

NATIONAL BESTSELLER

Bestselling  
authors of *The  
Millionaire Real  
Estate Agent*

ANYONE CAN DO IT...  
Not everyone will...will you?

The



Millionaire

Real Estate

Investor

**GARY KELLER**

WITH DAVE JENKS AND JAY PAPASAN

*Part One:*

---

**CHARTING THE COURSE**



---

# PREFACE

---

*I'm haunted by the fear that our children may lose their way in a world that values money for what it can buy and not for the good it can do. I am haunted by the idea that our children are growing up in a society that places too much emphasis on the job you have, the salary you make, and the title you wear. An impatient world measured in days, not years, and populated by instant winners, lottery lovers, and a battery of million-dollar game shows. A time when investing has become a romantic notion of high-flying day traders and IPO millionaires or, worse, has become synonymous with a crapshoot plagued by corporate scandal, worthless stock options, and bankrupt pension funds. Most of all I'm haunted that we're teaching a generation that riches come quickly or not at all. My preoccupation with this fear began after I had a conversation with my son in the car.*

---

## **BIG MONEY—LITTLE MONEY**

“Dad, I need to talk to you.”

I met his eyes in the rearview mirror as if to say, “Fire away.”

“I'm serious, Dad.”

I turned off the radio and gave him my immediate, undivided attention. John stared out the window and for a moment seemed to grapple with the right way to express what was troubling him. Parents know this brief pause before the big question. You experience a mix of curiosity and worry over what could be on your 12-year-old's mind. But it's important, so you wait and you listen.

"Dad, I need money, serious money, and I need it fast."

I relaxed. As a businessperson and an investor I knew a few things about money. This probably was a problem I could address and, hopefully, teach John a thing or two in the process.

"What do you mean? Why do you need that kind of money?"

"I want money. I want my own money so I can buy things, so I can buy the things I want."

This was my opening, and I shared with him my belief that a big part of making money is about work ethic and patience and having a good plan. I tried to express the satisfaction that comes from rolling up your sleeves and making your own way. I finished with some suggestions for ways he might make some money on his own.

"How about mowing yards? We could make some flyers when we get home, and I'll help you canvass the neighborhood."

"But I don't want to do that."

"That's how I made money when I was your age."

"No, no. It's not fast enough, Dad."

We kept going. I made suggestions, and he shot them down. My plans, it seems, either took too long or didn't create the serious big money he had in mind. After a few minutes I was frustrated and upset—parentally angry. So I collected myself and offered one last constructive suggestion. But as I shared it, I could see in the mirror that he was already struggling to find a polite way to tell me he had no interest.

Honestly, at that point I wanted to quit in frustration, to just let it go. But I made a critical decision to stay engaged and continue to search for

a plan that would work for both of us. The great thing is that we did just that. Later that afternoon, back at home, we looked at his resources, went over his options, and created a broad plan for him to earn extra cash on his own—something he could build on and grow over time. As the plan came together, his confidence grew and the mood that had gripped him earlier was dispelled.

I really don't blame John for wishing that money came easily. There have been many times when I wanted to believe that too. But here is a truth you can count on: Little money comes easy—big money doesn't. This is a foundational truth I hope you will learn and come to understand as I have, and as I hope my son will too.

This book is about the plans that create big money. If I've learned anything in my entrepreneurial career, it's this: Small plans at best yield small results, and big plans at worst beat small plans. So, when I want big results, I need a big plan. The best outcomes—in any of life's endeavors—are almost always the result of a big plan powered by persistent effort over time. That approach will not only give you the best possible chance to win, it will also put you in the best possible position to win big.

In terms of creating financial wealth—big money—one of the best ways I've seen, one that is truly accessible to anyone, is to invest in real estate. Real estate investing can be an awesome avenue to wealth. It can absolutely change your life and your family's future. In fact, it can provide you with not only the minimums you need but also the maximums you deserve. This book is not about your minimums; it's about your maximums—your maximum potential as an investor.

Whether you are a beginner or a seasoned real estate investor, this book was written for you. It was written to help you succeed and succeed big. All you need is a plan, a good plan—a proven big plan that can guide you from the beginning to the highest levels of investing. *The Millionaire Real Estate Investor* will share that plan with you. We want you to become a successful real estate investor, to achieve your goals, to prosper and

flourish over time, and even—should you so choose—to become a Millionaire Real Estate Investor.

Of course, I'd wish the same thing for my son, and maybe that's the course he'll choose. Not long after our afternoon together, John came up to me and unexpectedly asked, "Dad, will you ever teach me to make big money?"

"John," I told him, "when you're ready, it would be one of the greatest pleasures of my life to teach you."

---

# INTRODUCTION

---

*Ideas are the beginning points of all fortunes.*

Napoleon Hill

---

## ARE YOU READY?

Are you ready? Are you ready to become a Millionaire Real Estate Investor?

I am a lifelong teacher, and there is one thing I believe to be absolutely true: Real learning begins only when the student is open to the message. I've heard many people say, "When the student is ready, the teacher will appear," as if this were some strange or mysterious coincidence. The truth is, a teacher is almost always there and learning is simply a matter of the student being ready and willing to learn. For me this holds true whether I'm teaching an entrepreneur how to create a business plan or showing my son how to make money. If they're not ready, they don't learn! Becoming a successful real estate investor is no exception. The journey begins when you're ready to take it.

I'd like to share a few real-life stories from people who discovered one day that they were ready to start their investment journey and did:

- As a registered nurse, Barbara Mattson struggled to support her disabled husband and two children. Barbara transformed their lives when instead of paying off an avalanche of accumulated medical

bills she used a long-overdue disability settlement to buy an investment property. In five years she accumulated \$9 million in real estate, and now she runs her own real estate company.

