



**On The Beach Education Corporation**  
"to inspire and empower the world to live in hope and victory"

## **7 Ways To Get Burned in Real Estate**

**What you absolutely, positively must do  
in order to get scammed in real estate  
and  
How to protect yourself**

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## **7 WAYS TO GET BURNED IN REAL ESTATE**

### **What you absolutely, positively must do in order to get scammed in real estate**

Real estate is experiencing an unprecedented boom. Real estate traditionally appreciates been 1% to 3% per year but recent trends have seen double-digit appreciation in some areas of Canada and the United States. The real estate cycle typically trends between 7 to 10 years going up and 7 to 10 years going down. The game is to buy real estate at the low end and gain at the high end. There are different types of strategies for successfully buying and selling depending on where you are on the real estate curve.

I have been investing in real estate for ten years and I have seen some of the common strategies that successful investors use and some of the common strategies that unsuccessful investors use.

As wonderful as real estate investing is, the art and science of real estate investing is full of pitfalls. These are the 7 most popular ways that people get burned in their real estate acquisition and then swear they'll never get involved in real estate again. This is unfortunate because when approached properly, real estate can be the vehicle for financial freedom. It requires due diligence and an active interest in managing your portfolio.



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#### **#1 LISTENING TO THE EXPERTS**

##### GAGA ONSTAGE SYNDROME

This is the "If the guru says so, it must be true" syndrome.

A guru will say things based on their experience, philosophy, value system and investment criteria that for the most part does not align with anyone else's criteria.

What the guru says is good for the guru.

But they sound so trustworthy, so knowledgeable, so together.

Yeah, and look at Bernie Madoff. He made off with everyone's money.

Beware of exaggerated claims.

Remember that all Ponzi scams rely on a trustworthy spokesman.

There are some public REITs that are operating as a Ponzi right now. They are paying out more in dividends than the investment is making. They are able to make their distributions based on new investors contributing money. That's not sustainable. They're going to have to make a cut in distributions and that is bad news for the quarterly report. It means their stock price is going to take a dive.

Ultimately, you are responsible for confirming the veracity of their statements. Don't take their word for it. Study their material. Get an independent third party recommendation.

Ronald Reagan said it best "Trust But Verify".



### HOT TIP INVESTING

Listening to hot tips. You want to play financial suicide, go ahead and listen to that hot tip, buy foreclosed property in the U.S., buy that piece of raw land that's going to appreciate, it's a sure thing.

The sure thing is you have no idea what you are doing.

The problem with a "hot tip" is that you really don't know if it's a hot tip or not. A professional real estate investor who has done their market research and is up to date with the comparables will know instantly if something is hot or not. They use their research and experience to make a decision and take action, whether that action is to buy or not to buy.

### RUMOR & INUENDO

I heard it at the BC Real Estate Convention from all these experts.

You're at this conference because you are seeking information, new investments, networking. It's quite exciting being in the midst of real estate action takers. There must be thousands of people attending and listening. Surely it's legitimate.

You're going to hear a lot of things that may appeal to you, or not. You're going to see a lot of other people being swayed here and there and they're going to try to convince you to buy too.

Just because you heard something at this conference, doesn't mean it's right or wrong. It's an opinion given by whomever. That opinion isn't right or wrong. It is wrong to base your investment purchase on someone else's arbitrary opinion.



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#### **#2 LACK OF EDUCATION**

And when you do make that inevitable investment purchase, how transparent are the financial statements? Chances are that if you can't understand the financials, they're designed that way to keep you in the dark. You can't complain if you don't know what's going on.

Ask lots of questions. There are no dumb questions. If your advisor cannot, will not or is unable to provide answers then it's time for a new advisor or it's time to move your money... if you can.

Just because someone has a designation after their name does not mean they are qualified or experienced or really know what they're doing, especially when it comes to real estate investing.

I've trained a range of people from mortgage brokers, real estate agents, bankers, financial planners, accountants, my parents, a mother of 5 kids; from book smart to street smart. These people all needed to be educated about real estate investing. Most people operate on myths and assumptions about a topic.

I invested 6 months in intensive study and research before I made my first purchase. By educating myself, it brought clarity and power to my investing goals. 99% of people don't spend any time studying where they invest their money. They spend more time studying what fridge to buy.



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#### **#3 LACK OF DUE DILIGENCE**

BUT I ASSUMED IT ...  
CASH FLOWED  
WAS RENTABLE  
WAS TENANTED  
WAS LEGAL

Yikes, these are pretty sad excuses for a deal gone sideways.

I've seen people buy raw land in exotic locations with the silly notion that the land was going to cash flow somehow ... because the commission sales agent said so.

Following up is one of the most underrated and overlooked skills of the amateur real estate investor. This habit is one of the key differences between amateurs and professionals.

Every line item must be double checked from verifying the rent roll, vacancy rate, property taxes, operating expenses such as utilities, waste removal, property management fees, maintenance contracts.

