




# THE TAO OF SUCCESS AND THE PHILOSOPHY OF FAILURE

WHY THE SMALLEST THINGS MAKE  
THE BIGGEST DIFFERENCE BETWEEN REAL  
ESTATE SUCCESS OR FAILURE

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## The Tao of Success

What have you done to find success?

If you're reading this, then you're either in real estate investing, or you're contemplating jumping in. Most do so because of one thing: Money. They want money. They're tired of working in jobs that leave them fretting about the bills to be paid at the end of the month. They want time to build something meaningful, to make a difference for their family, and to create something that is theirs.


They're tired of the uncertainty of the future, with it's endless wars, global warming, crippled economy, crazy flu viruses, evaporating retirement plans, genetic modified food, *E.coli* in our beef, energy, jobs, blathering talking heads . . . did I leave anything out? Oh — how about the occasional asteroid that threatens to obliterate one small spec of life floating in black void we call the universe!

Selling a few houses won't take care of any of those fears, but it sure will make you feel better.

In real estate, there is a lot of money to be made — all those reality T.V. shows confirm this. And the entry concerning education and money is low, compared to other alternatives — like going back to school to learn another trade.

Besides, we all grew up playing Monopoly didn't we? Sort of like basic training, wasn't it?

So it's no wonder that so many people have the dream of getting into real estate and building their small empire. But here's the thing: It's hard. On the surface it looks easy.



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We all live in houses, some of us even know how to build houses. We all have to manage money, and work with other people. How hard can buying a house and selling a house be?

Well, hard — if you don't have the right information and the right people on your team.

Many, many people get involved in real estate investing with the best of intentions and while many find success, far more fail.

It doesn't have to be this way.


Think about the last time you really accomplished something big . . . what was it? Why were you successful? Some people believe that success is really about being in the right place at the right time, and they're right. But that's not really success; it's more of a mirage.

So when's the last time you nailed something that you made happen through hard work?

That's what this report is about. Why do some people find success, no matter how many times they crash and burn and why do others fade away?

Everyone wants success, but few find it.

This is great for publishers and self-help gurus. Each year hundred books are published concerned with your lack of success. And each year these books promise to get you on the right track for a life of achievement. Millions are spent on training materials, seminars, and courses. And while some are no doubt beneficial, much of the



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information is relegated to collect dust on a shelf in the closet or to be sold as a used book at a garage sale.

And the majority of the people who buy these programs and literature fail. Why?


It's like the diet industry, which floods the market with new books on how to lose weight. Year after year we are inundated with flashy sounding programs, new products and information that all promise the same thing . . . weight loss. When in truth, it all comes down to one basic idea best expressed by writer Michael Pollen when he suggested, "Eat food, not a lot, mostly plants." Six words that if people practiced would give them the guaranteed results they desire without the expense of the books and diet programs — and the stress.

But those six words mean taking conscious action — they mean doing real work. The trouble is it's easier to pop a pill or to look out the window on the way to your cubicle and dream.

In writing this report, SREC isn't offering a silver bullet, but a collection of ideas and observations on how to achieve success in the real estate investing industry. How to achieve success isn't a mystery, but it sure can be hard.

During the last several years, we've had thousands of people attend our seminars, and participate in our mentoring programs. It's been a busy time for us. Our coaches are themselves highly successful investors — so their days are full. Growing SREC while our coaches maintain their own investing companies has been challenging, but it's what separates us from our competition: We put into practice, daily, what we teach.





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And our coaches are simply the best in the industry. No one has more talent, more experience and more knowledge than the group of men and women coaching for SREC.


Since real estate investing is an industry in constant motion, we constantly monitor and adjust programs and methodology to provide the best current information to those who rely on us. We want everyone who joins our community to be successful as business owners, and as people. While we've enjoyed seeing a high percentage of our coaching clients find success, there have been many others who for whatever reason couldn't make the business work.

Why? How with all the resources, a team of coaches, a network of highly successful investors, could anyone fail? It's hard to believe, but they do.

This report will show why and what you need to do to avoid a similar fate.

We don't want to see anyone fail on our watch, so we've thought long and hard about why some of our coaching clients fail, while others go on to build wildly successful enterprises.

We can give you a list a mile long of everything that can lead to failure, and we've narrowed what defines success from failure to several major points. Again, this is timeless information — and it applies not just to the inexperienced investors attempting to run a small business, but also the corporate executive. In other words, this report is about the essential elements that those individuals who have been consistent achievers do to accomplish their goals.



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The essence of this information has come from my constant interviewing, surveying, watching and studying the best real estate investors we know: The guys who are happy, make a bunch of money and have the freedom that you want. We've tracked them down and asked them what makes them tick.

Why are they different?

We know, without doubt, that if you take the ideas found in these pages and apply them, you will not only build a business that exceeds your expectations, you'll also build a life of meaning and consequence.

This report will be divided into two separate sections. The first will look at specific overarching ideas that can be applied to the business and personal domains. The second section will explore specific actions necessary to find success as a real estate investor, regardless of your level of experience.

I chose to call this the *Tao of Success* because what we're giving you is a path to follow, either with us or on your own.

The first step on this path is cleaning the slate with whatever you think you know about real estate investing and achieving success. Chances are you'll recognize much of the information being discussed. The question is, when was the last time you consistently did what you needed to do to successfully take charge in creating the life you want?

