**The REALTOR® to REALTOR® Series**

**Where Should Real Estate Pros Cut, Spend Money?**

[00:00:00] **MARKI LEMONS RYHAL:** A business owner like you needs to watch every penny. You need to know how much money you're bringing in, how much money is going out, and where you're spending it.

[00:00:10] **JOHN LETORNEAU:** You can't say, “Oh, I got ten grand in the bank, I got ten grand to spend.” You might not have a penny to spend.

[00:00:14] **MARKI LEMONS RYHAL:** Aside from your business expenses, you also must make sure you're putting enough cash away for yourself.

Do you have a system for that?

[00:00:22] **MOSES HALL:** You don't want to be in your seventies and eighties running around showing 20, 30 homes.

[00:00:27] **MARKI LEMONS RYHAL:** You're listening to Drive with NAR, the REALTOR® to REALTOR® Series, powered by REALTOR® Magazine. Listen as real estate pros talk tools of the trade and share stories of inspiration. Get ready to step up your business.

I'm Marki Lemons Ryhal, and talking about, or even thinking about money can be stressful. But you must take control of your finances to ensure the health of your professional and personal lives. I have two guests who are going to help you break your finances down in a workable way. Moses Hall is the founder and CEO of MoHall Commercial & Urban Development in Chicago.

He was featured in an episode of NAR's Level Up video series about financial wellness. Glad to have you, Moses.

[00:01:19] **MOSES HALL:** Thanks for having me. It's a pleasure to be here.

[00:01:21] **MARKI LEMONS RYHAL:** And John LeTourneau is managing director at Keller Williams Realty Infinity in Naperville, Illinois. He's also a real estate educator who focuses on helping practitioners build wealth through property investments.

Thank you for being here, John.

[00:01:38] **JOHN LETORNEAU:** Thanks, Marki. Excited to be here with you and Moses.

[00:01:40] **MARKI LEMONS RYHAL:** Well, you know what? I have two phenomenal people here today. First let's define what we mean by financial wellness. Most people think of their personal finances, and that's part of it. But when we talk about financial wellness and real estate, what exactly are we talking about?

[00:02:00] **JOHN LETORNEAU:** Well, that's a great question. And what you're really talking about is a financially sustainable and healthy business outside of how much money you put in your pocket as a practitioner or as a, as real estate professional. It's about making sure you have a sustainable business that can last through ups and downs because markets do shift, setting up your accounts correctly and really making sure that you can weather the storm, but also grow and then continue to invest.

And you had talked before about people get nervous about talking about money. What's interesting is, like I'm slightly dyslexic, what I do is help people build multi generational wealth through investment real estate. So you figure why is someone who's not really good at math doing this? Well, I'm really afraid of math. I'm bad at math. But when you put a dollar sign in front of it, I get really interested. So when the dollar sign’s in front of it, we all talk money. So let's talk money and have some fun here.

[00:02:41] **MARKI LEMONS RYHAL:** Oh, I love it. Let's talk money, Moses.

[00:02:45] **MOSES HALL:** Let's talk it. Let's talk it. You know, one of my favorite quotes growing up that my parents instilled in me was “If you fail to plan, you plan to fail.”

That really stuck with me when it comes to financial wellness and business planning. Uh, one of the things, it's not just personal finances. We understand in business that there are ups and downs. And if you don't account for that in your business, it can have effects on you, how you can sustain in this industry.

[00:03:11] **MARKI LEMONS RYHAL:** Well, as members of the National Association of REALTORS®, we also have the Center for REALTOR® Financial Wellness that can be found at FinancialWellness.realtor. There's an abundance of resources there that we can implement relatively quickly. And, I want to just say there's a young lady, she is a liaison, Sarah Ware. And if it wasn't for Sarah Ware I think that my finances would still be in disarray.

