



YOU'RE JUST ONE DEAL AWAY

SETTING UP YOUR BUSINESS

Host: Zack Childress

So, the big question is this, how do aspiring real estate investors like us escape from the rat race and build real wealth and freedom without access to millions of dollars in investment capital, and start to live the life that we know we deserve? This is the question and this podcast will give you the answer. My name is Zack Childress and welcome to Real Estate Investing Talk Show.

Hey, it's Zack Childress and welcome back to another Real Estate Investing talk show. We have a packed day for you right now. You're joining us as part of our 24-week challenge. We are digging into the business. The dig deeper is all about if you're going to execute on the training that we share. Now listen, some of you may be brand new to real estate. Some of you may be seasoned. It doesn't matter. You really still got to understand how to build the business.

I was having a conversation with my coaching students yesterday and I was telling him, I was like, look, it's easy to chase the money. Anybody can go chase the money, but will you be successful? No, because you're a one trick pony, you're chasing 10,000, then you're chasing another 10,000. You really got to understand how to build the business, how to put the systems in place so that you can ultimately build a team underneath you to run it so that you can execute the exit and not be an employee to the business.

So, if you're seasoned or brand new, listen to what I had to say right there. So, I don't know if you're riding down the road listening to us on the radio. If you're on your podcasts, listen to us, or if you're on YouTube, I encourage all of you to jump over to our fans, our students, our followers on Facebook. We have a huge community over there. We're pushing almost 47,000 strong members on that side and they absolutely love what we're doing. So, if you're listening for the first time on any of our other sources that this is coming to you on, you need to go join us at REISuccessAcademy.com/Facebook. That's REISuccessAcademy.com/ Facebook.



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So, today's goal is to take you through week three of the 24-week challenge. Now, some of you that are brand new, trying to figure out who I am, what I do, my name is Zack Childress. I am your real real estate coach because I am a real real estate investor. If you want to know more about me, my simple processes, how we get things done, you simply just need to get my book called, My First Deal Playbook by Zack Childress. It's your pocket guide to real estate success. You can pick that book up on Amazon. All you need to do is search in Amazon for the title, My First Deal Playbook, get the book, read the book, leave us a review. That'd be great if you'd do that.

So, let's dig in today. I want to kind of help you guys understand. So, week three of our 24-week challenge is where we are right now. It's all about setting up the business. Last week was all about getting ready for the business. This week is all about setting up the business and what does that look like?

Well, you have things inside of here that we're going to talk about like checking your credit, establishing a professional contact network, setting up a business structure. We're going to spend some time on that. Building a professional team, also the tools needed for a successful business, right? These are the things that we need to think about when we're setting up our business. So, one of the things we're going to talk about right now is really the professional network and our credit. Let's talk about that, okay? Because some of you start off in this business and you ain't got no credit and I understand that, okay? But let me explain something to you. You cannot assume that you're going to take this business to the next level and not be working on your credit. You have to be working on your credit. You need to be using credit repair.

You need to be understanding how credit works. You need to be understanding what gets reported and how it gets reported and don't be afraid of that number. It might take you a year to get it to where it needs to be, but you've got to start working on it. You need to open up a free account at CreditKarma.com, or do they even charge free? And you just need to monitor it and see what you got in there and maybe dispute some of the stuff that's on there that doesn't need to be on there. You need to



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be working on your credit because as a credited borrower, you now open up the avenue to go to the lowest cost money there is, which is institutional financing. okay? If you do not have good credit, that should not stop you from doing this business. It just means that you need to fall under a different category.

So, let me help you split that up. I got my blue shirt on, I got my blue vest on. I got my blue pen today. I got my blue background. I got my blue in my book. I'm blued out today, so let's look at it like this. We're going to say 620. We're going to split that. If you're on this side of 620 or if you're on this side is 620. Are you ready for this? If you're on this side of 620, you need to be working on credit repair, okay? You need to.

