



# YOU'RE JUST ONE DEAL AWAY

## 3 MAIN REASONS FLIPPERS LOSE MONEY

Host: Zack Childress

Zach 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 Zach Childress and welcome to Real Estate Investing Talk Show.

Zach Childress: Alright, so listen up guys. We're going to talk a little bit about flipping, flipping, flipping your way to success, right? And flipping can be used for a couple of things, right? They could say, oh, well I'm a flipper because I flipped contracts or I'm a flipper because I actually flipped properties. Well, I want to talk more about flipping real estate, right? Like buying it, fixing it, and selling it. Now, am I a fan of fix and flips? 100 percent. I have several of them going right now. And the reason is, is because there's money in that. That's where the bigger chunks come from. It is a process that you can do through any market cycle. Is wholesaling a good model? Yeah, absolutely wholesaling is a good model, but let me just shoot you straight.

Zach Childress: Right now, wholesaling's on fire. It's good right now because everybody wants to buy and everybody's being taught how to do wholesaling. Well the challenge with wholesaling is when the market isn't, that good wholesaling becomes real hard because all the buyers runaway. But when you're a fixer and you're a flipper. You can buy from wholesalers, you can buy it from the ml's, you can buy from anybody and you have a demand from sellers in all types of markets, good markets and bad markets and there you don't have to do as much marketing as a fix and flipper say you do as a wholesaler on the other side of fixing and



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flipping. You don't have to be on the grind all day like a wholesaler. You got to grind all day long. You've got to be on the phone. You got to be digging. You got to be contracted.

Zach Childress:

You had to do it all day, right? Because it's going to take you two, three, four contracts to sell to make the same amount of me flipping one house. I'm not saying don't wholesale, I'm just giving you the straight shot. That's what we do here on The Real Estate and Talk Show. But do I do both? Of course, I do both. Do I like fix and flips better? Of course, I do because I've positioned my fix and flip business so that I'm not doing the work. And that's where most people go wrong with fix and flips is, they go out and try to do all the work. And here's the reality. I could give you a list of things that you could do wrong that would cost you money when it comes to flipping. But I'm going to narrow this down to just three of them and I want you to really listen to me on this because you know, when, and I may give you four, I may give you five. Who knows? We just going to start with three. Okay? It depends on how happy I get with talking about this topic.

Zach Childress:

But when it comes to fix, and the thing you've got to remember is this, is you do not have to be the expert. You're, you're not the expert at fixing and flipping. You need to be the expert of making money. Okay? So, to make money, you can make money and fix and flips, wholesale, creative financing, lease options, buy and holds. You just need to be the expert at making money. When it comes to fix and flips, you need to find the experts to do the job, like a contractor or you need to find a project manager that can go out and manage that project. That's kind of like a partner, but you only give them a percentage of the deal. The point with that is, is it keeps you off of it so that you can keep growing your business or spending time with your family or hanging out by the pool while they're out there working.



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Zach Childress: The point is, is this is where a lot of new people make the mistake. Is they go out and they want to buy a house and they want to do the work themselves. Because they think they're saving money. No, you're not. Okay. You're not a promise you. Now, if you've never done one before, do I suggest that you spend more time on that first one then you would own the rest of them? Yeah, absolutely. You want to understand it a little bit better. You want to get out there, you want to intertwine in it. You want to be part of it. See what the contractors are doing, see what's coming in and out, kind of follow time flow. Make sure you're managing your time correctly, time allotment, time management, things like that. But after that, you should just be managing the contractor. You shouldn't be on that job every day.

Zach Childress: It's a waste of your time. If you're managing that contractor correctly, then you're doing right. So, so let's talk about the very first thing, how investors lose money. Investors lose money on fix and flips or flipping real estate because number one way they lose money is they don't know how to determine after repaired value. The number one way, they take the speculation that they think it's going to sell for 200,000 by the time they're done the agent and then walks out there and says, Hey, you might get 180 for this because they jumped the gun. Number one way they lose money is they don't do their ARV correctly. They don't put the time and energy and to get that ARV dialed in, they just, they, they jump, they assume it's going to sell for a price and then they move forward. Remember we've talked about ARV on this training over and over.