Because of Sarah I decided to put myself on payroll using Gusto and then to start investing heavily in myself so that my retirement funds could grow because I hadn't set aside any retirement funds. I was relying on my spousal funded pension plan from Union Pacific Railroad. So due to the tools that we have available, Sarah shared those tools with me and I started to get my financial retirement life in order.

Newer, and even more seasoned pros may struggle to decide what tools to spend their money on to help their business grow. Can you each talk about how you decided what to and not to spend your money on when you started in real estate? Moses, we'll start with you because you were young when you came into real estate.

[00:04:30] **MOSES HALL:** Yes, I came pretty much fresh out of college into the real estate industry. I went to Columbia College. Shortly after graduating I had the real estate bug and decided to jump right on in. So I came into the industry at the tender age of 23. And it was, you know, being a pretty much broke college student, trying to navigate the real estate industry was definitely a struggle, but I had a good managing broker that gave me the basic tools and resources to kind of launch my career.

And I just kind of went back to the basics and principles of, you know, reaching out to my network. Like you said, using your phone. You have so much business in your phone, reaching out to your sphere of influence, letting people know that you're in the industry, can do so much, so much for you and your business.

And like you said, I have unlimited text message so it costs nothing to reach out to someone and let them know that, “Hey, I'm into the real estate industry.” And from that, I was able to get referrals and got, kind of got my first deals from there.

[00:05:27] **JOHN LETORNEAU:** Well, I think Moses nailed it when he said your network is your net worth, right?

And it is, and you got to lean into that heavily. The other thing I was blessed at was I got set up early on, on QuickBooks way back in the day, and I've just been absolutely ruthlessly disciplined about it as much as I hate that monthly charge they hit me with now, cause they change it from a product to a monthly, whatever, setting up my accounts early on was one of the keys and just really being disciplined and balanced and going, look when this comes in, you know, a certain amount’s going to operating, certain amount goes to taxes, a certain amount goes to reserve. And I always take another amount and set it for investment and future growth and wanting to get off the merry-go-round at some point. So being really disciplined and setting up my banking accounts well and setting up QuickBooks and just being disciplined, but everything goes in it, everything.

And then also having an accountability appointment with myself to go, “You need to check on this and see where you're at.” You can't say, “Oh, I got 10 grand in the bank. I got 10 grand to spend.” You might not have a penny to spend. You might be upside down and underwater unless you're tracking it. Cause if you don't measure it, you have no idea if you're succeeding at it.

[00:06:20] **MOSES HALL:** I wish I had learned early on when I got in the industry about taxes, setting aside for that, cause my first year definitely didn't realize, Oh, this is not all me, you definitely have to cushion for that tax.

[00:06:34] **MARKI LEMONS RYHAL:** Well, you know what, Moses, when I'm talking about getting my financial life in order back in 2020, I actually owed the IRS $163,000.

I'm elated that I paid that off. It was over multiple years. And, you know, I'm starting to think, “Hey, one day you will retire. You have to get your finances in order.” And so I had been in the industry 21 years before, you know, I took key to losing everything in the foreclosure crisis, having, I would say an extraordinary amount of IRS debt.

And when I did come into real estate, I instantly knew that I was going to allocate 10 percent to marketing. So if I was to go back to 1999, I came in as a lone originator. My automobile was wrapped, I had billboards, bus benches, was running a classified ad in the back of the Sun Times every single day, because I knew that it was my responsibility to attract the leads. I had the marketing aspect down, but my finances were in total disarray and you actually can sleep better when your money is in order.

What about technology? We talk about shiny object syndrome, where real estate professionals can be distracted and think they need to invest in every innovation that comes out.

From a financial perspective, is that a good strategy, John?

[00:08:02] **JOHN LETORNEAU:** Oh, God, no. Here’s the deal. You know, there's a, I think it was a pole thing showed that the average real estate brokerage hands their broker about 17 tech tools of different varieties and flavors, and most only ever use three. So there's so much shininess out there and everything's new and you're driving home with the version 5.0 of a computer and they're putting the billboard up for the version 6. 0. So shiny things don't do it because these are simple, fundamental things. They're not complex. It's just hard to stay disciplined. And the shiny thing will take you to, “Oh, this is success in a box. It's success in an app.” That is a false, false dream to chase.