The second thing you need to be doing is working on a wholesale deal. The third thing you need to be doing is working on lease options or some type of seller financing. These are the things that you could simply say, here's what I need to do. If I don't have a 620 or higher. I need to be working on my credit score and to generate revenue from real estate, I need to be working on wholesaling lease options or any form of creative financing that allows you to control properties for cash flow. If you're 620 and higher, what do you think the first thing is you need to do?

Jill, what do you think?

I think you need to go sit down and talk to your banker.

You need to be working on credit repair. Do you understand? You're always working on credit repair, then you need to be doing what Jill said. You need to be down talking to the banks and how much money you can get for deals. Then you really need to be moving into what we call tier three, rehabs. And you need to be thinking and moving into tier four, holds. Okay? That is where you need to set the threshold for yourself.



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Where are you at on that? You know, not me. Wherever you are, what's the one thing that is like in both columns?

Credit repair.

That's right. You've got to be working on credit repair all the time. Listen, once you get to 629, you need to get 720. Once you get to 729, you need to get to 780. Once you get to 780, then try to get to 840. You're always working on it. Always working on it, okay? Always working on credit repair. So, if you're brand new and you're like, "yeah, Zack, but I got a long way to go. My credit is in the 500s. Well, let me help you understand something. When I started this business, my credit was at 520. Now I'm in the 700s. Why? Because I just always work on my credit. I always work on it. But did I let it stop me? No, I was over here. I started with what? Wholesaling lease options. Why? Because I couldn't go down to the banks and get qualified for loans. I used the strategy that worked for my needs and that's what you have to think about when it comes to credit repair, okay?

Now when it says establishing a professional contact network, what's the professional contact network? That's all the people that are gonna help you like bankers, mortgage brokers, credit repair services. Those are your professional networks. That's different than your power team, okay? But your professional network or the people that are going to help you get to where you want to be. Credit repair, bankers, mortgage brokers, those are types of people that are gonna get you to closer to the funds that you want for the long-term game in this, right?

Remember, wholesaling and lease options, are great starting, but it's not long term. It's not long-term. Rehabbing is not long term, even though you can do it for a while, as long as you get out of it. Buy and hold is long term. That's where you actually get into the game and start making things really, really work for yourself. So, I encourage you to think about that. So, part of your action items needs to be number one right out the gate. I need to check my credit, I need to figure out what's going on with my credit. I need to work on my credit, I need to get it established to get it going. So, and that is what leads us into



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business or building a professional team. When we're building a professional team or also our power team, we've got to start thinking about all the components that are involved in that, right?

So, here's where we are. We talked about credit repair. A lot of you, I'm going to hand over your information to us in house (well, she's not in house, but I know her personally). I've known her since I was 15 years old. That tells you how much I know this lady, right? I know her. I know her, right? I went to high school with her and don't none of you get on the phone with her and start asking about how I was in high school, okay. Let me just put that out there. I don't need you guys digging into my past and talking about how crazy I was in school even though I didn't stay in school very long. My freshman year and then I quit. But I've known her for years and years and years and years.

So, what we're going to talk about right now before we go into the power team is your business structure, alright? Let me just be clear on here. I'm not an accountant. I'm not a CPA. I'm not an attorney. I'm not an asset protection firm. I'm none of that. I'm going to share with you some simple things that were taught to me and the things that I've done in my business and the information that's been shared to me. And so, I would always encourage you to get your own legal and tax advice from a professional that you're comfortable with.

So, but when it comes to business structure, I get the question all the time, okay? All the time I get the question. And that question is, "Zack, can I do this in my own name?" Well, you can, but you're really setting yourself in a position for a lot of liability, right? Could you be doing business as you could. But ultimately, if you want the true structure and the true protection, you need a few different types of layers. I'm about to lay out something for you that might confuse the well the shit out of you, but just follow me, okay?