## **Don't Run on Random**

As our head coach, Derek Walkush has brought a wealth of leadership and business experience to SREC. There's no one in our organization that is more fearless when it

comes to prospecting for leads, or taking a risk to try something new to resolve an issue or problem. As a real estate investor, Derek is an expert in lead acquisitions as this has been the best use for his considerable sales skills. In addition, he has experience in all areas of running a real estate business, and is now responsible for overseeing the operations of Ambrose Properties, our real estate investment company in northeastern Ohio.

If you were to ask Derek, what has permitted him to find success in the real estate investment business, and in a business in which he played many roles during the past few years, he would quietly mention his experience as a captain in the U.S. Army, where he served as a scout. As a leader, and as someone who had the unusual responsibilities associated with his particular job, Derek relied a great deal on the Army's "Troop Leading Procedures." After leaving the army, he took the original list and adjusted them for his new life as a civilian and a investor.

- 1) Focus on your objective and create a plan
- 2) Commitment to completing the objective 100%
- 3) Execute the plan to complete the objective
- 4) Monitor & Adjust
- 5) Create a Standard Operating Procedure so it can be repeated

So there you go . . . that's it. If you want success in losing weight and maintaining a healthy lifestyle, then "Eat Food, not a lot, mostly plants." If you want to find success in business, then dedicate yourself by incorporating those five steps into each day. Both are simple to do, but nearly everyone fails in the attempt.

Why?



All you really need to know about success is best expressed in something that the U.S. Army has been using for years, and what individuals like Derek have used to achieve continued success long after they've left the military. In moving forward with this report, the remaining content — the ideas and observations of what our most successful coaching clients at SREC have done to build incredible businesses — all fall under one of those five principle ACTIONS.

Let's summarize: If you're going to start a business, then know why you're getting involved. What exactly are you trying to accomplish. Don't run on random. Understand, as well as you're able, what the risks are and be sure to balance them with the rewards.

How will you stay committed?

Success takes more than writing a check to some training seminar or guru — that's easy. What will you do to stay committed to your objective until it's accomplished? Create a plan, but it's not enough to think about it, you have to put it into motion. Along the way, you'll need to step out for a couple of hours each week to monitor and adjust those aspects of your plan that need improvement. Finally, you don't want to constantly be reinventing procedures. Figure out what works, create a system, and update when needed.

The point is don't run on random — too many people do. Get your plan, put it into action, and update your lists as you work towards your goal. Stay committed.

## **Mining Masters Elite**

SREC provides several levels of mentoring programs to meet the needs of various people, regardless of experience. While SREC is a real estate training organization that

sells educational products and mentoring, SREC is also a community of like-minded individuals that collaborate and compete as a way to help everyone's business grow (See The Five Core SREC Values later in this report).

We know that the best way to success is to find a role model who has been there and can help you along the way. That's what SREC's mentoring programs are all about. And you're about to see what those individuals who have gone through our different levels of coaching have done to get to where they are.

Yes, it's about attitude, but it's also about taking action.

This group has experienced a high level of achievement in building successful real estate investing companies, and for them we have ***Masters Elite***. This is reserved for the best of the best, and it's invite only. This is the group that we've studied during the past several years to better understand what made them so different from their peers who lack their success.

SREC's Masters Elite Mastermind Group has about 30 members. Each member routinely closes \$30,000 to \$150,000 in profits every month. They have staffs of 2 to 10 members and run highly effective and efficient real estate businesses. They are the best of the best.

The following is a series of observations regarding the attributes and actions that set this group of talented individuals apart.

## **Personal Responsibility**

In reviewing what traits Masters Elite coaching clients have, the first that jumped out was that they take personal responsibility when something unexpected arises. It's never the other person's fault. Their approach to their businesses is that there is always something they can do to prepare for and prevent whatever circumstances are coming. Seldom do they feel like they're not in control. Likewise, this group's attitude is that they never lack the ability to handle a difficult issue, no matter how unexpected.

A good metaphor for this group is the Roomba — you know, that little robot vacuum cleaner that spins around when it hits an object, to find another way? Successful real estate investors should know that if they try the direct route, that it shouldn't be the only route tried. Each person should try ten different ways to get to that final destination.

### **Don't Expect Failure but Still Plan For It**

Masters Elite coaching clients don't expect failure, but they do plan for it. There are just so many things that can happen on any one transaction, and things will fall through sometimes.

How do they plan?

They have back up plan, after backup plan, after backup plan. A simple example concerns basic projection of potential revenue. A young business may anticipate at least one transaction closed per month. For this to be achieved, this business will want 10 to 15 deals in their pipeline. If the goal is two transactions, then there should be no fewer than 20 cases at any given time being worked. Always anticipate something going wrong at each step of the process, and put a plan in place to handle it.

Our successful clients have learned how to work smart. They don't waste time on tasks that are not revenue producing (such as filing papers or dusting the office!). If you have five minutes available, think about how you can spend those five minutes to bring in additional money to your business. Moreover, avoid wasting time trying to force a square peg into a round hole. Learn to recognize a "no" or something that's not going to work, and walk away. If whatever you are hoping to accomplish looks to be too much of a time suck for too little money, use your time on an activity that will give you a more positive result. Don't be afraid to say no, and don't be afraid to walk away. Remember, to keep your business a business, not a charity.

