



This business/business opportunity book was written by Emerson Brantley for Jay Mitton, nationally-known real estate attorney and speaker. It was originally conceived and written as a special “report” (actually “legal briefs”) to sell a comprehensive business-opportunity conference under-the-radar. Jay later requested that the resulting material be rewritten as a book, for the company to offer as an additional product. The final 290-page hardcover book contained the all of the chapters listed, including the three sample chapters which follow the table of contents.

21 SECRETS OF REAL ESTATE MILLIONAIRES

REVEALED BY THEIR ATTORNEY

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SECTION III: FINE TUNING YOUR REAL ESTATE INVESTMENT BUSINESS

CHAPTER ONE: Designing A Specific Plan for Your Business

Why You Need A Business Plan

When most of us think of business plans, an image of boardrooms and corporate planning is the first thing that comes to mind. Most small businesses don't even have a business plan. Could it be that the lack of a solid plan, or the inability to create one, is a major reason why most small businesses fail?

A business plan serves many purposes, including:

- ✓ To formulate and project the growth of a business
- ✓ To clearly define what a business does
- ✓ To state the purpose of a business, and the vision and mission as the owner or board sees it
- ✓ To identify markets and opportunities
- ✓ To spell out how a business will approach these markets and opportunities
- ✓ To identify the strong points that give a business the "edge"
- ✓ To identify the key participants, the "dream team" that makes it all work
- ✓ To map out strategies for business growth
- ✓ To keep a business on track
- ✓ To help other interested investors see the potential and gain confidence in your business

These are just some of the purposes and uses of a business plan. Yet as observed before, small businesses generally do not put a lot of importance on a well thought out plan, and if they do, it is often on a "back burner" of their list of priorities.

"It's All In My Head!"

Home-based business owners invariably make this mistake. I suppose there is something about a brick and mortar business that makes it somehow more "real." Doing a business from home is almost akin to a hobby, or at least, that is often how it is treated! They know what their business is, right? They have it all right there, in their head. Just ask them!

Every business needs a Business Plan, and every *successful* business has one!

It really is more about discipline for most of us. I am sure you know people who spend weeks planning for their annual vacation, yet try to keep the details of their business in their head! They never bother to write down their plan. It is as if they are afraid of it somehow becoming binding. Lacking the discipline to follow through may be a part of their reluctance to write it all down. Or, putting a plan in writing may

make them feel like they cannot change their minds without somehow “failing.” Even if this does not describe you, perhaps you can relate to some of the same kinds of feelings.

What is the source of all these confusing emotions? I believe it is because we naturally treat anything in writing as real. It is like the person who will “believe it when they see it.” He tends to believe what he sees in black and white. For the real answer to why you need a business plan in your business, I will turn to an old saying that explains this better than any I have ever found. During my career I have seen the truth in this make more than one person uncomfortable:

“If it is written down, it gets done!”

We all have dreams and hopes, wishes and goals. The difference between a dream and a goal begins the moment we commit the dream to writing! Dreams are related to hopes, and hopes do not require substance. In fact, by definition a hope has NO substance; only because of our faith and belief, does a hope differ from a wish or fantasy. A hope has some degree of faith behind it, while a wish is trusting in Lady Luck or Fate. A dream is something we long for, desire, think about and hunger for. When we write our dreams down, they take on a tangible nature in black and white. They become real. They begin to become goals.

Goals and your Business Plan

To have an effective business plan requires understanding the nature of goals. Why cannot goals simply be in our head? They certainly originate there, but they get tangled up and mingled with our dreams and hopes, our doubts and our fears. These all are in an endless wrestling match for control in our life. For most of us our goals are sometimes at the top of the heap, other times at the bottom.

Your goals can positively define and direct your life, followed by your hopes and dreams. All of these empower you, but your goals have the benefit of substance, and can keep your life on track. Doubts, fears and other emotions most often serve to keep us from our full potential. Clear-cut goals are perhaps our strongest resource to achieve our full potential in our lives.

Goals have certain clearly definable characteristics that separate them from the rest of the stuff in our brain, and can give them the edge in our lives if we learn to utilize their power.

The Four Characteristics Of Goals

1. Goals must be conceivable. You have to be able to think of a goal. It has to have some specific nature to it. Putting it in writing is one aspect of this, but clearly defining goals requires some focus and thought. First and foremost, your goals really need to be specific. Wanting to “grow your business” is not really a goal, anymore than eating “good” food or driving a “nice” car or living in a “pretty” home. If you don’t have a pretty specific idea of where you are going, how will you know when you get there? Our measurement for words like grow, big, nice, pretty all change with time and circumstances.