So, if you really want to know, how do you really protect yourself? It kind of works like this, okay? So, we all know that in any business, an LLC - what is an LLC, a limited liability corporation. A limited liability corporation is ultimately an asset protection entity. What a lot of people don't know about LLCs is that



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you can actually elect how it's taxed, so you can have an LLC taxed as an S or an LLC, taxed as a C, okay? Now when LLCs are automatically opened up, their taxes pass through a tax entity, which is an S taxation, which means any business, my entity does, basically whatever the profits are at the end of the year passed through to me on my personal taxes. And in a lot of cases, that's good. That's very good. I'll give you an example.

So where is a pass through good? So, let's go LLC taxed as an S, where would that be okay? It would be okay in any of our hold business. Anything that we're buying and holding for the long run is going to be good, okay. Why is that? Because here's where we have to be careful. If we want to stay out of this little-known world of what's called the dealer taxation law, like that dealer taxation law, that is where the IRS doesn't like us as investors so what they do is they say, "hey, you're flipping properties within 12 months and you're gaining income personally from that, so we're going to label you as a real estate dealer."

That's bad. That's when they strip you from the 1031 exchange privileges, which they just did to us in the cryptocurrency world, but it also moves us personally into the highest tax bracket there is. And hopefully we're gonna get some tax creation in the next year or something that's gonna bring our tax brackets down but we'll see what happens there. The point being said is, is this - is that you have to really understand how this operates. What does that mean? That the IRS steps in if you are buying a piece of real estate and you're selling it within 12 months, okay? You're selling it within 12 months under what's known as short term capital gains, okay? Then if it's an S structure and you're gaining personally from it, then what happens is, you personally can be labeled as a real estate dealer. Now what does that mean?

That means where am I safe? Where am I safe? To have an LLC as an S structure, I'm safe in anything that I'm buying and holding for cashflow. I'm safe. Anything that I'm buying, fixing up and selling, and it takes me longer than 12 months to produce that, okay? Where am I not safe? Anything that is under shorter than 12 months or less, that's where I'm not safe. So that's where I want to have an LLC taxed as



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a C corporation. You with me on this? And here's why. The C does something very, very good. And we use this in a lot of other different businesses I own two separate it. Some businesses I just don't need coming to me. I like them to stand on their own father taxes. So, when it's taxed as a C, that basically means that it's a standalone entity.

That means it makes its own profits, it pays its own taxes, it is a standalone entity and it stands on its own. Where an S taxation means that it passes all of its profits to you personally on your personal tax filings. So, this is important if we want to stay away from the dealer taxation law, and what that means is, is that now that profits will not be passed to me, it will be controlled with inside the LOC and pay its own taxes. Anything that I'm selling within inside 12 months or less. Now some people will say, you but my accountant says that I shouldn't use the C, because why pay double taxation? How does double taxation get created? Because the company pays what? Taxes, right? And then what else happens? Well, when you take money out to pay you, you do what? You pay taxes on that, right?

So, then they say, oh, well you get paid taxes twice because anything that I paid in myself, I paid taxes on anything left in the company I pay taxes on. But there's some ways to get around that. Come into my three-day event and I'll show you some things that I'm doing there as well. So that's one thing. Now to not beat this to death, I'm going to help you with this. You need to have an LLC opened up or an LLO. No, no, not an LLO, that's all another entity. You need to have an LLC opened up. I always say have two have them, especially if you're going to be in the game of buying and holding and flipping. Let's just say you're going to be flipping. Now, this goes down into what you can have an S, you could have a C. If I'm short term, I'm going with a C. But the biggest thing here is if you want anonymity, if you want anonymity, anonymity - that's a big word for me - you need to have the LLC owned by a trust.

A trust, and not just any trust, but this needs to be a corporate trust, okay? Because a corporate trust, you can actually take, remove your personal name from the trustee and make it anything you want it to be. Anything you want it to be. So, could I do it? Just the opposite? Absolutely. I could. I could have a trust that's owned by XYZ LLC as the trustee. I could have the trust, and then the LLC owning the trust. I



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could have the LLC with the trust underneath it. I could have literally multiple trusts own in the same thing. The point is that's how you start to create anonymity and layers. Now, how do I create a huge protection around all of this?