Masters Elite clients work hard . . . especially in the beginning when their businesses were young. They started just like anyone else with no real estate experience, many with no money or credit. They understood that real estate investing, despite the late night info commercials, wasn't a get-rich-quick business. They also knew that to build a sustainable business, that they couldn't cut corners. They knew they were creating a business for the long term. They wanted to be full time at this. They knew to take the hard path was the wisest choice, although not easy. Most people think that by trying to find the easy path that they are being smart. Always do the hard work first. Always. If you see two paths diverge (anyone read the poet Robert Frost?) and one is rocky, and the other well traveled, then take the more difficult path, as that will take you to where you really want to go. Remember, you're working to be successful, most people aren't. Avoid following where so many others have gone before.

### **Revenue Producing Activities**

Masters Elite clients understand where to focus their energy . . . on revenue producing activities. The only thing that generates revenue is focused action on tasks that make

money. Always write down your revenue goal. Each of our top producing coaching clients, the one's making the really big numbers, understand how much they need to make each week to hit their monthly number. They've identified a revenue target and then created a plan to get there. They understand how many deals they have to close to make that \$100,000 per month? They understand how to estimate how many deals will fall away to better identify how many new cases to work. They've each created their own funnel-effect to get to the result that has been written down. They also understand the importance of measuring progress while working to that revenue number.

### **Write Down a Goal For Revenue**

Writing down a goal for your company revenue may sound like a silly exercise, but when you write something down, it seems to have sticking power. It's a daily reminder that works to keep us accountable. Otherwise, it's nothing more than an aspiration and not an actual goal.

### **They Are Frugal**

Some of our highest performers in Masters Elite are incredibly frugal. What they've learned on the way to achieving business success is to avoid spending money if it can be avoided. This is especially important when your business is young. You may be tempted to hire somebody to do a task that you don't enjoy, when really you should pick the hard path and just do it. Not only do you need to create revenue, you need to be profitable. If your expenses eat up all your revenue, then that's not a successful venture for business.

### **Work Ethic**



As mentioned before, a trait that those investors in Masters Elite have is a tremendous work ethic. It's not uncommon to find people who believe that they can build a thriving business with only a few hours a week dedicated to this goal: they're delusional. As a society, we've grown accustomed to the idea of getting what we want for little effort. Gandhi called this "Wealth Without Work" and put it at the top of his list of seven deadly sins. People attracted to the idea of making a lot of money, with little effort, are lazy. People, who are looking to be successful, put the time in, make the sacrifices, and build upon their successes.

In beginning your business, your goal should never be to only work a few hours. Your goal should be to develop a skill set, the connections, the resources, and have a working system in place that gives you choices. Many of the most successful people we hear about in the media don't have to work another day, yet they do.

Why?

Why do Donald Trump, Warren Buffet and Bill Gates still work long hard hours? They have something called a work ethic.

Ask yourself these questions: When looking back on your life, have you been someone willing to do hard work? Or did you quickly lose interest and move on? If you're not willing to put in the hours, then don't expect to be successful with your business. You need to be focused on solving the challenges of the day, every day.

The big question is what is your work ethic? How hard are you willing to work? If you're not interested in working hard, then you're a dreamer, not a doer.

## **Dreamers and Doers**

Dreamers and doers are two different things. You can have a dream, but if you're a "doer" then that dream is really a goal — not a fantasy.

You know if you're a dreamer if you've had many ideas, but none have ever been realized. Has your life stayed relatively the same for the last 20 to 30 years? What have you done to change your life and circumstances?

## **The Big Idea**

Armchair warriors don't go far. It's never about the BIG idea or the great idea. It's about execution. For example, the people in Hollywood who get paid well are the people who execute an idea; they're not necessarily the people who create the BIG idea. This is because no matter how big your idea is, if you don't know how to make it happen, how to bring it to life, then it's worthless.

You may think that you have something figured out in your head, but until you get your hands dirty, you don't really know what questions or obstacles are there to get in the way. It may seem easy, but if you're not in the middle of it, you're not really doing anything — just dreaming.

Those in Masters Elite dream, but they understand that dreams take work, and they go out and get them!

We've had individuals sign up for SREC who were coming for their last at-bat, and strike out. We've also had people who've hit home runs. Real estate investing is never an easy start, but the financial and the personal rewards are tremendous. In every case, success was achieved because they had the confidence to work hard and to build on every success, no matter how small.

### **Take Personal Responsibility**

Masters Elite clients take personal responsibility when they fail . . . for this reason, many of them seldom do. They conduct themselves with confidence and do their due diligence even when they hadn't yet closed their first transaction. We have a group of coaching clients within this group that simply never lose a deal. Once they begin working on a transaction, they will move mountains to see it successfully closed. Conversely, people who fail don't take personal responsibility. They think that the reason they are not successful is because of some other person — the realtor, the homeowner, the bank, etc.

### **They Had to Succeed**

The mindset that we've seen our most successful clients maintain, despite whatever challenges they faced, was that they had to succeed. They always find ways to overcome obstacles, and you need to do this, too. When thinking about your business, ask yourself how do you work the system? How do you make what you need to happen — happen? How do you make sure that when a problem surfaces you have a ready solution available to use?

Always work the problem. Experienced investors work smart: They get granular; they get into the weeds with the issue rather than big picture dreamy, pie in the sky rationalizing.

### **Enjoy Facing Challenges: Don't Run Away**

Something that we have asked our Masters Elite, is how they maintained an attitude of success, especially starting out? The consensus was that successful investors like facing challenges. Our Masters Elite is filled with people who need a vertical learning curve to get them out of bed in the morning and they need the monetary payoff. The status quo bores them. Once they figure something out, they move on to pursue other challenges.