And so when you are looking at shiny things like that, think about the fundamentals. And at your fundamental level, what do you need? You need a way to meet people, to engage them and to connect people to people and people to things. And that's what we do as licensees. We monetize the connections. So I need a CRM to absolutely diligently track that.

And a CRM is not Excel. It's not what I remember. It's not notes. It is an actual client relationship manager. Then you need a way to actually reach the people who are in that. And then you need the technology to bring property to market. And at the end of the day, those are the three basic tools that you can succeed in brokerage.

Everything else is shiny, right? And get down to those three fundamentals and just grind on it.

[00:09:10] **MARKI LEMONS RYHAL:** And John, if we go back, I think I just had an Excel spreadsheet, but I was diligent at adding contacts to that spreadsheet every single day. Most real estate professionals don't have enough contacts in their customer relationship management system to support the business in which they desire.

So a good rule of thumb is we should add eight contacts to our customer relationship management system per day. Because that'll net us right at 2,880 contacts. If you do it every day, you actually have more, but if we have that amount of contacts in our customer relationship management system, we should be able to close 20 transactions out of 2,880 contacts.

So the reason most of us don't earn what we desire, because we aren't using that customer relationship management system.

[00:10:00] **JOHN LETORNEAU:** Marki, can I jump on something real quick you said, and it was really important? Which is you're looking at the outcome rather than the input saying, “Hey, I want to earn this or I need to get this many transactions done.”

Like if someone hands me one of those little mazes on a placemat in a restaurant, I always start at the end. And I work my way backwards because you have to induct and you've got to go backwards and deduce back to what do I need to do? And when you're looking at a neighborhood, when you're looking at an area you want to practice, a field of specialty, what you need to first determine is if what you're looking to work in, if there's enough to eat there. So you need to look at the transactional velocity, the volume and understand, are there enough transactions happening in the area or the property type I want to do to achieve the income level I want and go backwards and say, I need X amount of closings at X dollars.

I need to then go backwards and say, what's it going to take me to have enough meetings to get those listings? What's it going to take me to get enough contacts to get those meetings? How do I get in touch with them? And then that's how many people I need to put in my database. And if not putting those people in and I'm not engaging them regularly, I'm giving myself a pay cut in the future.

And I know it sounds very analytic, and it is, but you have all those tools at your fingertips with your MLS, with InfoSparks, with other data tools. You can easily find this out and understand if there's enough to eat where you're working.

[00:11:04] **MOSES HALL:** And I also want to add really quickly in regards to tools in our MLS, there are actual tools that tells you the probability of a seller selling their property and they can predict if there's no mortgage, if they've owned the home for 20, 30 years, the age of the owner, maybe they're looking to cash out. And so, like you said, if you can get into that data, it can increase your pipeline and closings.

[00:11:31] **MARKI LEMONS RYHAL:** I often joke, but in undergrad and grad school, I thought statistics was the dumbest class. I absolutely hated statistics, right? And then when you come into real estate and you're looking at predictive analytics and the probability of something occurring between zero and one, you start thinking to yourself, “Oh, I should have paid more attention in stats,” because it just, it did not appeal to me.

But as business owners, consistently, we need to understand the probability of something occurring. And one of the values of our membership is NAR’s strategic business, innovation and technology team. They're vetting emerging real estate innovation for us and identifying the most promising tech tools. Also, we're going to have the IOI summit In Chicago in August, where we will be talking about innovation opportunities and investment.

Sit tight for a quick word from our sponsor.

Unlock the power of IRC 1031 tax deferred exchanges. Our three part series starts August 7th, offering essential tips to boost investment strategies, enhance cash flow, and fund retirement. Register and save your spot at nar.realtor/cffw/summits.