Zach Childress: If you're in my masterclass, we talk about ARV. You've been to my live events. We talk about are we spent a lot of time in our trainings on ARV, especially for my wholesalers. This is important for you out there. I mean, we have a whole course called the Quick Cash Quadrant System and it's all around the four different ways to wholesale in today's market. And the beauty of that is we



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spend a lot of time on ARV because you need to understand that ARV is so important because so many people think that, oh well, this house sold for this mind should sell for this. Well, there's two forms of value in ARV. There's the asset value and there's the affordability value, and you got to know both of them so that you can really pin down your price point. So, you know this is what this property will sell for and I can guarantee it'll sell for that when I'm done with it.

Zach Childress: That's the mistake, number one that they make. So, number two, the number two, one of the main reasons that investors lose money is not controlling the bid, not controlling the cost of the construction. What does that mean? That's all within their contractors, right? The contractor, it's like they, they go out, they, they speculate that it's going to cost \$15,000 to do the job. They don't get their bids from a contractor in time. They go ahead and close on it. The contractor then comes in and says, oh, this is going to cost \$25,000. Boom. There you go. There's your profit's gone. I can't tell you how many times that has happened to students that I run into all over the US. Is that they, they, they go in, they estimated their own rehab, which they've never done before because how did they estimate it? I have no idea. But they assumed this is what it's going to cost. So, they go ahead and close on it.

Zach Childress: They ran all their numbers on \$15,000 to remodel and never once got a contractor to come in and validate their numbers. And then the contractor finally shows up and he comes back at \$25,000, boom, 10 grand gone. Just like that. That's why it's so important that when you're contracting properties, you better understand estimating costs. You better have a pretty good idea of what it's gonna cost you to remodel a kitchen. What it's going to cost you to remodel a bathroom? What floors are going to cost you, what a roof's going to cost you. That's why we have a, we do a whole training here in Huntsville for three days



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called Our in The Field Training with Zack. It's our bus tour. I take you through a 300-page manual to teach you how to rehab.

Zach Childress: So, the point with that is, is inside that training we teach estimating like how to estimate, how much sheet rock is going to take, how much paints it going to take, what's the flooring and intake. The point is you can get really close when you're doing it that way. But you should still have a contractor come in and say, look, here's what you want done. So, if you get good at estimating, you're usually going to be within a few thousand of each other. Okay? Like there's times where I've hit dead on with a contractor. There's other times where mine comes in and say 28,000, he comes back at \$30,000. But look at this. This is the manual. Like if you want to learn how to rehab, you need to be right here. This is where you needed to be Rehabbing Made Easy, with me.

Zach Childress: That's where you need to be. Okay, because this thing, I'll just give you an idea of all this stuff we go through. We go through the introduction to flipping, building your power team, picking the best places to rehab, evaluating your property, how we determine ARV, time management, how do we deal with time management on a project, running your numbers, evaluation worksheets, money for your deals, questions to ask the lenders and when we're getting funds together, working with contractors, this is such a powerful section, which is what we're talking about now. Most people when they're not doing it, they're not getting the inspections done, they're, they're just, they're not getting their cost to do the project done correctly. We have a whole inspection overview section that we talk about and the inspection overview section literally will walk you through an inspection so you learn how to do that.



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Zach Childress: And then pricing the projects and estimating. This whole section right here is literally all about how you estimate, how you estimate the demo side of it. How do you estimate the framing of walls? I gave you tips on it. How to estimate the electrical systems, how to estimate the plumbing systems, how to estimate the HVAC systems and what you're going to need. How to estimate sheet rocks and repairs, how to estimate windows that are going in, how to estimate bathrooms and remodeling all types of bathrooms and kitchens and the cost of that. The painting and the project. I mean, this thing is intense guys, the flooring, whether it's hardwood laminate, ceramic, vinyl, how we estimate the roof and how do you know what the roof is going to cost you. And not only is it the estimating, but it's also all about like, what's the timeframe that something like this should take?

Zach Childress: How do we estimate a deck or a porch, whether it's two foot or not, how do we estimate putting fences in on a project, the landscaping costs, foundation inspections and repairs and all kinds of stuff. And then we go into selling the property and all the contracts that are needed. I mean, it's a, it's a full-blown training. That's what it is. Full blown training right there, man. Oh, my goodness. I'm making a mess over here. I'm making a mess over here. So anyways, the point is, is the number two reason number one is ARV. Number one is ARV, okay? Number two is the contractor not getting your bids in line with the contractor. That's number two because that is a huge cost to you. When you, you lose money right there, you lose money from the ARV, you'll lose money and from the bid you lose money because if you don't have the ARV, right, then you got to drop the price coming out the gate.