On the other hand, if you are somebody that needs to have all the processes in place, then be careful about what business you pursue — and think twice before going into real estate investing. Know yourself and what motivates you; what inspires you; what drives you?

### **Defining Success**

One of the problems with writing anything about achieving success is defining success. After all, it means many things to many people. For our Masters Elite, it comes down to the following: 1) they like to be inspired; 2) they enjoy overcoming challenges; and 3) they like to achieve goals. They find their work fulfilling, not just because of the revenue they produce, but because of the affect their business has on sellers, buyers, agents, and employees.

They also understand how to deal with failure, and they value this as part of the process. No one is successful all the time. Failure is a natural part of achieving success. Our top performers make an effort to learn from every mistake, and they use this new knowledge to improve their business.

## **Boundless Curiosity**

A noticeable attribute of anyone in Masters Elite is their boundless curiosity – they always want to be in the “know.” They are always in a position of learning. They avoid coming across as a know-it-all expert busy telling everyone their business. The “experts” tend to pontificate not from success, but from insecurity. This is a position of failure. You must always be in a position of “What can I learn from this individual?” or “How can I perceive the problem from their perspective?” because that will give you an edge.

Here’s an example: As a real estate investor you will work with real estate agents, and many of their concerns will at first seem esoteric and trite. Many will give you the impression that they are misinformed, or just uninformed. Get inside their heads to try to determine how they see the world, and then attempt to give an explanation in their language. In the long run, this will only strengthen your position.

Recently, I met with a realtor and was becoming quite frustrated with her. She didn’t seem to get it and asked a lot of “beginner” questions. She had a short sale listing that I want to buy and flip. I knew that if I let my impatience show, that I probably wouldn’t get the deal. I had to get in her head and see what she really needed. All she wanted was to take care of the seller and get paid. She didn’t know what she was doing with a short sale. When she began telling me about all the other experts in her office who supposedly know about pre-foreclosures, I knew that I was getting to the make or break



moment. I either get annoyed and lose the deal or I do my best to be patient, and enjoy the challenge.

## **You Stop Growing**

Again, the minute you think you're an expert on something and your ego comes out, then you're at the tail end of your experience. Why? You stop seeing, stop listening, and stop learning; therefore, you stop growing. You need to be able to see new opportunities so that you can react immediately. If you believe that you have all the answers, then such overconfidence and hubris will ultimately jeopardize your business. You'll become closed off to the changes in the market around you, as you'll care more about being right than being successful.

## **Be Humble: Nobody Likes a Show Off**

Finally, be humble. It's no accident that those individuals in Masters Elite doing the most amount of business keep it sotto voce – to themselves. They do the hard work, sit in the background, and stay out of the limelight.

We have pulled many of our coaches from Masters Elite. Each has consistently displayed the attributes discussed and each has built a booming business that affords them enough time to work with SREC coaching clients.

Most importantly, each is humble. I can't think of one individual on our team who announced to the world the insane amount of money they made on their latest closing, or made sure everyone knew how much money they were making a month. Successful people don't have to boast. They let their knowledge and action speak more loudly than any words they could say. They know that they don't have all the answers, but this is

their secret. If they did have all the answers, they'd grow bored and find some new business to create. Instead, the constant stream of new challenges keeps them engaged. Without a doubt, they are experts, both because of what they've done in real estate and in how they approach their businesses. But they don't have to tell people they are experts. It shows.

## The Revenue Action Plan

Top performers in any business focus strictly on revenue producing activities. Real estate investing is no different. In thinking about your business, consider what actions will generate revenue? Of these, what activities do you need to specifically take responsibility for because of their importance and potential? Finally, understand that what we've seen in this business is that 20 percent of those activities that make up the day-to-day work of your business will result in 80 percent of the revenue. Plan accordingly.

But what kind of plan do you need? We've identified eight specific areas that are critical to producing revenue. An entire course could be developed from these eight areas, and it has — *The Short Sale Success Blueprint*. For that reason, each area will be discussed briefly with essential points highlighted.

Before moving on, go back to the beginning of this report and review Derek's "Troop Leading Procedures." For each specific action necessary to generating revenue discussed below, you will need to apply these procedures, beginning with establishing an objective.

**Marketing:** The first revenue producing action, and the most essential to getting your business off the ground, is marketing. Establishing a name, consistency, and quality is

important and takes time. Anything you do with marketing creates an image in other people's minds of who you are through your business. Make sure that your marketing strategies have a consistent and clear message.

"We Solve Problems" – this is a good one.

Make sure that you avoid sending out materials with typos and grammatical errors. Managing the costs is crucial. When you don't have money, you need to be targeting your leads and obtaining referrals. Unfortunately, when you're starting out, you also need to generate as many leads as possible. Achieving both aims is possible, but will take some careful monitoring and adjusting to create a happy medium. Over time, you need to track the success of your marketing. How many "touches" per lead per month will result in a buy call? Of those buy calls, how many will result in an appointment? Of those appointments, how many will result in an opened case? And finally, how many closings can you expect?

Where new investors make their mistake is by getting involved in expensive marketing campaigns that commit them to spending too much money that they fail to recoup. Stay cheap. Focus on direct mail, door knocking and referrals at the beginning.

