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Real Estate Investment for Beginners

Surefire Ways to Succeed

By Sal Vannutini

www.fixerupperfortunes.com

www.foreclosurewizard.com

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About The Author

Sal Vannutini has successfully renovated real estate for personal and investment purposes for over 10 years.

His love of renovating and real estate allowed him to secure his financial freedom by the age of 40. At the time of writing, he has retired from his "real job" and spends his time renovating for fun and profit, as well as hanging out with his wife and children.

Sal's experience also comes from his 11 years in the real estate profession. That, as well as his "in the trenches" experiences as a full-time renovator and investor, is why he knows what works when investing and what doesn't work in real estate.

He is also an internationally-recognized author and highly respected speaker on the topic of investing in fixer-uppers.

Sal has published several books including "Renovate For Profit", "Fixer-Upper Fortunes" and his #1 selling online home-study course, "How To Make Big Profits Fixing Up Houses: Quickly", and developed his exclusive foreclosure-investment software "Foreclosure Wizard".

Sal wants to help all readers of his new book to create your fortune in real estate and quit your job forever!

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Visit www.foreclosurewizard.com and get your special report "How To Make Real Cash In Foreclosures" and download your free trial version of this simple to use investor software.

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Introduction

One of the aspects I enjoy most about what I do is helping new investors not only get started in this business, but learn what not to do as well as what they need to do in order to be successful. While there are plenty of errors that can be made in real estate investment, there is also sufficient room to learn and grow. In the early days, I certainly made plenty of mistakes myself. Some of them I don't even want to think about and others I can't help but smile about when I think of them.

You see, everyone makes mistakes in this business. There's always something new to learn and half the battle of winning in this industry is learning from those mistakes.

Fortunately, I had some people to help me along the way; pick me up when I fell down and point out the multitude of mistakes I made as well as provide solutions for them. As I said, I was very fortunate. I recognize that there is an untold number of people out there who are not as fortunate as I was.

They do not have the same mentors I had who were ready and willing to provide me with the benefit of their years of experience. The key to success in this business is the willingness to admit that you've made a mistake, learn from it and get the help you need to keep from making others.

That's what this book is all about. I have been fortunate in this business and I owe much of my success to sheer, raw determination, persistence and the help of those who had gone before me. In the same way that many others have helped me through the years, I wish to provide you with the benefit of the experience I have gained through ten years of fixing up houses and selling them for profit.

And surprisingly, it's not all about facts and figures. It's also about providing you with the other parts of the success puzzle which are often ignored by mainstream educators.

One of the worst things about getting started in real estate investment is being forced to listen to all of the people who would seek to steal your dreams, tell you that you just simply can't do it and that you're bound to mess up.

Instead of telling you about all the possible downfalls in this business, I would prefer to lead you through the 101 most important tasks you must tackle to succeed. These are steps that I have either encountered personally in this business or in helping clients achieve their own personal success.

With each step that I've listed, it is my goal to explain why this action is important and to provide some insight to help you find your own way toward a winning strategy.

Whether you wish to become a real estate mogul, or simply sell your home for the highest price, or are looking to save thousands when buying your next home, you are certainly at the right place!

Here's to your ongoing success.

Sal Vannutini

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Getting Started

Get Started Early. The Best Time is <u>Now</u>

While it's never too late to get started in real estate investing, it is a mistake to keep putting it off because you think the time isn't right. If you are serious about building a portfolio that will allow you to maintain some financial independence and possibly retire with a comfortable nest egg or even retire early, it's important that you get started NOW.

Unfortunately, most people put off getting started in real estate investment because they are either afraid of failure or concerned that they won't be able to get involved because of little/no money. Another portion of the population simply does not know how to go about getting their first deal started and so they waste precious years thinking "What if?" and "If only…"

Real estate investing is one of the safest investment vehicles around. Sure, there are plenty of ways that a real estate deal can head south (hence the purpose of this book) but, when you take the time to educate yourself, real estate investing is quite safe.