Likewise, wanting to be the Queen of England is a nice fantasy, but unless you were born into the Royal Family, there is no conceivable way for you to achieve it. These examples have no concrete nature about them. Make your goals specific, clear and concise. Now you have a conceivable goal that can be attained. But first, we have to pass the believability test.

2. Goals must be believable. “If you can conceive it and believe it,” Napoleon Hill said, “you can achieve it!” Wanting to double your business is getting closer to home, but if your business has not grown more than five percent a year, do you really believe it can be done? It is all well and good to shoot for the stars and hope you will hit the moon (instead of shooting for the barn and hitting the mud), but do you believe you can achieve this goal in the first place? This is where your study and preparedness, and

the guidance you will get from your personal trainer, mentor, or other advisers will be invaluable. You will grow in confidence and in your sense of empowerment, and will begin to conceive of where your business can go, and believe that you are equipped to take it there.

3. Goals must be achievable. In an age where communication is instantaneous, people are living in a space station above the earth, and we've cut journeys that were months long into three-hour trips. The envelope we label "achievable" seems to be boundless. Yet, one of the biggest success-killers is the setting of goals that are beyond the realm of probability. You will notice I didn't say possibility, because arguably almost any goal is possible. The real test lies in your ability to achieve it, and it does not matter if it is your actual abilities you are considering, or your perceived abilities.

"Perception Equals Reality"

If you think you can, or if you think you cannot, you are right in both cases. Our mind and our emotions will play a tug-of-war with each other, talking to each other constantly. You can "see the light," and get excited about what you can do, only to have your mind – in its own perceived logic – go to work on your willpower and bring you down. Through our study, training and experiences, we raise the bar on our own perceptions of our abilities, of our reality. We make our mind, emotions and will all get in line, so they are working with each other, instead of against each other.

Two Caveats

Making a goal that is big is as important as making it achievable...do both! Our goals should make us stretch a bit. Muscles that are stretched and pushed are muscles that grow. Admittedly, if someone is tied up in fear over speaking to people, calling one seller could be a goal for the day. But very quickly this should be made into a greater goal. Making the first offer, or making ten calls a day, etc., will help you make believable and achievable goals you can accomplish, but put you outside your comfort zone (not outside your true abilities). This way, you will grow more empowered as your perception envelope grows larger, and you begin to realize you CAN do it!

Don't get caught up in the "Paralysis of Analysis!" This caveat is given to those who get lost analyzing whether or not a goal is too big to achieve or too small for them to grow. Is it precise enough? Do they really believe it or not? Should I redo my projections, my figures, my math? The rule is, make goals that are big, and that are a little outside your comfort zone, but not so overwhelming they are beyond your personal belief. Then move on to number four!

4. Goals must be measurable. Finally, when your goals have been clearly identified as achievable and believable to you, the time has come to plan. This is, for many, the key link in the chain. Planning your step-by-step approach to reach your destination: your goal. There are no perfect analogies, but this one comes close!

Imagine you have decided to travel across America, to see it all. You have seen the travel shows, and you know millions of people are doing all of the things you want to do. You have a good car, a full tank of gas, and you believe you have the ability to make such a trip, and some available cash. So you start out of town, but have no plan on where you will spend the first night, how many days driving is involved, how much it's going to cost or when the trip is "done." You have not taken the time to break your trip into segments, you don't even have an understanding of the time involved, the terrain or road construction you will encounter on the road, expected weather conditions, where you will stay or what you will do once you reach the coast. Five or ten hours out of town, you begin to realize this is bigger than you had planned on. You sleep in a rest area for the night and turn around and go home the next day.

Plan Your Work and Work Your Plan!

This is the crucial step, the missing link for most people in their own life as well as their business. It is too easy to not take the time to plan a strategy and to figure out the steps that need to be taken to reach the destination. Yet, without a plan, most ventures are doomed to fail. You need a business plan because you did not get into business to fail! Only with a plan can you keep your eye on the goal, while taking the individual steps necessary to reach it. Only with a plan can you implement the strategies that will lead to your success. However, just as knowledge without application has no power, you must have commitment to achieve your goals to empower you to do so.