- Donis King left her secretarial job of 16 years to pursue real estate investing and never looked back. She supported herself solely on rental income and now owns 27 houses free and clear. Donis was able to retire at an early age.
- Ken Jordan, a career biologist, left the security of his government job after buying his first multifamily investment property. He now works for himself, living off rental income and his property management company.
- As the mother of two children, Barbara Drake was determined to get a college education to set an example for her daughters. Not only did her first two investment properties pay for her degree, they put her children through school as well. Barbara quit her job to pursue real estate investing full time. Now in her sixties, she owns 36 single-family homes and lives off the cash flow.
- When Wendy Patton bought her first investment property, she was living in a hotel, made \$20,000 a year, and owed that much in student loans. Today Wendy has bought and sold more than 600 houses. She lectures around the country and lives off her investment income.
- When Danny Williams accepted an early retirement package from Delta, he owned 11 rental properties and had two children in college. Danny says he's now "totally unemployable" by choice and in complete control of his destiny.
- Jimmy and Linda McKissack struggled for years to turn a restaurant and nightclub into a sustainable business. They began supplementing their income through investment properties, and before long they "got it." Within five years they went from a handful of investment homes to 83 residential properties worth over \$10 million.

- Carlos Herbon and his wife immigrated to the United States from Argentina with \$150 in their pockets. The couple and their sons now own several million dollars, worth of real estate and run a property management company. For them the American dream has become a reality.

What did these investors have in common? On the surface, not much. They came from all over and began their investment journeys with vastly different resources. Some had stable jobs and equity in their homes, while others began with massive debt, no credit, and not much more than the change in their pockets. What they *did* share was a burning desire and a readiness to change their lives, to succeed on their own, without a job or a boss, without a pension plan or a safety net, in the entrepreneurial world of real estate investing.

Their drive and will to succeed were strong enough to lead them to do the right things day in and day out for months and years as their net worth steadily grew. None were "instant millionaires," won the proverbial lottery, or tapped into some "secret formula" for overnight financial success. They were ready and they were willing. They got a plan, and they implemented it with persistence and patience.

*The Millionaire Real Estate Investor* is about building great financial wealth, and although there are ways to make money fast even in real estate investing, this book is not about "get-rich-quick" schemes and techniques. Frankly, there are no express elevators to the top in financial wealth building—just a long flight of steps. But it is a worthy journey, and reaching the top takes both patience and perseverance. This book is about a tried and true financial wealth-building vehicle that rewards those who have patience and perseverance—that vehicle is real estate.

I'm a Millionaire Real Estate Investor too, but perhaps more important, I've also had the privilege, as the founder of one of the largest and fastest-growing real estate franchise companies in history, to oversee and consult

on thousands of real estate transactions. In my career I've seen a lot of financial wealth built through real estate. I've also seen money lost. As an agent and broker, a business owner and investor, and an advisor and consultant, I've explored almost every angle of real estate. And I've been taking notes.

In the end, though, this book isn't about me, and even though we interviewed over 100 of them, it's not about the other Millionaire Real Estate Investors you'll meet in these pages. *The Millionaire Real Estate Investor* is about you, your choices, and your possibilities. It's about the millionaire in you. The millionaire in you who dreams of fulfilling all the thoughts and visions in your head and heart. It's about the unrealized you, the you that wants to focus on how big your life can be and act accordingly. I believe *The Millionaire Real Estate Investor* is about the real you, not some idealized you or some new person you need to become. It's about the actual, factual, bona fide you, the naked-before-the-mirror, indisputable, unquestionable, honest-to-God (you know what I mean) authentic you. I firmly believe that the opportunity to build financial wealth—even big financial wealth—is open to you. In fact, it is open to all people who are ready and willing to accept the challenge, no matter what their shortcomings, no matter what their current station in life.

Please don't let any doubts or fears you might have turn into excuses such as "I don't have any credit; I've got too much debt; I don't know what to do; and besides, I'm no good with money." I'm here to tell you that in the end none of that really matters. It didn't matter to the Millionaire Real Estate Investors we interviewed, and it won't matter to you. It's time to set aside those doubts that whisper things like "It's not possible" or, worse, "I can't do it" and those fears that stealthily subvert your best ambitions. I want to encourage you to sidestep this kind of self-sabotage and begin the journey with confidence. With confidence it's possible for anyone, and if you're ready—possible for you.

---

## MONEY LIVES ON THE OTHER SIDE OF FEAR

Money lives on the other side of fear. I didn't always know this, but I now know it is true. Fear keeps us from getting what we want, especially in matters of money. It is true for me, and it is true for you. All of us can look at our lives and count the times when fear stepped in, prevented us from taking action, and cost us a precious financial opportunity. In this way fear becomes a building block of future regret. It blinds us to possibilities. It keeps us where we are, stuck in a financial box—a box built by fear, a box built by our own hands.

But just as fear can stop us in our tracks, it can make us move faster than we ever imagined. Just as it can give us a negative focus, it can give us a positive focus that can galvanize us to take positive action. What is interesting is that in this moment, when we're afraid that something won't happen or even that it will, fear points out what is most important to us. It shows us what matters most in our lives. In truth, fear isn't all bad. Don't be afraid of fear. Respect it, keep going, and move past it.

Just like a river of water, fear can be bridged. Fear is only as big or as wide as you allow it to be. And as is often the case, once you've crossed that river of fear and experienced the wonders on the other side, you look back and question why you were ever afraid. But here's the catch: The only people who actually know this are those who have crossed that river and are standing on the other side. It is my hope that just like the millionaires we interviewed, you will be among those who choose to cross that river of investment fear and stand financially tall on the other side.

One of the things my coauthors and I will do in this book is dispel the kinds of unproductive fears that prevent good real estate investors from becoming great investors and, even worse, prevent many people from investing in real estate at all. At the same time we'll highlight areas where fear is a good thing and caution should be exercised. The truth is that

when you have the confidence that comes from understanding what to do, why you should do it, and how to do it right, most of your uncertainty will be left behind. Knowledge and insight can wash away more fear than anything else can. It's our sincere hope that *The Millionaire Real Estate Investor* will be a great source of knowledge, insight, and confidence for you.