As for start-up funds, there are plenty of ways that you can get involved in real estate investing with very little to no down payment. Furthermore, you don't even really need great credit. This usually comes as quite a surprise to most would-be investors who assume they must have an A+ credit rating and a small fortune socked away in a savings account. Nothing could be further from the truth.

Use Private Investors to Kick-start Your First Deals

Many would-be investors feel they are unable to get started in real estate investing because they are unable to obtain the financing; usually because of a poor credit history. So, instead of getting off their duff and making something happen, they sit around and think "What if…?"

Using private investors can solve this problem quite easily. Many people, some of whom you may already know, are quite willing to fund such a deal in exchange for a return on their investment. There are plenty of people around who are willing to help back you in your first deal because they recognize the safety of real estate investing and know that by investing in real estate, they can earn a larger return on their investment in a shorter period of time than if they put that same amount of money in another type of investment vehicle.

While you will have to share part of your profits - that's a small price to pay for getting started on your first deal, and it's certainly better than making nothing at all.

Besides ready availability, there are numerous other advantages when working with private investors. Unlike traditional lending institutions, you generally won't have to go through tons of red tape with a private investor and you also usually won't have to worry about credit approval. These two factors alone make private investors a gold mine of an opportunity.

Also, due to the fact that you won't have to complete mounds of paperwork, you can also generally have your money in hand far sooner than if you took the conventional loan route.

Believe in Yourself

An untold number of people never even begin in real estate investing because they are afraid of failure and simply do not believe in themselves. They listen to other people who have nothing positive to say; whose only goal seems to be to steal the dreams of others and crush them into dust.

Much of your success will come from believing that you can actually do this. There will be plenty of "nay sayers" along the way. There will be plenty of people who will flat out tell you that you're nuts and that your plan will not succeed. You'll need to learn to tune them out and develop a positive mindset to succeed. Keep saying, "I think I can; I think I can…" until you DO!

Remember that you do not need to be super intelligent in order for this to succeed. You must develop a positive, success-oriented mindset and think like a winner. Finding a positive minded mentor can go a long way towards helping you develop the right mindset and keep it there.

Take Action

Many people never move forward in this business because they are afraid to take a leap of faith; afraid that it just won't work it out. You'll never know unless you try, and sitting on the sidelines wishing never got anyone anywhere.

The only solution for this one is to simply do it. Don't even think about it; don't try to justify it; don't try to rationalize it, just do it.

Listen Wisely

There are plenty of people out there who seem to have an opinion on everything. You've run across the type. No matter which direction your conversation heads; they either know something about it or have experienced it and just love to share their miserable experiences and depressing knowledge with everyone around them.

If you believe everything you hear in life, you would spend it hiding under a rock. Learn to sort out what's true, what's probable and what is pure and simple untruth. Take the time to find a mentor who can steer you in the right direction when you don't know which road to take.

Become Involved with other Investors

Some new investors seek to isolate themselves from other investors for one of two reasons: either they are afraid that their lack of experience will be revealed and they will be embarrassed or else they are afraid of the competition and so they keep their distance.

Most investors are more than happy to take a new investor under their wing and show them the ropes. We've all been there; we know how tough it is and like to take the opportunity to give back whenever possible. This is business; not kindergarten.

Unless you run across a real jerk, no one is going to laugh at you because you are less than experienced. If you do run across that occasional jerk; just ignore him because he's the one that's an idiot, not you.

And while, yes, this is a competitive business; it's a mistake not to get involved with other real estate investors or take advantage of a real estate investors association membership because you are concerned that you will somehow lose out on a great deal by networking with others.

Not only will you gain valuable insight and education but you will also be able to rely on the strength of those who have been where you are when you are starting out. They can keep your courage bolstered.

Finally; believe me; there is plenty of business to go around.

Educate Yourself

Very few people go into real estate investing already armed with all the knowledge they need to succeed. Many learn as they go, pick up tips from experts in the field or educate themselves through a variety of other resources. You are not going to know everything going in; it's that simple, but there is no excuse not to attain the knowledge you need to succeed. The more you know, especially about your particular area, the more chance that your ventures will be successful.