A business plan is NOT the result of having clearly defined goals for your business. Clear, concise goals are the RESULT of having a comprehensive business plan.

Through the fleshing out process required to create the plan, we give our goals form and substance. As we explore our strengths and weaknesses; as we honestly look at our hours, our finances, our market, and other factors; as we consider the added benefit of a personal trainer and live training to help us grow in knowledge and confidence as we go through the process of creating a comprehensive business plan, the plan itself will give life to the goals.

You will see your goals began to take on substance, because the business plan itself validates them with reason and factual information. It puts in print what you want to achieve, and makes it real in your mind. Using your business plan as your guide, you can stay on track until you achieve your goals.

HOW TO USE IT: Take the time to carefully think through what you want to achieve in your business. Consider every aspect of your business, and let your business plan guide you as you set strong goals you fully intend on achieving. Then commit to achieve your goals.

Your business plan is your roadmap to success in your business, and it will guide you to your goals. Having a plan for your business *now*, will get you on track and keep you on track. You can always change your plan as you go along. It is not written in stone! If you find certain market sectors appeal to you more, or seem to fit in with your overall strategy better, jump on them! If you spot a trend or a new hotspot in your area, you can add this to your plan because it is your plan!

“Wouldn’t I just do the same things, anyway?”

Maybe, but without a business plan, it is extremely easy to get so sidetracked that the new opportunities and strategies have the negative result of getting you off-track, so their benefits are outweighed by potentially derailing or delaying your ultimate goals. A business plan cannot eliminate every possible problem you can encounter in your business, but it can help you eliminate many if not most of the ones that can be avoided ahead of time. And, it can provide alternative strategies for dealing with other obstacles as they arise.

“What is involved in writing a business plan?”

There are actually some good software programs to help you organize your thoughts, but you can use this as a brief guideline to help you. Review your goals with your personal trainer staff, family and adviser to help make sure your plan, and your business, stays on track! I recommend you do a thorough business plan, as is prudent for any business. Although some of the parts of the plan may not seem necessary, do them anyway. Remember, this is not your hobby or pastime: this is your business and perception really does equal reality! Make it real for you: do it right!

Your business plan should include:

The Executive Summary. This is the very first section of your plan, and should generally be no more than a page or two in length, and summarize the “*who, what, where, when, how and why*” of your business. *Who* you are, *what* you do, *where* and in which markets, *when* (timeframes and projections),

how (your overall strategies for accomplishing your goals), and *why* (your mission, vision and goals). Use these as guidelines more than subject headings. Your business goals should be clearly and concisely stated in a paragraph within the executive summary. This section is the distillation of your entire plan, and should be reviewed and revised regularly as your business evolves.

Description of your business. This is where you can write, in detail, the facts about your business that make it unique. And it is unique, because it is your business! Include sections about you and your strengths, how your office will be set up, equipment, expected hours of operation each week, and areas of focus. Who else will be involved? What are their duties? What is your business philosophy, your statement of purpose? Identify your short-, mid-, and long-range goals. Include your resume or bio and appropriate contact information.

Description of the industry. What do you know about the business? Write this as though you were explaining your business to a complete novice or another investor. How does it all work?

Description of your market. What areas are you going after? What kinds of values are in each? Who will you be dealing with primarily? Owners, Sellers, agents, bankers? What trends do you see? How will you take advantage of these trends? What strategies are you going to utilize? Why? Who do you see as your competition?

Description of your finances. What kind of rates of return can be expected? What operating capital do you have? This section is less narrative style and more analytical than the others. Include a balance sheet, including income and expenses. Figure your expenses, and do a break-even analysis: what will it cost to run your business, and how long do you anticipate before closing your first deal? Explain how the business will be affected by this and what your financial plans are with the revenues you are planning to receive.

For many, this is the most difficult part of the business plan process. To openly review and analyze one's finances is way outside their comfort zone! Nevertheless, this is business, and business is about money. Looking at your finances honestly may reveal surprises, often good ones! Knowing where you stand as you begin your business gives you a critical benchmark for your success in your business. Don't skip this important step in your overall plan!

Your Business Plan is a Living Tool

Once you have completed your plan, reviewed it with your adviser and commit to seeing it through, you are miles ahead of the vast majority of real estate investors and other small business owners. Though this simple process takes some time and involves some specific thinking processes, it is invaluable to you and the ultimate success you will achieve in your business. It is a living part of your business, not a static document, confined to a notebook on a bookshelf. Use it like you would any other tool, and refer to it often. Just as a pilot corrects his course continuously to allow for changing winds and speed, update your business plan as necessary so it will continue to be a living guide for your business, to help ensure you achieve your goals. Committing to create a business plan is a good first step to success.