**Meeting with Sellers:** You need to be able to instill confidence and trust with sellers. To do this, be prepared. Understand how and what expectations you need to set. Keep your explanation of how you work, and the processes involved, simple. Be clear on what can go wrong, and what resources you have available to mitigate problems should they arise. Ask a lot of questions. Make sure that you have a plan in place for any issue that may surface. When bumps in the road are experienced you will have prepped the sellers and they won't think you're inept. Be friendly. Attempt to find common ground —

don't always go straight to the business. Respect your sellers and their predicament. If you listen and they feel they are being heard, they will trust you.

**Centers of Influence Marketing (Referrals):** Fifty percent of your business should come from what SREC calls Centers of Influence marketing. As we all know, the best form of marketing is word of mouth. Target real estate agents, attorneys, mortgage brokers, title companies, anyone you think who might know of someone in a problem property. In contacting these individuals, have a specific objective for what you want to have happen. Create an outline of the information you wish to discuss (it's okay to use an outline during a meeting as it keeps the conversation focused).

Never be afraid to ask for something directly — like the referral.

Some people hesitate to do this because they are afraid of offending the other person. If you're charming, say, "Hey, I'd love to talk to other people about this. Do you know of anyone who would find this interesting or helpful?" Always assume it's acceptable. Understand that the activity itself doesn't matter. You may think that you're working hard by setting meetings with as many people as you can, but it's what you do in those meetings that count. Showing up, being social and not getting the result that you need doesn't work. Before going into a meeting, write down the three things you need to happen . . . that you need to ask. Always prepare in writing for the meeting and what needs to happen, and use this as a checklist during the meeting. Set the expectations: "Hey, here's what I'm thinking for today, I'd like to talk a little about what I do, and then explore how you are set up. Then maybe we can discuss any possible mutual opportunities that exist to work together." Don't just ask the question once. Follow up with "Do you have any properties that you think would be good for this? Where are they? How long on the market?"

**Broker's Price Opinions (BPOs):** A HUGE revenue producer. In the short sale business, understanding how to manage the BPO appointment will make or break your business. Everything hinges on the value that the BPO agent hired by the foreclosing lender returns to the bank. If the value is too high, then the deal is a bust. Here are some things to consider if you're going to be successful doing short sales:

- Have a conversation with the sellers about the importance of the BPO and how pride of ownership will work against them in this situation. The homeowners should not be present for the BPO appointment.
- Prepare a folder that supports the offer. Include the contract, repair estimates, supportive comps, helpful reports, Team BPO, hardship letter
- Get to the appointment early
- Find out who the BPO agent really is. For instance, they may be an REO agent looking for a listing or a cousin sent out to take pictures. If so, then request that another BPO be ordered since the initial BPO was conducted by a party with an interest in the outcome.
- Emphasize to the BPO agent that the bank needs an As-Is BPO and is looking to get a 90-day sale price - FAST.

**Creating Systems and Checklists:** Processes are great when you're working with other people because they then have commitments and timelines to keep things moving. This also provides a guide for established expectations for both them and you. For each specific activity in your business, you should have a checklist to keep people on track for what they need to do. For example, in the short sale business, we can divide responsibilities into several key areas: Lead Acquisition, Negotiation, BPOs, and Sales.

In real estate investing, there can be too many balls to juggle at once. A checklist that describes what needs to be accomplished for each case in each area is important for



organization and focus. You will have to revisit these checklists monthly to fine-tune them, as real estate isn't static, but dynamic and will cause you to change your business with the needs of the market. The caveat is that in the beginning you don't need to get too hung up on creating and implementing checklists because it's an easy way for you, the owner, to get out of doing the hard work of what needs to be done. Tasks must be prioritized in order of importance. In other words, it comes back to the cliché of "not putting off 'til tomorrow what can be done today." *The Short Sale Success Blueprint* has checklist for the entire business available for use immediately in your business.

**Training:** I'm sure you've heard the phrase "Work on your business not in it." If you've ever read *The E-Myth* by Michael Gerber then you know this.

The ultimate form of working on your business is training.

You get what you pay for. If you want cheap labor that's inexperienced, then you better invest heavily in training. Your employees need to have clear and concise expectations set so they understand what they need to do to perform. In our experience, when we've hired a new employee and spent little time with them, perhaps, just giving them a training manual and turning them loose, the results have not been good. A different approach, and one that we have found far more effective, is to have new hires shadow someone doing a similar job or to work with us directly until we feel that they fully understand what they need to do to be successful. Does it take time and energy? You bet, but in the long run we get a better employee that is excited by sticking around and growing with the company. Make sure that you keep lines of communication open. Establish an open door policy during specific hours so that new employees can feel comfortable asking questions (*This is called scheduling your interruptions*). You need to provide clear guidance, and you need to give them time to reflect on their experiences as a way to process what was learned. For instance, if you hire a negotiator, listen in

on some of the calls, then, later, sit down with them to discuss what was done well and what needs some more work.

The “Hot Seat” is the best way to train your staff. Each week, in a group setting, put one of your employees on the Hot Seat. Ask them questions about their role. Role Play with them in front of the group. Once the staff realizes that you are going to put them on the hot seat they will prepare and be ready for objections or challenges. No one likes to be put on the spot for fear of embarrassment. If they know you are going to put them on the hot seat they will be ready. That means they are also ready when they talk to loss mitigators, sellers, realtors and clients.

*“Staff members and employees will respect what you inspect.” – Chet Holmes*

**Recruiting:** Finding good people to bring into your business can seem like a giant challenge that months later puts you right back where you started – if you hired the wrong person. For the inexperienced, the hiring can often mean a quick personality test, and interview, and finally, a decision to hire somebody you like — someone you could hang out with. A safer approach is to assume that anyone you interview won’t work. A basic guideline is to look for people who are hungry and who want to learn, those are the qualities that you want for any employee in any position.