Every expense must be checked with a non-partisan third party such as City Hall to verify that the property tax is current, if sewer and water is included or not, if the waste removal service is included or not and any other sundry items. The utility companies should also be contacted to verify current hydro and electrical expenses, oil and gas use.

For instance, some expenses such as insurance and property management fees can be artificially low if the investment is part of a larger portfolio package. Checking and re-checking the numbers is not optional. It is mandatory. Be meticulous with your investments.



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### **#4 EMOTIONAL BUYING**

Emotions do not dictate the deal. Fundamentals make the deal.

You can see that person burning with excitement and you want a piece of that excitement too.

Well, I can recommend several good roller coaster rides that will offer you that excitement.

When someone's too excited, it gives the professionals pause. It's like waving a red flag. Proceed with caution.

But it feels right.

Emotional buying and selling is based on absolutely no fundamentals. There is an entry strategy that determines every purchase and an exit strategy that determines every sale. The numbers and your plan dictate your buy or sell.

Successful investors have a well laid out plan. They stick to the plan in spite of unforeseen challenges or emotional upheavals. When you know your plan and where you are headed, you have clarity as to what type of investments qualify. Unsuccessful investors rush in because it feels good and rush out when it makes them feel bad.



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### **#5 FOLLOWING THE PACK**

#### THE TREND IS YOUR FRIEND

Trends move in 3 directions: up, down and sideways.

It's comfortable when you're in a trend. You've got to know when to break away from the pack.

You've heard the axiom to ride the wave, follow in the trend's coattails, all boats rise with the tide. The saying implies that even the ignorant, those without skills, work or due diligence, will profit in a rising market. And they do.

The problem with going with the herd is you don't know where that cliff is. You're acting like a lemming, going along with the herd, and you all go over the cliff together to your collective financial doom.

Investors who capitalize on this know what they're doing, or you hope they know what they're doing. Sometimes it's sheer luck.

Warren Buffett said it best "Only when the tide goes out do you find out who's been swimming naked."

Remember that trends go up and trends go down. Professionals watch for up, down and static trends and adjust their investment strategies accordingly.



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### **#6 ASSUMING THAT IT'S PASSIVE**

Are you an armchair investor? What does that mean?

Passing the buck to your financial advisor is abdicating your fiscal responsibility to your future. After all, no one cares about your future well-being as much as you do.

Active investments require your full-time attention in managing them. All passive investments require a minimum amount of oversight. Passive does not mean 100% hands off. So this terminology is misnamed. It really should be called recurring investment income.

Take an active role in reading financial statements, ask questions about things you do not understand. Financial transparency is about clarity. It's your money. It's your right to ask and get answers.



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#### **#7 DOING IT YOURSELF**

Where is your team? Do you consult with professional advisors? Do you have a mentor that you can run things by? What is your failsafe system?

If you're a lone wolf investor, you limit yourself. Real estate investing is a team effort.

The smaller your network, the less access you have to money. The larger your network, the more access you have to money.

You leverage money using OPM (Other People's Money) such as other investors, a mortgage or a bank's line of credit. You leverage your network to find joint venture partners who will entrust their money to you to help them leverage their money. Leverage is the business of real estate investing.

The single most important tool for every real estate investor who is in business to create ongoing recurring investment income is to have an effective continuity program.

Your Million Dollar Network is a support system for creating your own relationship marketing program. What not to do is just as important as doing the right thing and [www.YourMillionDollarNetworkBook.com](http://www.YourMillionDollarNetworkBook.com) may be the answer for you.

Email [bojan@otbec.com](mailto:bojan@otbec.com) for a quote on newsletter composition and distribution service. This is the guy that I use for my newsletters.



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### **TO RECAP:**

- 1. LISTENING TO THE EXPERTS**
- 2. LACK OF EDUCATION**
- 3. LACK OF DUE DILIGENCE**
- 4. EMOTIONAL BUYING**
- 5. FOLLOWING THE PACK**
- 6. ASSUMING IT'S PASSIVE**
- 7. DOING IT YOURSELF**

### **THE SOLUTION IS...**

- 1. Thorough Due Diligence**
- 2. Third Party Verification**
- 3. Google the Principals**
- 4. Google the Chat Rooms**
- 5. Google for Previous Investments / Investors**
- 6. Check out [www.InvestRight.org](http://www.InvestRight.org)**
- 7. Consult Your Mentors/Advisors/Board of Directors**
- 8. Call For References**
- 9. Financial Transparency**
- 10. Create a financial plan with an exit strategy**

**ULTIMATELY, DOES THE INVESTMENT MEET YOUR CRITERIA OR  
SOMEONE ELSE'S HIDDEN AGENDA?**



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Thank you for your time. You have invested it wisely in taking the time to educate yourself and to protect yourself. This is a lifelong pursuit. Never stop learning. The security of your financial future and for your loved ones depends on it.

May your life be filled with abundance and prosperity.

July Ono  
President  
On The Beach Education® Corporation

**You can find additional resources at:**

[www.julyono.com](http://www.julyono.com)

[www.onthebeacheducation.com](http://www.onthebeacheducation.com)

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