Once you have gone through the creative process, you will be empowered to achieve your goals when you:

Commit TO your business plan and use it!

CHAPTER FIVE: Market Timing and Cycles

Of Bulls and Bears

For the most part, when we use the phrase “market,” people think “stock market.” Wall Street is an integral part of the overall market, but it may only distantly affect your personal market as a real estate investor. When the market is growing, generally inflation goes up, interest rates go down, there are more jobs than there are qualified people, and everything is charging like a bull.

When the economy turns, deflation begins and interest rates often go up, the job market tightens, and the market is said to be lumbering and stumbling along like a bear.

Supply and Demand

In our economy, supply and demand slip along like the Oriental yin and yang. We have a free market economy, which means there are very few controls on our marketplace. Prices are generally “whatever the market will bear.” Competition and other factors can affect this, but as a rule of thumb, the major factors are supply and demand.

In the short run, as a general rule:

- **As demand increases, supplies decrease.**
- **As demand decreases, supplies increase.**
- **When supplies are great, prices go down.**
- **When supplies are few, prices go up.**

Whether the market is up or down, your real estate investment market is always up! Why? Because of the many different strategies you have at your disposal. When is the best time to buy a junk house wholesale? When the economy is weak and new home purchases are down. What about when the market is strong, and everybody is flush with cash – who is looking at the ugly ducklings then? Supply is up, demand is down; sounds like a down market is also a good bet for the wholesale house.

In a strong high demand market there are many people who want to jump on the wagon and get into a home of their own, but cannot afford a new home or their credit will not permit it. When the market is slow, people who can otherwise afford the new house often shy away from it, and look instead for the more modestly priced “used” retail house. While the specifics may change, you have excellent money making opportunities in both bull and bear markets.

In a down market foreclosures go up, so if you are utilizing the strategies we discussed in that chapter, you will find some super deals. When supplies are up, prices go down. During the recession in the 1990s there were 10,000 new foreclosures a month, just in the Los Angeles basin. What do you think that did to the prices received at the auction block?

With some of the strategies, it is wise to switch and move between them depending on the marketplace. For example, undeveloped land can be a good buy in a bear market, but only if your exit strategy is not to immediately try to resell it. Buy and hold it or perhaps put a couple of billboards on it, perhaps gather together a consortium to develop it when the market shows signs of improving. By putting storage units on it, the people who are in foreclosure in the down market can have a place to store their belongings when they move into an apartment.

As you learn and use all the different strategies, you will learn to spot the opportunities when they are present, regardless of the market. For me, this is what makes real estate America's greatest business opportunity!

CHAPTER SIX: Anticipating and Spotting Trends

Staying on the Crest of the Wave

Spotting trends involves some cerebral activity and intuition. Understanding that progress moves in waves, and there are often signs of what is to come, the trick is to try to look around you, absorb what you see.

- ✓ Look at a plat map of your county or an aerial photograph of an area. Where are the blank areas without streets or houses? Opportunity knocks!
- ✓ How many new building permits are being submitted?
- ✓ Is there an area of your town that is coming back after a long decline?
- ✓ Where are people moving?
- ✓ What are incomes like in the different areas around you?
- ✓ What area of town does not have adequate shopping, recreational facilities, storage or business space?
- ✓ Where are new roads planned?

These are areas you can look at and think about. Take proactive steps as well

- ✓ Attend zoning commission meetings
- ✓ Research the city planner's long-range plans
- ✓ Ask your local councilman or alderman, "Where is the growth going to be?"
- ✓ Look at land records for undeveloped land and often you will find a few individuals or groups in your community owning several blocks of land
- ✓ Review local university economic studies of land use and proformas

What would you have done twenty-five years ago, if you had realized that waterfront was going to go from mosquito-infested low-rent housing to multimillion-dollar estates? When developers began building large-scale apartment complexes in the Eighties, did you think they were crazy? That is okay because I thought the same thing the first time I saw a storage unit!

There is no magic crystal ball involved. Armed with what you know about your area and what you now understand about the strategies in real estate, ask yourself key questions. Then act on the answers, and you will be on the crest of the wave, not crushed by it or just watching it pass by!



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