You want staff members who have had successes in the past and can explain those successes to you. They need to be hungry, they need to work hard, and you can always test that. See if they will meet you late at night or early in the morning or in a far away place to see how much they want this interview — how hard are they going to make it happen? We generally prefer young, hungry and smart to older, experienced, lethargic and detailed. You need employees that have passion, excitement for your business and the possible role they will be playing in it. You really need to explore why they want this

job. Try to discover what they are passionate about . . . why do they want they job? Where do they hope they will go? Is this something that they want long term or short term? You're looking for someone who is hoping to grow from your business. They need to look at working for you as a stepping-stone to something else — because they are hungry and motivated, hopefully in the same business. Ask them what other jobs they are currently pursuing — are they committed to this one industry, or are they telling you what you want to know right now? Then go into how they problem solve. Ask them specific questions. One example would be to ask them to explain to you a business goal they had where they met with obstacles; what did they do to overcome those challenges? You need to get into their process as to how they do things. Ask them how they are proactive and to cite examples. You can also give them hypothetical situations or problems to work out. Give them ten minutes to work out and then present to you. For instance, you can have them sell you a pen — let them do some role-playing. You also need to consider what the benefits to working for you are, so in a sense, you also need to do some sales work in selling the opportunity that your business provides.

Be sure to check out referrals

Are they just friends and family or are they employers? Finally, for those individuals that do make the cut, let them know that they will be hired on a probationary period. The length depends on how much time you have. Typically it's 90 days. Make sure that you set the expectation that their job isn't permanent until after the probationary period. Be sure to set up a review process whereby you meet at the end of every week to discuss what was done well and what needs work. One more thing, add incentives so that your employees will be rewarded for hard work. Everyone wants to be rewarded for doing good work.

**Critical Thinking:** What this is about is being resourceful. When problems come up, and they will, what resources do you have set in place to meet challenges head on? The importance of curiosity has already been discussed. Do you remember the point? It was this: the moment you think that you have all the answers, you've stopped learning and growing as a person and you're business is on the clock.

The best investors are resourceful. Be the Roombah. If you're not curious and never have been, then you need to find another business. Be honest . . . are you that person? If you are humble and you approach every day from the position of wanting to learn, then you will be resourceful because seeking out information is second nature. If you are willing to take personal responsibility, and you believe that there is always a way, you will be resourceful. When you hit a wall, you'll want to know what you're missing. You'll get on Google, you'll talk to other people; you'll wrestle with ideas late into the night — you won't really have a choice as it will be in your nature to be compelled to make the effort. All of our Masters Elite are resourceful: they are curious, and they value the process of learning.

These eight areas of action are instrumental in shaping the success of our coaching clients. For those who are curious, accountable and committed, these are the specific revenue producing areas they addressed immediately when taking their first steps in real estate investing.

Our coaches understand how to implement each of these areas to achieve success quickly. Their role is to educate and to make the learning curve shorter. All have built businesses that have automated many of the most important aspects of the real estate investment business. They are present when new investors take their first steps, and they are there when, later, those new investors have built successful businesses of their

own, but need a group of smart associates that will work together to overcome the next challenge.

## **What Our Coaches Know**

**"Failure is not the opposite of success, it's part of the process to success."**

Why do so many real estate investors fail and what are the characteristics of those that make it? What if we could take the most successful real estate investors in the country, find out why they are successful and simply model what they do? If we do what they do with all else being equal, then shouldn't we expect the same results? If we knew the characteristics of the most successful real estate investors in the country and simply did exactly what they do, then we should not only hope for success, we should expect success.

In preparation of this report, we asked our coaches what are the characteristics of the most successful real estate investors and coaching clients that they know? What are the characteristics that have made them successful? What are the things that made them different and make their successful students different from those that don't make it?

Their responses are below, and were added after the completion of the writing. Notice how each can fit into one of Derek's Five Troop Leading Procedures, and how many have been mentioned previously.

Here was their response.



1. **Attitude:** They need to believe that they can always find a way; that they will learn what they need to learn and succeed regardless of the challenges they face.
2. **Enthusiasm:** They can instill enthusiasm in peers, referral sources, agents, sellers, etc., by asking questions that lead to bigger ideas and just being generally excited about life.
3. **Motivation:** This is the primary and essential driving force behind student success. Motivated by their own passion for the course material, successful coaching clients are likely to find the resources within themselves that are required to achieve the standards experienced by top investors.
4. **Commitment:** Successful coaching clients are committed to their studies. They search for that extra book or that extra information. They reach beyond themselves.
5. **Ignorance and Confusion:** These are essential components of all learning. If you try to hide your confusion it just gets worse, but if you instead try to explain your problems to others the ideas start falling into place.
6. **Curiosity:** Successful students are inherently curious.
7. **Application:** The ability to learn new ideas and apply them, following the same approach as others who have succeeded. A willingness to take action and assume responsibility for those actions.
8. **Quality Staff:** Successful coaching clients are meticulous in hiring only the best people who are motivated and see the vision of the company and the owner. They only hire the best candidates and will go extra long and hard to interview and find only the best staff.
9. **Revenue Producing Activities:** Successful investors focus the majority of their time of revenue producing activities. They delegate all else or simply let it go undone.