Zach Childress: And number two is the bids. If you don't do the bids right, then you're, you're losing money right there. And that's the downside to it. When you think about it, I mean those are two things you can control by just doing this stuff you need



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to do correctly. Those two things. Now, the third one that I want to talk to you about is all about buying the property in the right area, right? But we have a topic in here called picking the right market. We also have training in the masterclass called market segmentation and zip code matrixes and how you build a cluster zone number three, rule number three rule that most investors lose money and it probably should be one of the number one rolls, but it is all about students will go out, they'll find them a house. They'll run some numbers on it and say, oh, this looks like a good deal.

Zach Childress: I'm going to buy this one, but it's in an area that has no movement. So, what happens is, is they then fix it up and they put it on the market and guess what? It sits and it sits and you got to drop the price and you got to drop the price and you got to drop the price and you've got to drop the price and you got to drop the price to where. Next thing you know, you're lucky if you're making any money on the deal. Those three main focuses on why investors lose money on deals is right there. Number one, let's just call it picking the right market. Number two, of having a true Arv, and number three, getting your bids in lined with each other. Those are the three things that will kill you on a deal. If you understand clustering and you understand segmentation, then you're good, you're really good.

Zach Childress: If you don't understand clustering and you don't understand zip code matrixes, then the challenge is that you're going to buy a property and then you're not going to be able to sell it, which means that you're going to have a hard time making your money. Same thing with ARV. If you can't figure out how to get your ARV together, then you're going to be sitting in a position where what you thought you were going to sell it for isn't going to happen. Now you've lost money. Number three, if you assume and you haven't had the right type of training to figure out how to cost projects out and you assume that you can and



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you go out and you go bid this property, then higher then close on and then hire a contractor to come bid it, you're going to lose money because here's why. Two things can happen with that.

Zach Childress:

Number one. Number one is this, you could say, I've been at this at \$20,000. The contractor comes in and says, oh, it's going to take 28,000. You're going to say, oh, that's not in my budget it's 20, so now what do you have to do? You got to cut \$8,000 out of your budget. So, what does that do? It affects the overall presentation of the property when it's done. So now you've got this property that you're trying to sell for top dollar that you had to cut out. You had to cut granted out. You had to cut hardwood out. You had to like do some cheap carpet. You had to start cutting corners to get this property within budget so you can make money. And the problem with that is now you're selling an inferior product, which you're not going to make what you thought you were going to make on. Or what do you do? You go with the 28,000 and you still don't make the money.

Zach Childress:

Now tell you what I would do. I would just go ahead and do the \$28,000. I would rather have a product that's finished to sell quickly and make less than to try to cut corners so that I could try to make more, which I'm going to end up making less anyways. So, those are just three main things guys. Now you shouldn't look at this as the, it should fear or fear or to run you off. You should look at this as knowledge and how to, how to master flipping. Because listen, we're in a money grab market right now and you need to be grabbing the money. You need to be focused in and grabbing the money right now in flipping is where it's at. There's a demand for houses right now and let me tell you something, guys, you better, better be ready for it.





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Zach Childress: You better be in it and you better be making money right now because let me tell you something. When the market turns again and it's coming, it's coming, listen to me. It's coming. You need to be ready to buy. You need to be in a position to start buying as much as you can when these prices are going down and you need to be in a position to start sticking renters in them and let them rent for the next three, four, five, six, eight years. Who cares? As long as its cash flowing for the market to turn again. And when it turns and it comes back up, then you sell those houses and that, my friend is how you make more money in a downturn than you'll ever make in a hot market. Listen am I making money right now. Yes, of course I am.

Zach Childress: Did I make more money when the market crashed? Yes. More money than I've ever made and a market cycle is made during the crash. So, I'm waiting for it. Like I'm like sitting like a fat kid waiting to eat cake. Like I'm just drooling waiting on this market to turn and prices to drop and foreclosures to increase. Like I'm waiting for it because I know that's when I'm going to come in and make a whole nother world of wealth when that happens. So, you guys need to be in it to win it. If you ain't in it right now and you're sitting on the sideline and your questioning and hoping and praying that you're going to start one day, you're not going to start. Go back to your nine to five, clock in, clock out. Wish that you could do something different with your life. Okay?