Money does live on the other side of fear. But in a bigger sense opportunity lives on the other side of fear as well. Money just represents one tangible form of opportunity. It gives you options and allows you to choose. That's one reason we called this book *The Millionaire Real Estate Investor*. To us the word *millionaire* represents big opportunity, unlimited options, a large life. That's what this book is ultimately about—living a large and limitless life. The first step on that journey is to acknowledge any fears that might be holding you back and then cross that bridge. Your financial opportunity lies on the other side of your investment fears.

---

## ANYONE CAN DO IT— NOT EVERYONE WILL

While *The Millionaire Real Estate Investor* is a handbook for investing in real estate, it is also—at its core—a manual for creating financial wealth. Creating financial wealth begins with an understanding of the best time-tested principles for making and managing money. Creating wealth is about recognizing that *wealth* and *riches* are not the same, that the gap between a *good* deal and a *great* deal is a vast chasm created by a lack of wisdom. Learning the difference can change the way you look at the world, and eventually it can change the shape of your life.

How you think matters. In fact, it matters a lot. So, before we can share with you these fundamental truths about money, investing, and real estate, we need to make sure you agree with us on two important points:

1. Building financial wealth through real estate is possible.
2. Building financial wealth through real estate is possible for you.

We think history has proved the first point, and chances are, you already know that investing in real estate has made others wealthy. Our primary concern is that you agree with the second point—that you really believe it's possible for you. In our experience many people can't get their minds around the idea that they too can attain real financial wealth through investing. There's a whole laundry list of excuses, but they all boil down to one thing: self-doubt. This book will encourage you to confront that doubt and step past it to the opportunities that lie unrealized before you. Remember, as Shakespeare pointed out, "Our doubts are traitors, and make us lose the good we oft might win by fearing to attempt."

As you'll discover, *The Millionaire Real Estate Investor* is really two books in one. The first part is devoted to your thinking. In that part you'll confront some of your myths about money, real estate, and yourself. You'll also learn some timeless truths about the way money works. If you can learn to think like a millionaire, you'll have a much better chance to become one. The second part of the book is about taking action. It's the "how-to" part and will outline a proven path to follow as well as tested models to employ.

Remember, anyone can do it—not everyone will. The only question is: Will you?

---

## OVERVIEW

---

*A casual player of Monopoly might think that it's a game of chance and that the winner is determined by rolls of the dice. Watching the best players in the world has shown me it's not. The winners are actually masters of strategy and negotiation. They know how to minimize the impact of bad luck—and to put themselves in the way of an undue share of lucky breaks.*

Philip Orbanes, Game Designer  
*Harvard Business Review*

---

## CHAMPIONS TAKE THE LUCK OUT OF THE GAME

Luck. Blind luck, dumb luck, Lady Luck. No matter what you call it, many people believe that luck is one of the essential ingredients in real estate investing. Finding a great investment property, the perfect tenant, or the right buyer at times can feel beyond your control or anyone else's. These key elements often seem to be a matter of fortuitous timing or simple coincidence, but here's the truth: Success in real estate investing is no more about luck than is success in anything else in life. This is not to say that Lady Luck doesn't play her hand from time to time, but you can't plan on it, rely on it, or predict it. It is by definition beyond your control. That's what luck is, and the best investors, the tried and true champs, don't count on good luck showing up. Through the use of proven strategies and time-tested models, they make luck unnecessary—they take it out of the game.

One afternoon, over a game of Monopoly with my wife and son, I got the opportunity to illustrate to my son how champions use models to circumvent luck and maximize their likelihood of winning.

“John, don’t trade with your dad,” Mary, my wife, said. “That’s how he always wins.”

I gave my wife a mock frown, which she answered with a playful smile.

John hesitated. He wasn’t sure of the right move. But in the end he made the trade and gave me the final piece of a key monopoly. He justified the move, saying, “Well, it’s all luck anyway.”

“Really?” I asked. “I don’t think so.”

Quickly, I mortgaged other properties and put hotels on my new monopoly. Within a handful of turns John landed on one of my hotels and had the misfortune of going to jail and the double misfortune of rolling out only to land on my monopoly again. Just like that, he was knocked out of the game.

Afterward John asked me what I meant when I said Monopoly is not just about luck. I replied, “In almost every game there are usually tried and true ways to win. And if you follow them, you may not win *every* time, but you will significantly increase your odds of winning *most* of the time.”

“So you know how to do that with Monopoly?”

“Sure. Do you want to learn?”

Of course he did, and so I went to my office and dug out an article written by a game designer that outlined a simple strategy for winning at Monopoly. We read it together, and I could see that for him a realization was sinking in. There was a way to win—a model to follow—and when you understood what to do, it seemed that it would be harder to lose than to win.

John looked me in the eye and asked, “Dad, have you been letting me win?”

“Sometimes,” I admitted. “But I wanted you to have fun while you were learning how to play. If it makes you feel any better, I don’t think you’ll be needing any more help from me after this.”

Sure enough, we played again and John won without any help from me. He now knew the difference in the game between the good real estate deals and the great ones. He knew what to do and what to avoid. One resounding victory wasn’t enough. John later talked his uncle into playing and whipped him soundly too.

Almost everyone has played Monopoly at one time or another, but very few people understand that there is a clear way to maximize their chances of winning the game. The best players know which spots on the board get the most traffic and which ones have the highest return on investment. They also know how to acquire the most advantageous monopolies without having to land on those spaces. They network, they trade, they barter and find ways to make deals work. It may be an oversimplification, but to me this all sounds a lot like the real-world game of real estate investing.

The question is: How do you take luck out of the *real* real estate investing game? First, you learn to play the game. Second, you learn to win the game. Playing well and winning consistently both start with learning proven, time-tested models.