10. **They Plan:** Successful investors plan their work, and work their plan.
11. **Implement Systems:** They realize that most tasks within a company are done again and again. Checklists are created keep people on track and to keep things running efficiently.
12. **Didn't Know Any Better:** "I succeeded because I didn't know any better" or "My coach told me to go do this and it will work, so I just went out and did it and voila! ... It worked" or "My mentor told me that it would work where I lived . . . I just went out and did what he said and low and behold it worked!"
13. **Taking Action:** The ability to go out and do something, even if not totally comfortable with the entire process.
14. **Avoid What If?** Those that get too bogged down with theory and "what ifs" never seems to move beyond the starting line.
15. **Finding a Coach:** They have a coach who has been there before and is experienced.
16. **Money:** They are smart with how they balance their expenses with revenue.
17. **Organized:** Successful investors know that they can't do everything that they need to do, every day. For this reason, our top-coaching clients set certain days aside each week to focus on an important area of the business. We call this free days, focus days, and buffer days.

On more point about successful people that the above list brought to mind. There's something called "locus of control" that describes where and how people feel grounded. Locus of control refers to an individual's generalized expectations concerning where control over subsequent events resides. In other words, who or what is responsible for what happens. An individual, whose locus of control is external, sees the world through the eyes of someone reacting to circumstances that life imposes upon that person. They

don't believe that they have much control over the outcome of their life. Conversely, an individual with an internal locus of control experiences the world as someone who has choices, no matter what life gives them. Can you guess which group all of our successful coaching clients come from? That's right, they all have a strong internal locus of control. They understand that their life is there's to create and to live. They have a choice. The list that you just reviewed is an example of actions taken by people who are not willing to let life just happen . . . they want to take control of the outcome and live on their own terms.

In conclusion, we know that while we can't make everyone successful as real estate investors, we certainly know enough to point people into the right direction. In these pages we've reviewed the action plan used by the U.S. Army and our own Derek Walkush to achieve success — an action plan that you can begin using as soon as you're done reading this report. We've also reviewed those attributes that have made those individuals invited to join our Masters Elite program a success. And finally, we've reviewed specific revenue producing activities that our top coaching clients have used to achieve success, fast.

Remember, don't "run on random." Take the ideas in this report and put them to use. If you need to stop into a bookstore to pick up the latest success book, then do that do. If you've liked what you've read, we know we have the resources and coaches to get you where you want to go. The important thing in real estate investing and in any business is to take action and start doing.

There's a time for thinking and a time for doing. It's your move . . .

## SREC ASPIRATIONS

Strategic Real Estate Coach is committed to providing superior personal training and education that will Equip, Empower and Encourage real estate entrepreneurs to successfully buy, renovate, sell and rent discounted real estate while helping homeowners and lenders dispose of distressed, and unwanted properties.

SREC aspires to be an authentic work hard and play hard organization that fosters an atmosphere of creativity, enthusiasm, trust, honesty, and friendship through open communication, respect and accountability.

SREC aspires to bring new ideas and fresh solutions to the public concerning personal finance and foreclosures.

SREC aspires to create a student body of real estate entrepreneurs that is the most successful in the country.

SREC supports the charitable organization known as Smile Train (See [www.smiletrain.org](http://www.smiletrain.org)). Application fees for each SREC program — Emerald, Platinum, Diamond, and Titanium coaching — are donated in full to Smile Train.

### **The Five Core Values**

Student selection is guided by a motivation to bring individuals into the SREC community who will foster an environment that promotes the following Five Core Values.

- **Creative Problem Solving** - Successful SREC students engage in the process of establishing a business through inquiry, discovery, exploration, variety and challenge.
- **Collegiality & Competition** - Successful SREC students understand that learning is as much a collective effort as it is individual. We also understand and value the role of competition in pushing each other to achieve beyond our expectations.
- **Success & Failure** - Achievement is the struggle by which obstacles are overcome. When the solution to a problem is not apparent, learning how to persevere is essential. Failure should be seen as a way to enhance learning by providing the opportunity to overcome adversity. Likewise, planning for failure must be a part of any business, as failure will come. SREC understands that risk results in growth, and that failure is a part of the process.
- **Solitude & Reflection** - Clarifies and amplifies the context and meaning behind business and personal life experience. The role of evaluation is critical. Learning happens best when individuals make time to be alone so that what is learned may be generalized and used again.
- **Stewards of the Community** - SREC believes in the internal rewards that result from actions having little to do with self-interest and material gain. Meaningful opportunities to serve through one's talents and skills for the betterment of others teaches us to become self-motivated and directed. SREC promotes the value of compassion through direct action on behalf of the larger community or specific individuals. Compassion, among all other emotions, is capable of uniting individual strength with collective need.



## **The SREC Faculty**

**Josh Cantwell** - Josh is a full time real estate investor from Cleveland, Ohio who's been involved in thousands of foreclosure, pre-foreclosure and short sale transactions over the past five years and has been training and teaching apprentice partners since 2004. Today, with his real estate business on autopilot, he spends much of his time coaching clients, and mentoring students and partners from across the U.S. He is an expert in finding, structuring, negotiating and closing short sale transactions for a profit.

**Jeff Watson** - Jeff is recognized by many as the authority on back- to-back short sale transactions. As a practicing attorney, and co-creator of the option contract method for closing short sales, Watson has assisted investors and real estate agents on hundreds of transactions. Likewise, Jeff has authored several e-books that have had a profound affect on the short sale industry. As an investor, he has over twenty years experience in real estate investing. His dedication to members of the SREC community and his unquenchable curiosity for the esoteric leaves him alone among other attorneys in the real estate profession.