Let's talk about preparing for retirement. One of the best ways real estate professionals can build wealth for the future is through property investment. But we know that few members are taking advantage of this path. Why is that? And why is property investment such a strong retirement plan? And I don't even know who to start with, cause I know you're both passionate about this. Hop on in.

[00:13:27] **JOHN LETORNEAU:** You know, I have my three minute rant on this, but what I would have to say is our business should be focused on probability over possibility brokerage. Is it possible that someday your cousin’s uncle's friends might buy a house? Great. But is that where you're betting your financial future on? I wouldn't do it. Okay. Build it on high probability, high consistency contact, and keep on rolling your business forward. So when you look at real estate investment. Real estate investment relative to stocks, bonds, 401ks, and traditional investments has many advantages. It has some risks and disadvantages. It's a liquid, markets can shift. Absolutely. However, when you look at the advantages we have as full time real estate professionals, we have tax advantages that no other profession in the United States has regarding passive losses. We can, we have market intelligence. We have the ability to invest and do incredible things.

And for you to not take advantage of it is just sad to me to see, because I see, I teach investment classes across the U.S. and I see so many people come to me at break and go, “Hey, I'm in my seventies. I got about 20 grand saved and I want to retire next year.” And I'm like, you're pretty much going to be working up until the day you die at this point, because there is no forward future there. You're not going to be able to replace your income.

Where does real estate investment fall in that? Real estate investment provides, you know, straight up cashflow. Absolutely. Market appreciation. Yes, but don't ever bet on market appreciation. Depreciation is the unsung hero of how to protect cashflow and how to put money in your pocket tax free when you use depreciation intelligently.

And if your accountant doesn't know what your tax status is as a full time real estate professional and how to use depreciation really, really well, you need to change your accountant. Okay. So, All the advantages in the world. And then thanks to our Section 1031 tax deferred exchange, and I love 1031s. It's the one section of tax code I teach. My birthday is 10/31, Vanilla Ice's birthday is 10/31, my grandparents' anniversary is 10/31. Seriously, it's been in my life my whole time, and I even have, you can't see it, but I have a copy of Vanilla ICE's To the Extreme on cassette in the original plastic that I use on my desk as a prop.

Okay, now we're all just singing that in our heads, right? Ice Ice Baby. But that Section 1031 is so powerful to move wealth through generations and to defer capital gains tax and work in tax deferred environments. So to give up all those advantages, please real estate professionals son't do it. Just start investing.

Okay. The best day to invest is yesterday. The next best day is today. The third best day is tomorrow.

[00:15:38] **MARKI LEMONS RYHAL:** Wow. Moses.

[00:15:40] **MOSES HALL:** I think as a young professional jumping into this industry, one of the, you know, scariest things is trying to, like you said, cushion for the future and plan for retirement, but also just having the funds to do that.

And one of the creative ways that I'm jumping into real estate investing is I realized that I have a lot of out of state clients in different markets that buy locally here in Chicago. And I realized that they're not here locally. They need some boots on the ground. And also definitely run the deals and run the flips and different things of that nature.

And so I want to offer those that maybe don't have the 20, 30 percent down payment for an investment property. You can sometimes partner with your clients. If you're vetting the deals and you believe in the deal. There's a way to kind of get into real estate investing that way as well. Even if you own a small percentage of the deal, if you start to do a hundred deals of 1%, you know, that definitely adds up over the years.

So definitely want to encourage those to do that retirement planning. Cause like you say, you don't want to be in your 70s and 80s running around showing 20, 30 homes. Some people love it. That's perfectly fine. But most of us do want to be retired on a beach somewhere and living our best lives.

So I know for me, I definitely want to do that retirement planning. And then also the Financial Wellness Center, they offer different webinars and seminars on how you can plan for retirement, like IRAs and different ways that you can leverage that to invest into real estate. So I definitely want to encourage our real estate professionals to look into different seminars and webinars on this very topic.