---

## BIG MODELS—BIG GOALS— BIG SUCCESS

Early in life I started making the connection between how I approached something and the outcome I achieved. Do it one way and get one result; do it another way and get a better result. I began to understand that for me there was clearly a good way of doing things. Along the way I also learned there was an even better way of doing things.

However, my biggest epiphany came when I discovered that if I wanted the best, most predictable results possible, I couldn't just put forth a good or even a great effort: I had to do things the best possible way. In school, when I studied one way, I'd get a C. If I studied another way, I'd get a B. And if I studied the best way, I'd get an A. When I was learning to play the guitar, if I rehearsed one way, the music sounded good. If I rehearsed another way, the music sounded great. But if I rehearsed the best way over time, it sounded awesome. In retrospect it seems obvious, but it took time for me to notice the pattern: The way I did things mattered. It mattered a lot.

By paying close attention to my outcomes, I started to uncover the best ways to do the things that mattered to me. By being intentional and purposeful, I started to find success in the things I pursued. Let's be honest: I don't think you can or should be this purposeful in every area of your life. The danger in bringing that kind of intensity to every task is that you risk wasting lots of time and energy perfecting things that really don't matter. That's being a "jack of all trades but a master of none," or what I sometimes refer to as misplaced focus. But when the outcome really does matter, this kind of careful approach makes all the difference.

In my effort to achieve more and more success, I discovered that my own learning and experience weren't always enough. Naturally, I started looking elsewhere and turned to books, teachers, mentors, and even consultants for advice; that became my path. And they all seemed to point in one direction—You could learn from history. Books recounted success stories. Teachers alluded to research. Mentors taught from experience, and consultants often cited the specific best practices in an industry. I didn't have to start at the beginning and learn from my own mistakes. I could start in where someone else had left off. I could give up my need to do in order to learn. In fact, in this way I could learn even faster. This was a breakthrough in my life and, quite truthfully, one of

my biggest "ahas" ever. Some of the biggest successes I've had in business and investing are due to this simple concept. In fact, I like to say that some of my best thinking was done by other people.

One book in particular, *Unlimited Power*, by Anthony Robbins, helped me both put a name to what I was looking for—modeling—and devise a process for finding those proven models. Simply put, if you look to the very best people in a field and study what they do, you often can repeat their success. The key is to learn how they achieved their goals and then understand why they did it that way. When you grasp these two things, you can start where they left off.

Thus, I became a collector of success stories and models, and over time I discovered that every success story worth exploring had three fundamental parts: what a person thought he or she could do, how that person did it, and what that person accomplished. That process—think, plan, produce—soon became the basis for my personal success formula: Big Goals powered by Big Models lead to Big Success. Big Goals—Big Models—Big Success.

The Big Goals push you to think big and see new possibilities for your life. And Big Models make those possibilities more probable by giving your actions the foundation of proven, time-tested methods. That's a formula for Big Success.

We all have personal ceilings of achievement that are based on our current thoughts and habits. Implementing the lessons learned from your own trial and error can raise that ceiling, but only so far and so fast. Proven models, in contrast, can help you raise your level of achievement dramatically in a relatively short period of time.

It's a little like the difference between running on your own and being part of a relay team. With models you get to skip whole legs of the race and get the momentum and speed of those who ran before you. The baton they hand you is the gift of learning from their experience, the gift of benefiting from how far they've advanced the race. Models help us

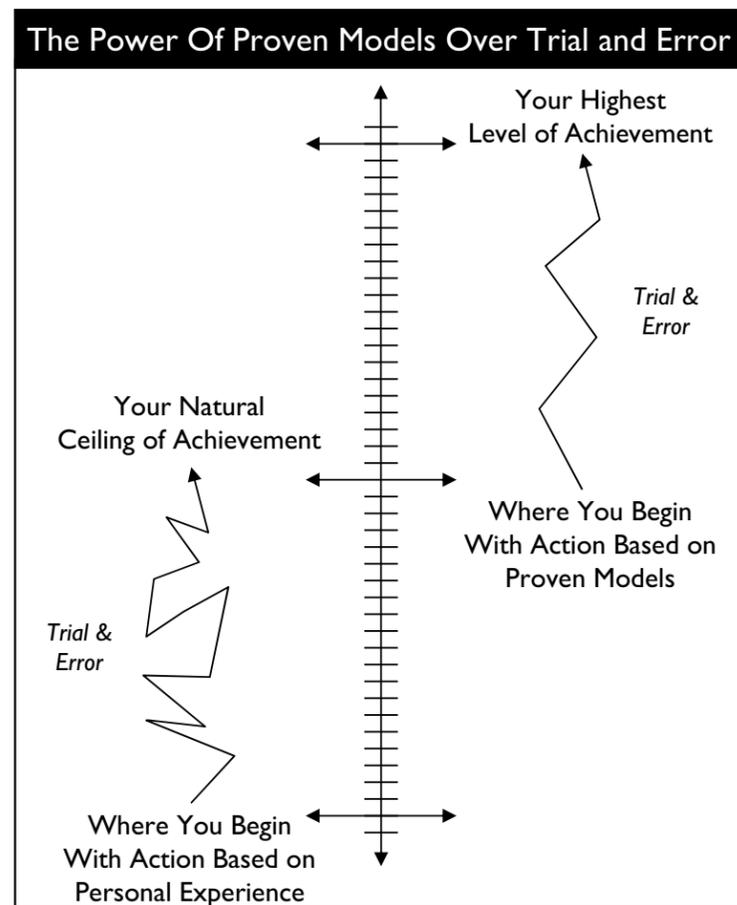


Figure 1

avoid known stumbling blocks and reach our objectives faster than we could alone. It is a huge leap of faith to assume that those starting at the bottom, with only their own knowledge and experience, will ever reach the place where a proven model begins.

To move forward in life, everyone has to learn from mistakes. The only question is whose: yours or those of the great achievers who lived before you?