Zach Childress: Now, if you're the type that sitting on the fence and you're like, oh, I want this, I know I need to be in this, but I'm scared. I don't know what I need to be doing. Then you just need some help. You need a coach. You need a mentor to help get you where you need to be. That's what you need to help you overcome those fears. Because let me tell you, it can be fury, fury. It can be fearful, but you got to get in guys. You got to get in it. Here's why. Do you know how many people I met that had said, Oh, I wish I would have bought properties in 2010 and 11 and



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12 and 13. I wish I had caught that downturn. Yeah, well guess who did this guy, this guy did? And I'm sitting there going, yeah, I'm glad I did.

Zach Childress: Look, I was buying fourplexes in my market for \$60,000. \$80,000. That was bringing in \$2,000 a month in rent. Right now, to buy a fourplex here you're paying 170 180 because why? When everybody was scared, I was buying. They're scared. If your scared don't play. You know, just don't play. Let me tell you something it's coming again. And do you want to be the person sitting on the couch going, oh honey, we missed another one. We missed another one. That's going to be you if you if you don't get up off the couch and do something. And get out wholesaling as fast as possible. Start rehabbing, get yourself a coach, get yourself a mentor, invest in yourself and get a coach and get somebody that has the experience that knows how to help you. Like myself and my team, this is what we do. We run an education company that helps people like you get educated so you don't make mistakes.

Zach Childress: You don't lose money. You grow a real estate business just like I have over the years, just like Jill's done this year, just like so many of our students that have followed that path and become successful, but you got to start with you.

Jill: Can I just say something there for you too? In regards to the coaching, I don't think that we would ever be where we're at without coaching. Even though I work in this business for four years before we even started, you still hired a couch.

Zach Childress: I'm telling you, you can't do it alone guys. You can sit there and go watch all the freaking webinars you want to watch. You can read all the books you want to read, but until you get somebody to help you, you're going to be sitting back



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wishing you'd done it. I'm going to tell you would have you. Here's why guys, I'm going to be sitting here. I'm going to be teaching people and I'm going to be educated for years to come. Maybe not at a massive level, but I'm going to be putting my fingerprint in this world and helping people change their lives. Okay? And to say that is to say that I'm going to be sitting here when the market turns and people aren't going to do what I've told them to do and when it comes back and I'm building a whole other wealth of wealth selling properties, making millions of dollars, they're going to say, oh, I wish I would've got in back then and I'm going to say, yeah. That's why you need somebody to knock you upside the head and say, just shut up and listen to me. Sometimes we need that. You understand? Sometimes we need somebody just to say, shut up and listen to me. Like obviously you have not figured out your financial life because you wouldn't be where you are and I have, so just listen, just follow the direction and that's how things get changed.

Zach Childress:

You got to drop the ego. You got to let it go. Look at me I had ego guys. I didn't even want to hire my first coach to help me with my rehab business. I thought I had it figured out. I'd watched all the TV shows, read all the books. I thought I had this. Why would I hire a coach? That's just more money I got to pay that I don't need. I didn't look at it as an investment. I didn't look at it as training myself and getting myself prepared. I went out and lost a \$100,000 on my first rehab because my ego got in the way. So, you need to be thinking about that okay.

Jill:

I'm so thankful for a coach on our first official rehab. Yeah. Cause then if anything goes wrong you know who I'm calling.



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Zach Childress:

Be glad your coach didn't let you get that first one you looked at. So, but the point is, guys, you need to think about rehabbing as a primary investing strategy right now. Let's just call it what it is. Wholesaling needs to be in your arsenal, no matter what you do, rehabbing needs to be your primary focus. Wholesaling needs to be in your arsenal rehabbing these to be your primary focus right now. Because you want to build up the cash so that you can be prepared to start buying as much cashflow properties as you can, now and when the market turns. So, you've been listening to The Real Estate Investing Talk Show, I'm 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, [ReiSuccess Academy.com/web](http://ReiSuccessAcademy.com/web) class and register for my free web class where you'll discover how to escape from the nine to five grind your own boss in real estate. See you there.