[00:17:18] **MARKI LEMONS RYHAL:** We were recently at Broker’s Summit and I was going to leave out of a session. I had had enough. I was going back to my room and I came back and within one minute I was captured by the speaker because even though I'm investing into my SEP IRA and my Roth IRA, I had totally forgotten that I could leverage it in order to buy real estate and could potentially even do 1031 exchanges. And I sat there and I said, “Oh, I have enough money to be my own bank” and I never even thought about it. And so you definitely want to go to FinancialWellness.realator. It feels pretty good, you know to say be your own bank, Private Client at Chase.

These are the things that you get to do when you are responsible about your money. And if you go back to what Moses said, you are planning.

[00:18:12] **JOHN LETORNEAU:** I want to get to one big picture thing that you talked about Moses, which is like you start investing a bite at a time. When you start investing like that, it starts so slowly, you don't even think it's moving, but then once it gets going, it goes so fast, it's like, you can't stop the train, which is phenomenal.

Cause at the end of the day, what you should really be seeking is a freedom number, which is what does it cost me to live? And what's it going to cost me to live when I'm done when I'm 50, 60, 70, I don't care. Pick your number. If it's going to cost me a hundred grand a year to live when I'm 65, what I need to do is start planning enough investment seeds right now so that it spins off enough cashflow to get me to a hundred grand a year by the time I want to walk away.

And the first time that my passive income from stocks, bonds, real estate exceeds what I believe my daily living expenses would be is the first day I'm actually financially free in this world. It's the first day my employment is optional. It's the first day my life is optional. I can be like, “Hey, let's go.”

And then start thinking about now it's not about what I can get, but now what can I leave? What kind of legacy can I leave for the world, for my kids, for Bob's Alligator Farm? I don't care what it is. Then start thinking about what can I leave for the world to make it a better place.

[00:19:10] **MARKI LEMONS RYHAL:** The Alligator Farm.

We're talking about…

[00:19:13] **JOHN LETORNEAU:** My dad threatened us with that as kids all the time. He's like, you're not getting a shekel, Bob's Alligator Farm in Florida is gonna love me the day I die. I was like, we've never been to Florida, I don't even know where this farm is. Dad, tell me.

[00:19:24] **MARKI LEMONS RYHAL:** Well, I'm over here laughing cause, wait until I wear this t shirt, Bank of Marki, okay? So there you go. We're talking a lot in the industry right now about demonstrating our value to consumers. In previous conversations, we had talked about how there's a link between financial wellness and demonstrating value. Can you help us understand that?

[00:19:46] **JOHN LETORNEAU:** Absolutely. When you look at our value in a transaction is our value of representation, right? There's value to be being represented in a transaction by a professional who is compensated professionally. Okay.

So when you look at that, our value of representation and the value of representation classically goes down to three things. This listing or this buying assignment is the right assignment for me. I have the skills to do it. Looking at Article 11 of our code of ethics. Number two, I have the right technology platform, brand brokerage, whatever that is to accomplish that mission, whether it's buying or selling the home, marketing it, finding the right properties. Number three is I'm the right broker for the assignment.

So I'm the right broker. It's the right listing and I have the right platform. Those are the three legs of what I call the value of representation. It's like a stool. And if a leg is missing, you're going to fall over. So people are not going to see value in the, in you, unless you have that ability to demonstrate those three things to your clients.

When you do that, people will happily compensate you for that because they understand you're accomplishing for them, something they can't do for themselves and something that someone else can't do better. And that is absolutely, your compensation will be tied to that. And you're going to go, “Hey, look, business is actually easier once I learned my value prop.” Because then you're being compensated as a professional and off you go.

And you're not hoping and begging and facing possibility brokerage over probability.

[00:20:53] **MARKI LEMONS RYHAL:** Oh, those were nuggets.

[00:20:57] **MOSES HALL:** I always believe in operating with ethics and putting my client first. That's a priority. That's how you definitely show value. But at the end of the day, everyone's looking at the bottom line. If you can show that your client, that you've made them more money or saved them money, that value proposition, your compensation pays for itself.