That’s why, when we set out to research *The Millionaire Real Estate Investor*, we went on a quest for the very best real estate investing models we could find, the ones used by the best players in the investment game. Through many months of intensive research, interviews, and mastermind group meetings, we did just that. The models we’ll share with you represent the “best practices” of some of the most successful real estate investors today. In fact, all the real estate investors we interviewed to build the models presented in this book owned at least \$1 million worth of real estate not including their personal residences, and over 60 percent had achieved in excess of \$1 million in equity in their investment portfolios. They averaged almost 50 rental units and over \$100,000 in net annual cash flow from their investments. These were career investors who had purchased an average of around 150 properties and even a few who had bought and sold over 1,500 properties in their investment careers.<sup>1</sup> Our research was thorough, and the results were compelling: Successful investors clearly follow proven models, and those proven models for selecting, buying, and owning real estate can generate the kinds of remarkable results those investors have achieved. They are the models presented in these pages.

Let’s be very clear. A proven model is simply a method or system used to produce desirable, repeatable results. Although no model can guarantee success, a proven model built on the best practices of high achievers almost always will maximize your chances for big success over time. In other words, big models lead to big success. They also give you confidence in your actions, an understanding of whether you are doing the right things.

Models aren’t really new. They are everywhere. I follow them. You follow them. Everyone follows them. Most people just aren’t aware of the specific repeatable processes they’ve developed, such as the best way to

<sup>1</sup> Profiles of some of our Millionaire Real Estate Investors appear toward the end of this book.

brush their teeth, lace up their shoes, bake a cake, balance a checkbook, iron a shirt . . . even the best way to drive to work. You use these models to maximize the effectiveness and efficiency of your actions. That is how you get what you want more predictably, more of the time.

Just as these models help take the stress out of your daily life, you can use models to reduce stress, improve efficiency, and maximize results in your investment life. The models featured in *The Millionaire Real Estate Investor* are the ones master real estate investors use to minimize risk and maximize profit when buying, holding, and selling properties. Their knowledge didn't come for free. They paid for it with their own time, effort, and money. My initial education in real estate investing didn't come for free either. It cost me \$100,000, and it forever changed the way I look at the world.

---

## THE \$100,000 THAT GOT AWAY

One summer weekend while vacationing at a popular beach resort, Mary and I ran into a real estate agent in the elevator. My wife asked, "So, how's the real estate market? Heard of any good deals?"

"Actually, I know of a great one right here in the building. It's a condo that just came on the market. Would you like to see it?"

At first we weren't sure. Buying wasn't really on our minds. But it seemed like a fun thing to do, and so we agreed to take a look.

It turns out the agent lived in the building, and even though it wasn't her listing, she knew a lot about the property. She related that the owners lived out of town, as did their agent. Although it was on a corner with beach views and was in great shape, the condo was listed for only about \$160,000. Mary and I had been coming to that beach for years and, being real estate agents, always picked up the real estate magazines and perused the market. We had a decent understanding of values and imme-

diately recognized that the condo apparently was listed well under its market value. The agent agreed. I remember her words to this day. She said, "Honestly, this is a steal."

Like any good agent she asked us if we wanted to put in an offer. Even though I knew that we could afford it and that it was obviously a good deal, I hadn't yet become a true investor, the kind who won't allow a good deal to pass him or her by. I thanked the agent for her time and told her we'd think about it.

Normally, "we'll think about it" is just a polite euphemism for "no thanks." But sometime the next week the condo came up again in a conversation between my wife and me. After a short discussion at the dinner table I got up, found the agent's card, and called her with our offer. To give you a sense of how this memory has stuck with me, I remember every aspect of that moment. I was sitting in the den in my favorite armchair and calling from my black cordless phone. When the agent picked up and I told her we wanted to buy the condo, she just laughed and laughed.

"I told you that condo was a steal," she said. "It sold the next day!"

I hung up the phone, turned to Mary, and said, "Honey, we just lost \$100,000."

I'll never forget that feeling. Truthfully, I feel sorry for my wife, who had to spend the rest of that evening with me. I was embarrassed, preoccupied, and a little grumpy. Here I was with every advantage. I had been working in real estate for over a decade. I knew the business. I knew how much money could be made through investing in real estate, and still I had let this opportunity pass me by in a moment of indecision.

Anyone could have bought that condo! It was priced at \$160,000 at the time and would have resold immediately for \$260,000—an instant \$100,000 windfall before expenses. Even people who might not have qualified for financing personally probably could have bought a short-term option for a few hundred dollars and had investors lining up outside

their doors to partner on the deal. What I learned was that I wasn't thinking like a real investor. Plus, I was asking the wrong questions. I was asking, "Should I make an investment?" when I should have been asking, "Is this the deal?" A *true* real estate investor would not have walked away from a great opportunity like that. A *true* real estate investor would have had the confidence to act when the opportunity presented itself. What I've come to know as a fundamental truth is that all of us, as real investors, should wake up every morning and say to ourselves, "I'm an investor. I'm building financial wealth. Is this the day I find an opportunity and make a deal?"

It wasn't until I lost such a great opportunity that I finally got it: I needed to learn how to become an investor. That meant I would have to learn to think like an investor and then act like one.

\$100,000 lesson learned. I vowed never to make that mistake again. I knew that I had to learn. I had to learn how to recognize an opportunity when I saw one and understand the appropriate action to take. I needed to know how to build financial wealth through smart investing. I needed to learn how to become an investor—a great one. And I knew that somewhere there had to be the best models for doing that. Within weeks I began having regular breakfasts with Michael, an old college pal who was then a financial advisor with his own television show. It was with Michael that I started to awaken the investor inside me and discover some of the fundamental financial wealth-building models that are the foundation of what we'll share in this book.

