. Seriously.

Do it.

Thank You!

I hope you enjoyed this eBook as much as I enjoyed teaching the process found in it. I am fully convinced that real estate is the best vehicle for building long term wealth and passive income.



If you want to learn more tips, tricks, and techniques to invest in real estate without losing your shirt or your family, check out www.BiggerPockets.com. If you have any questions about this plan or anything, please email me or find me on Facebook or Twitter.

Thank you, and good luck on your quest for financial freedom!

Sincerely,

Brandon Turner