I do what's called an umbrella LLC. So, then I go off over here to a place like Delaware, Las Vegas and I create another LLC that is an umbrella. And what is that? That means that LLC owns all the other LLCs that I have and it's in another state that has anonymity laws, which means you can't just go pull who owns them without straight out suing and discovery. But even if they do, then they open up what owns them, which could be a trust or an LLC owned by trust or a trust with a trustee as an LLC. Now we've got other layers of anonymity.

The point is, is it starts to create such a nuisance to try to figure out who owns it and who doesn't, and who's the rightful owner that it becomes challenging. Now, I'm not going to get into this today, but if you really want to create some hardship for whoever's trying to sue you, you take all of this and you put it in a Family Limited Partnership, a Family Limited Partnership known as an FLP. The beauty of that is that if anybody tries to sue me for my stuff, I have everything I own in FLP, they actually have to pay to sue me. And there's a beautiful letter that my attorney sends out, because the FLP is guarded by this, that simply says, "Hey, we appreciate the suit. We will prepare ourselves as soon as you send in the \$10,000 to comply with suing an FLP," which most people are like, what?

Why would have to pay to sue? That's how the FLP works as that layer of protection. The other side of it is they have to pay all the taxes on anything that the suit was demanded on. So even if they lose, they have to pay the taxes on any of my lost earnings for that. It is a layer that will literally slap somebody right in the face, okay? Now let me explain really quick. I did not set all this up for myself. I had somebody else do this, right? But it has definitely helped me over the years when you have ambulance chasers coming after you for any little thing that you do wrong, okay? This is why anytime somebody says they're going to sue me, I laugh. I'm like, okay, get a line. Like, we'll see if you really want to see me when you hit the FLP and you've got to cough up some money.



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But most of them, when they hit that, they back out. So anyways, that's some structure layer. And like I said, this isn't an entity structuring class. Yes, you do need an FLP. Everybody needs an FLP, Family Limited Partnerships. Study it. I'm telling you, it'll blow your mind and how well it will protect your assets personally. Now what it won't do is it will not prevent people inside the FLP from suing each other. That's the downside. So, whoever's in your family and you put in that FLP, just make sure that you guys are good.

Alright, moving onto the next topic. Building your power team. We're going to talk about this. You need to be out there next week or even this week talking about your power team. Who's on your power team? Well, if you're a wholesaler, your power teams are buyers, right? It's finding landlord buyers. It's finding investor buyers. It's going out there looking up who's buying. It's going to Section 8 and looking at the rental ads. Finding your landlord buyers, finding your fix and flip buyers, your investor buyers. Where are that?

They're out there in the market rehabbing right now. Drive these neighborhoods. Find them, you know, go out and use technology. A lot of our coaching students power software that pulls these cash buyers, you know? Get into something where you can do that. That's part of your power team. The other side of your power team is a very good closing attorney. A closing attorney that understands the assignment of contracts, that understands how that operation works, but you need to be out there building that team with them, okay? That's part of your power team. A contractor on your team to understand how to do bids and agent on your team to understand how to give you market data and so that you can utilize them if you need to.

If you're into rehab or you're a buy and hold person, you need to be looking at handymen and fixers and floor people and painters. These are part of your power team, a landlord. You need a property management company. You know these are your power teams and don't wait till the end to do this. You need to be doing it now and here's why I'm telling you now.



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Because if you get them on your team now, and this is why it's week three of the 24-week challenge because not only will they be part of your power team, but they will also be in a position to help you with deals as they're out looking at stuff, there'll be telling you about it and then you can execute on those. I can't tell you how many times my property management companies brought me deals. I can't tell you how many times my banks have sent us deals. I mean the list goes on and on. Contractors bring me deals. They're part of my power team. You need to be building your power team now too. That's, the most important part of that.

So, you've been listening to the Real Estate Investing Talk Show, Zack Childress, and I'm on a mission to create 10,000 real estate bosses over the next year. Will you be one of them? Head over to my website, REISuccessAcademy.com/ab class and register for my free web class where you'll discover how to escape from the nine to five grind and become your own boss in real estate. See you there.