---

## MORNINGS WITH MICHAEL

It was Michael's television show that got the ball rolling. One day he called me up and said, "Hey, Gary, I want to interview you for my show." He wanted to talk about how I had made the leap from building a great

small business to building a great big business. After the show we met for breakfast and continued visiting. We had so much fun and learned so much talking about business that I suggested that we do it on a regular basis. Before long we were meeting every other Tuesday morning for breakfast.

At the very first meeting Michael quickly discovered that I was a businessperson, not an investor, and so the topic of discussion each breakfast was investing or, to put it another way, how to grow financial wealth. This was my personal investment group, a club with only two members. Michael was committed to turning me into an investor, and it worked. We read every important financial author from Buffett to Rohn and shared our observations. Michael encouraged me to keep a personal balance sheet, a one-page document that summarized my net worth. Each meeting he'd ask me one simple question: "Gary, how can you make your net worth grow?"

One of the things I learned was the simple difference between financial riches and financial wealth. Being rich is about having money. You can have a job and be very rich. The problem with this is that the money stops coming to you when you stop working for it. Financial wealth, by contrast, is about owning assets, such as businesses or real estate, that generate money for you. Those assets can have aspects of a "job" in that they demand some of your time, but the dollars they generate are generally disproportionate to the time you invest. Quickly, Michael taught me that I wanted to be financially wealthy instead of just rich.

For over 10 years I met with my friend and learned. After a time I began acting on that new knowledge. One of the first things I did was to recognize a good real estate opportunity and act on it. Coincidentally, my first investment as a *true* real estate investor also happened to be a condo deal.

While I was interviewing someone for a sales position in one of my real estate offices, the conversation turned to commercial real estate. I

asked, as the investor I had become, what I now always ask: “Do you know of any good deals?” It turned out that he knew of a building of business condos that were about to go on the market at a terrific price. This time there was no hesitation. I immediately set up a showing for the next morning. I looked at the property, understood that it was priced below market value, and quickly made an offer.

I’m so glad I didn’t hesitate. It turned out that the price was a steal, and other buyers quickly lined up to buy it, only to find out it was already sold. The good news is that I bought it the way an investor would. I recognized the opportunity, acted on it, and many years later sold the property for just under half a million in net profits. Although I paid dearly for my first lesson in real estate investing, after a little time spent learning to think and act like a real investor I was able to replace a \$100,000 lost opportunity with a success story worth almost five times as much.

Although consistent results didn’t show up overnight, during the last decade, by constantly searching for great opportunities, recognizing them when I found them, and acting on the best ones quickly, I’ve made millions through traditional investing, investing in businesses, and investing in real estate. I now know that I’m out to build financial wealth. I’m an investor all the time. And I’m always looking for an opportunity to make a deal!

What’s astounding is that the simple lessons I learned with Michael aren’t anything new. They have been around for ages. Most timeless truths are like that: incredibly simple and obvious yet overlooked by those not ready to see. When you understand the timeless truths about financial wealth building—how money really works—when you can recognize a great opportunity and are ready to act on it, your world changes. That’s what this book is about. And there is no better place to begin learning these financial wealth-building lessons than the arena of real estate investing.

## THE THREE AREAS OF FOCUS FOR THE MILLIONAIRE REAL ESTATE INVESTOR

In the late 1940s, quality control manager Dr. Joseph M. Juran documented a life-changing universal principle that he called the “vital few and trivial many.” The idea was that a relatively small percentage of your efforts lead to the vast majority of your results. He attributed some of his findings to the statistical work of the Italian economist Vilfredo Pareto, who had observed that 80 percent of the wealth in his country was owned by 20 percent of the population. As fate would have it, that broadly embraced principle came to be known not as Juran’s Law but as Pareto’s Principle. These days we simply call it the 80:20 Rule.

The idea that 20 percent of your actions lead to 80 percent of your results may be one of the most powerful principles you can apply to your life. It’s about getting the most from your time and effort. It’s about maximizing your results. It’s about having focus.

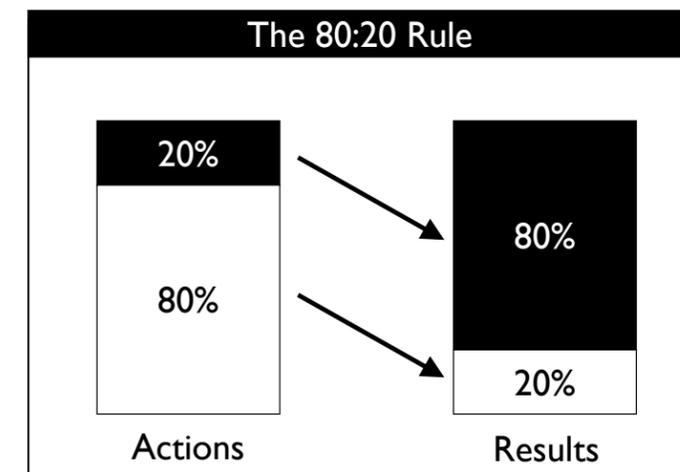


Figure 2

Focus is the key to great success, more than effort, experience, or even natural ability. Look at the highest achievers in any field and you'll discover that they have powerful focus; just as important, you'll learn that they focus on the right things: the handful of truly important issues that make the biggest difference. They know what matters and when it matters most. As you move toward becoming a successful real estate investor, you too will gain that level of focus. Although the results that come from that focus may start slowly, over time they will grow substantially.

When we conducted our interviews with high achievers in the real estate investment world, our goal was to discover the fundamental concepts they focused on day in and day out without distraction. In which areas did they strive to achieve mastery? What we discovered is that these investors focus on three simple but incredibly dynamic forces at the heart of real estate investing. In fact, these three forces are at the core of all investing: Criteria, Terms, and Network. We've come to refer to them simply as CTN. They are for us the "Dynamic Trio of Investing."