**Ted Cowan** - As an influential contributor to the SREC coaching curriculum, Ted came into real estate investing from academia and holds two masters degrees. His SREC duties include writing and editing copy, developing curriculum, creating new learning products and overseeing general instruction. The last several years, while helping to build SREC, Ted has migrated from a traditional real estate investing business to a short sale business model, which he finds more fluid and responsive to the needs of the market. Currently, Ted lives in Pacific Palisades, California.

**Derek Walkush** - As SREC's Head Coach, Derek feels that he's been living the American Dream. He credits his parents with teaching him the importance of turning a good deed and working hard as these values have served him well in his many different

pursuits. Just out of school, Derek passed on several lucrative job offers to enlist in the Army and serve his country. The years he spent in the service reinforced his discipline and organizational skills, along with relentless drive to never give up. As the Deal Acquisition Specialist for Ambrose Properties, these traits have allowed him to achieve a remarkable level of success — a success that he shares with his students to help them achieve their goals.

**Jason Zak** - Jason has been investing in real estate for five years in Cleveland, Ohio and surrounding suburbs. His investing experience ranges from a home that needs some TLC and daycare centers to multi-million dollar projects. As an investor, he has excelled in the short sale realm and uses his broad life experience to help his students around the U.S. build their own businesses. An avid outdoorsman, when not at work, Jason enjoys spending time on his farm in Southern Ohio.

**Jerry Kayser** - Jerry has been investing in real estate since his first rehab property in 1970. Likewise, he has been successfully acquiring short sale properties since early 2004 and is active in buying commercial properties. Jerry brings a wealth of business experience outside of real estate. As the owner of a highly successful business based in Buffalo, NY he oversaw sales and operations and managed 180 employees. Jerry has spent the last five years building one of the most successful short sale businesses in Ohio. When not working he enjoys spending time with his wife and taking his dogs on walks in the woods.

**Jerami King** - Jerami King was trained in short sales by a national mortgage company, by FHLMC, FNMA, and FHA. While at the bank, he processed approximately 6000 short sales, as well as mortgage modifications, repayment plans and other types of “save your home” solutions. He was responsible for training new staff on all short sale procedures and regulations for all types of loans. His understanding of the protocols that

lenders use in the negotiation process is second to none. At this time, SREC-trained students are the only students who have access to his expertise.

**Chris Consol** - Chris is a full time real estate investor from Denver, Colorado who has been involved in hundreds of real estate investment transactions over the last 10 years. He has been investing specifically in short sales for the last five years. Chris has a natural enthusiasm and sense of adventure that has made him a natural investor and SREC coach. He jumped into short sales before he really knew how to “swim” and over the years added to his base of knowledge by pursuing coursework with the top real estate teachers in his home state. Chris is excited to be a new addition to SREC, as he knows through personal experience that SREC programs are top notch.

**Jerry Ballard** - Jerry has been investing in real estate since 1976 and has been focused on short sales specifically since 2003. As co-creator of the Dovetail Method to close back-to-back short sale transactions, Jerry has continued to demonstrate his ability to think through complicated issues and to achieve successful resolution. Jerry organizes and moderates the local REIA group for Lansing, Michigan where he teaches local real estate investors. Likewise, Jerry serves on the Foreclosure Task Force for the Greater Lansing Association of Realtors. Jerry has been a part of the SREC family and coaching program since its inception, participating in all levels of coaching. Jerry was employed by General Motors, for over 30 years, as a skilled trades toolmaker and spent four years as a machine shop instructor at Lansing Community College. Jerry held a top-secret security clearance while he served in the United States Air Force.

**John Grant** - John has been investing in real estate since 1984 and has been doing short sales full time since 2003. He is a co-creator for the Dovetail Method to closing back-to-back short sale transactions. John is a regular speaker on foreclosure and short sales at the Greater Lansing Association of Realtors, serves on the Foreclosure

Taskforce and speaks at the local REIA group for Lansing, MI on such topics as Establishing Value for Real Estate, and Conducting Property Inspections and Estimating Repair Costs. John worked over 25 years in local law enforcement and spent over 10 years as a law enforcement instructor at Lansing Community College, Michigan State University, the Michigan State Police Academy and the Mid-Michigan Police Academy. John has been a part of the SREC family and coaching program since it's inception, participating in all levels of coaching. John is currently a member of the Masters Elite Coaching Program and is a Coach for SREC.

**Wendy Thomas** - Wendy lives north of Denver and has been active in the real estate market since 2001. Originally a mortgage broker, she made the jump into short sales because of the lack of competition and opportunity to expand her business. During the past few years she has built her short sale business into one of the most successful in Colorado. Having been a student of SREC, she understands the importance of having a “team” to help new investors. A new addition to the SREC Mentoring Program, she feels strongly about giving her students the tools they need to shorten the learning curve while quickly building a thriving business.

**Jim Walker** - Jim has been investing in real estate in Grand Rapids, Michigan since 1989. For most of his career, he has successfully balanced real estate investing with the demands of a corporate executive position with a high tech company. In 1997, Jim “retired” to more fully pursue his interest in real estate and his desire to build a high volume short sale business. As such, Jim pioneered techniques SREC has taught in building a short sale business solely through real estate agent referrals. Jim has served in leadership capacities for both the Rental Property Owners Association of Kent County and the Michigan Real Estate Investor's Association.

## **Contact Information**

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