And I literally have done that just for a client where I was selling a building and they thought the value was less than what market was. And they were actually shocked that I was able to get them Over 75,000 more than what they thought their property was worth. Now, if they would have did for sale by owner, they would have gotten significantly less, but the power of using a real estate professional netted the more money.

And so that right there speaks to the value that we can provide as real estate professionals or catching little things that were in contracts that you can advise your client on. I think that value of saving money or netting them more money definitely shows what our value proposition is.

[00:21:58] **MARKI LEMONS RYHAL:** Okay! Let's give our listeners some marching orders.

What would you advise professionals to do right now on their road to financial wellness?

[00:22:07] **MOSES HALL:** I think it's important to learn how to pivot during different market climates and position yourself for multiple streams of income. It doesn't mean go to different, you know, industries, if you're in real estate to go here, go there. You can do subset of passive income strategies within real estate.

And so I think that's really what's key in terms of planning. Don't put all your eggs in one basket. Whether, like you said, if you are a real estate professional, maybe property management may be another revenue stream, maybe consultant work may be another stream, maybe working for a bank or foreclosure or doing short sales, just figuring out kind of where you can pivot to add additional income to your real estate business.

[00:22:55] **JOHN LETORNEAU:** I absolutely agree. It is not an HGTV show where every problem is solved in 30 minutes with three properties. It is doing the same thing over and over again and being absolutely disciplined in your lead generation, adding people to your database, staying in relationship with them, and harvesting those relationships.

So, being agile enough within the realm of Article 11 to know, hey, I need multiple streams of income, the average millionaire has seven or more streams of income. They're rarely ever a one trick pony. Okay. Unless they inherit it, which, hey, if anyone's got a rich uncle, I'm happy to be inherited, uh, or to be adopted, right? Even at this late age, I'd happily be a good son.

But at the same time, lead generation is the key to it. Staying disciplined in your systems, but looking at multiple income streams is absolutely key to what you're doing. Avoid the shiny things and start investing early and often. You know, head for Center for Financial Wellness, learn, get involved, be part of the community and raise your hand.

And here's the other thing. This is embarrassing for people to go,”I have no idea what I'm doing. And my finances are a train wreck.” Marki, you were brave enough to tell us that story about you and Sarah. And I love Sarah Ware. She and I spent some time in Halifax as a CIPS student of mine. She, I love her.

She's wonderful, but she is direct as can be right. And if you think Marki is direct, you got to meet Sarah Ware. Okay. But at the end of the day, raising your hand and be like, “I'm stuck. I don't know what I'm doing. I have a problem.” Having the courage, the bravery to say that you will find help that you didn't know existed.

[00:24:10] **MARKI LEMONS RYHAL:** You mentioned Article 11 and that means to be competent, right? And so with all of these different strategies, they want to build up, uh, their educational arsenal in order to be competent. And when I think about the value of being a REALTOR® member, I'm actually going to go back to 2007 when my husband drove me up to Appleton, Wisconsin to take them the SFR course.

We used to actually call it the short sale foreclosure resource. And then that was a mouthful. So it was shortened to SFR, and it allowed me to navigate the world from 2007 until 2012. And if we go back to another pivotal point, the global pandemic, if it wasn't for our government affairs directors, we would not have been deemed essential.

And now when we look at what's going on, I believe that we have every tool that we need in order to be successful. The one thing that I would encourage any REALTOR® member to do, and that would be to put themselves on a salary. Every dime you earn is not your money. And if you put yourself on a salary, make sure that you're allocating the taxes so that at the end of the year, you will not be shocked.

And so if it was just one thing to do today, make sure that you set a salary just because you might bring in $700,000 does not mean that you have $700,000 to spend, but that also means that you need to establish a household budget. Remember that you can always go to FinancialWellness.realtor for additional resources.

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