### **CRITERIA: WHAT YOU BUY**

The first of the three is Criteria. Criteria describe what you buy. They're the standards that define what kind of property you're looking for. Your Criteria are the things you ultimately list on your APB (all properties bulletin) when you're hunting for the next opportunity. Is the property a single-family or a multifamily? What is the construction? Does it have the right features and amenities that make it attractive for resale or rental? Most important, where is it located? Your Criteria are the aspects of the property that are immutable facts, the things that can't be negotiated away. They are a foundational piece of your investment strategy.

In practice Criteria narrow an investor's choices to the properties that represent the greatest opportunity and the least risk. When the property

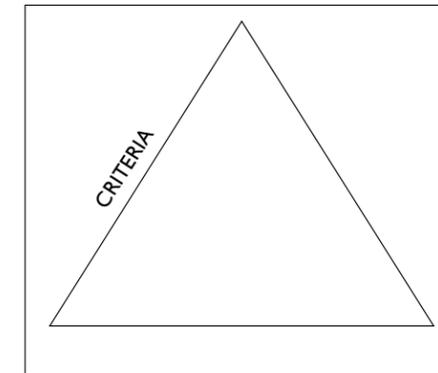


Figure 3

you find matches your Criteria, what you get in return is something with predictable value. Think of your Criteria as an "opportunity filter" that keeps out the bad and lets in the good. And just as good Criteria are the backbone of successful real estate investing, bad Criteria (or no Criteria at all) have been the downfall of

many a would-be investor. In the "Buy a Million" section of this book, we'll discuss the specific Criteria successful investors use to select their investment properties. Criteria are ultimately about identifying predictable value, and that is why they are the first area of focus for the Millionaire Real Estate Investor.

### **TERMS: HOW YOU BUY IT**

If Criteria define an opportunity, Terms define how you turn it into a deal. Once a property meets your Criteria, Terms determine its value to you both now and for the future. Terms are the negotiable aspects of a purchase, and they include everything from the offer price, down payment, and interest rate to conveyances, occupancy, and closing costs. Every investor we asked told us that Terms are where a great deal can be created from even the most modest Criteria. A skillful negotiation of Terms can lead to a better equity position, improved cash flow, and sometimes both. It's about how much money you need to acquire a property and close a transaction and how much the property will yield over time. Terms are about maximizing financial value and represent the second area of focus for the Millionaire Real Estate Investor.

Later, in “Buy a Million,” we’ll home in on the key Terms of any transaction that can make the biggest difference in the relative success of an investment. You don’t have to be a gifted negotiator like Roger Dawson or Donald Trump to capitalize on Terms. It is about understanding the financial fundamentals of a transaction, knowing which elements are flexible, and being systematic about getting all you can from every deal. It’s also about knowing when to walk away. Remember, you make your money going in, not going out. You buy right and let the market go to work for you as opposed to buying less than right and hoping the market will save you. Buying right means getting the right Terms.

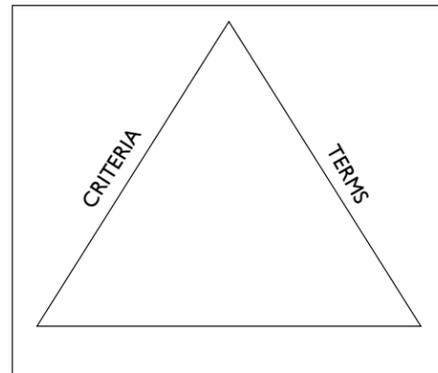


Figure 4

### **NETWORK: WHO HELPS YOU**

The last member of the Dynamic Trio is Network. Your Network is who helps you in your investing. When we were attempting to pin down the critical areas that make the biggest difference in real estate investing, Network was a surprise contender. We just didn’t see it coming. The idea of the individual entrepreneurial investor beating the streets for deals is what comes to mind for most people. But again and again, throughout our research, investors referred to all the people who helped them succeed. They had relationships with people who sent them opportunities, mentored them, helped them buy and maintain their properties, and in many cases provided services that enabled them to do more while spending less time and effort. As a businessperson, I call this leverage: the fact that you can accomplish more with qualified help than you can accomplish alone.

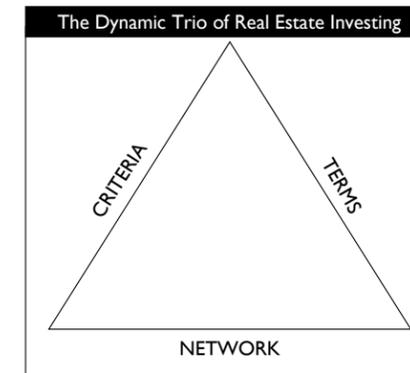


Figure 5

When we review Network in detail in “Buy a Million,” we’ll help you understand how to establish a “dream team” for your investment career. From real estate agents to contractors and property managers, you will need help. In fact, although it was the last of the three items we identified, Network will come first in your investing career, as

you’ll rely on those people to help get your investment career launched safely, reliably, and profitably. The advice we provide in these pages will help you both select the best and work successfully with them over time.

The three areas of focus for the Millionaire Real Estate Investor—Criteria, Terms, and Network—answer the questions of what you’ll buy, how you’ll buy it, and who will help you. Remember, Criteria identify, Terms determine, and your Network supports all the investing you do. Mastering these three areas will give you the greatest chance for long-term success and place you solidly on the path to becoming a Millionaire Real Estate Investor.

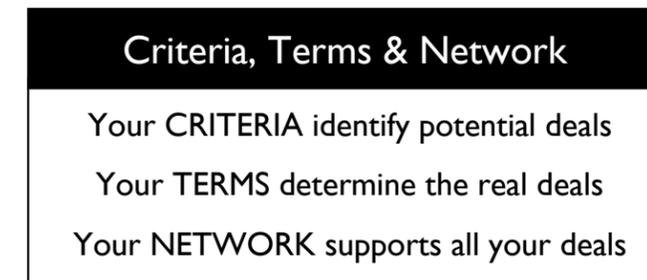


Figure 6

## THE FOUR STAGES OF GROWTH ON THE PATH TO A MILLION

The path of the Millionaire Real Estate Investor is a progression through four stages. First, you must learn to Think a Million (think like a Millionaire Real Estate Investor) before you make your first move. How you think matters. Whether this strikes you as a cliché or as a timeless truth, my experience has taught me that the bigger I think, the more I can accomplish. I've learned that what I hold in my mind is what shows up in my life. Learning to think like a Millionaire Real Estate Investor will give you the greatest chance of becoming one.

The next step is to Buy a Million, in which you'll get a thorough understanding of the best models for investing in real estate and, more fundamentally, an understanding of money: the ways it is made and the ways it can be lost. The goal is to equip you with the working models you need to purchase investment properties with a market value of a million dollars or more. Believe it or not, this is not the huge leap you might imagine, and many investors reach that mark long before they ever expected they would. Buy a Million is about the fundamentals of acquiring properties, holding them, and in some cases selling them. Buy a Million applies the power of Criteria, Terms, and Network to launch your career in investing.

After you Buy a Million, you'll set your sights on having an equity position of a million dollars or more in your properties. We call this stage Own a Million. This is when you will realize that the investing you have done has blossomed into a bona fide business. With that transformation come a set of issues specific to that level of ownership. Acquiring properties through credit potentially becomes more difficult, cash becomes a commodity, and managing your investments could require help from several quarters. This stage involves dealing with and often balancing cash flow with asset or equity buildup. It may involve selling, trading up, or

exchanging. It certainly involves understanding the surprisingly simple realities of tax and owner entity issues. The good news is that by understanding these issues from the beginning you can plan for them. That is what the models in this book are intended to help you do. By beginning with the right models, proven ones that can handle the big issues, you'll never have to stop and scratch your head or, worse, start over and re-invent what you do.

The last stage of growth for a Millionaire Real Estate Investor is Receive a Million. Think of it as the summit, a place where only the best have gone. Receive a Million is when you are in a position to receive an annual income of a million dollars from your investments. Pivotal to this stage is that your investment business be designed so that you can choose to get out of the day-to-day work and enjoy the benefits of what you've created. Although you can step out at any point along the way, it is my hope that you will set your sights on a big goal.

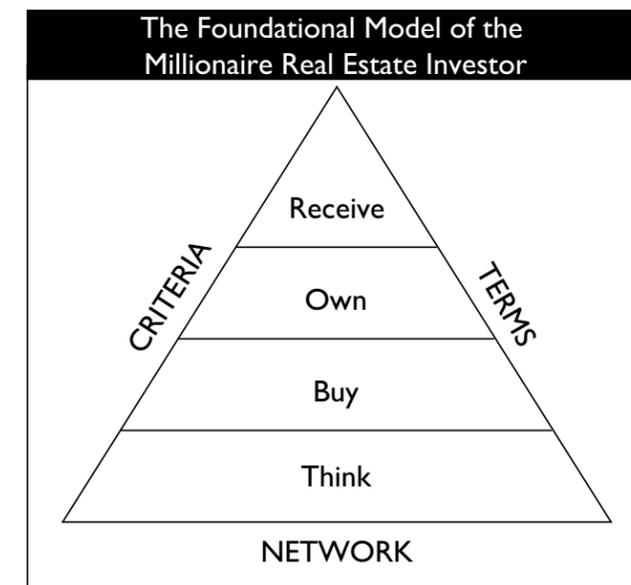


Figure 7

Exactly when you decide to move into the “receive mode” is up to you. Obviously, you don’t have to wait until you’re receiving a million dollars a year. Like some of the investors we met in our research, you can accept the cash flow you’ve built and step out of the business sooner. Or you can wait and receive more down the line. The point is that if you’ve followed the models of *The Millionaire Real Estate Investor*, you will have more choices, and that is a very good thing to have in your financial wealth-building life.

---

## MOVING FORWARD

I believe that everyone has a chance to be financially wealthy. It begins with a state of mind, a way of looking at the world, and ultimately evolves into a way of life. Financially wealthy people think differently from the rest and as a result make different choices and enjoy more freedom in their lives. It’s about living a large life. It’s about having greater choices. This book is about one of the best ways I know to build financial wealth: real estate investing. Real estate is accessible to all and is easily one of the most leveraged ways to build wealth.

The biggest obstacles most people face are their own doubts and fears. Building financial wealth can seem both daunting and dangerous. But as we’ve said, opportunity, especially great opportunity, always lives on the other side of your fears. Learning how to get past those fears is our next task. In the following section, “MythUnderstandings,” we’re going to reveal the kinds of fears that hold most people back and explore with you why they should not do that to you. We will encourage you to shed any baggage that might slow you down. Then, armed with proven big models and powered by your big goals, you can go confidently for big results. You can follow the path of the Millionaire Real Estate Investor. It is a journey of financial wealth building. It is a journey worth taking. It can be your journey too.

### POINTS TO REMEMBER

- Each of us should wake up every day and say to ourselves, “I’m an investor. I’m building financial wealth. Is today the day I find an opportunity and make a deal?”
- A proven model is a process or method used to produce desirable, repeatable results. A proven model built on the best practices of high achievers in a given area will produce the most desirable and predictable results as well as maximize your chances for continued success over time.
- High achievers use models to take the luck out of the game. They implement big models to minimize risk and maximize profit when buying, holding and selling real estate.
- The three areas of focus for the Millionaire Real Estate Investor—Criteria, Terms and Network—determine what you’ll buy, how you’ll buy it and who will help you.
- CTN—The Dynamic Trio of Investing:
  - Criteria identify potential deals.
  - Terms determine the real deals.
  - Your Network supports all your deals.
- The path of the Millionaire Real Estate Investor progresses through four stages—Think a Million, Buy a Million, Own a Million, and Receive a Million—and they are best pursued in that order.

For more information about MREI and other books by Gary Keller, visit

**[MillionaireSystems.com](http://MillionaireSystems.com)**