Make this a priority. Set goals for yourself to attain the knowledge you need. Even after years of activity in this industry, I still try to read at least one book per month on the subject. Not only does this strategy aid me in learning things I still don't know, but it also helps me to keep my finger on the pulse of this business.

You should put some time into pounding the pavement, eyeballing properties which are on offer and following through to view the actual prices they sell for and what is selling in which areas, etc.

You can get my free mini-course and ebook from my site listed elsewhere in this ebook.

Make the Right Partnerships

There’s nothing wrong with having partners when investing in real estate; in fact it’s a great idea. This is especially true if you are short on cash and need some assistance in funding your first few deals. The problem comes in when you have the wrong partners.

Remember that this is a business and must be treated as such. If you wouldn’t trust an individual with your personal checking account, don’t trust them with your real estate investment; regardless of your relationship. Think about how the people you consider as prospective partners handle other aspects of their business.

Check out references. You must be diligent in this aspect of your business. When you work with someone who has a bad reputation; it reflects poorly on you as well. In the instance that you discover you are working with someone who is less than desirable, don’t hesitate to cut them loose.

Invest with Little or No Cash

One of the biggest stumbling blocks preventing many people from becoming involved in the lucrative opportunities available through real estate is by simply believing that they can’t become involved because they have either no or little cash to fund the deal. The truth is that you do not need a lot of cash to fund your first real estate deal. Numerous financing options can turn your dream into a reality.

Earlier, I mentioned working with private investors to obtain the funds you need to get started in your first real estate deal. While this is a great method, it is by far not the only way to access the money you need to fund your first deal. Personally, I prefer a method known as bird-dogging.

Basically, a bird dog is nothing more than a real estate scout. Real estate bird dogs are the people who search the real estate market for potential renovation properties for real estate investors to buy and eventually re-sell. This type of service can be quite valuable to a seasoned investor who simply does not have the time go out looking for such deals.

You provide the leads to investors and they pay you a referral fee. So, how much money can you make in a bird-dogging business?

It really depends on the income potential of the prospective property along with the amount and value of the information that you provide. With that said, however; it's safe to say that anywhere from $500 to $1,000 is an average fee.

To start your bird dogging venture, you need to learn as much as you can about the Real Estate market in your area at a professional level. To find investors that you can link up with and offer suitable properties too, check the classifieds in your newspaper and scan the Internet. Private investors and real estate companies sometimes place advertisements for bird dogs though they might use other terms.

It's important to have a clear, written agreement with the investor(s) to whom you offer the leads which you've hunted down.

Set Goals

One of the saddest mistakes any investor can make is failing to set goals. You'll never get anywhere if you don't know where you are headed. It's important that you take the time to set clear and achievable goals early on and then develop a plan on how to achieve them.

Most people are not comfortable with sitting down with a pad of paper and pencil and actively designing their goals. You may feel a bit silly the first time you do it; but once you see the difference it can make in your success rate, you'll be sold on the idea.

Start by considering what you want out of life. Think about what you consider to be the perfect life. What do you want? When do you want it? Now, make a commitment to achieving these goals and not stopping until you reach them.

View it as a Business

One of the biggest mistake investors make is in treating this as a hobby or anything other than a business. Real estate investing is a business, it's a job and it must be treated as such or you are sure to fail. It's not a get rich quick scheme; although there is definitely the potential there to earn some serious money through dedication and staying on track.

One of the best ways to overcome the 'hobby' mentality is to set up your office. Once you do this, the idea that this is a hobby will shift to a concrete belief in this as a business. You do not need to go out and lease an office space; an empty corner in your home will suffice just fine.

Scout clearance sales, garage sales and wholesale furniture stores to obtain a sturdy desk, comfortable chair, file cabinet and computer. Stock up on essential office supplies and last but not least, have some business cards printed.

Become a Specialist in Your Geographic Area

Some new investors start out by trying to cover too much territory. They somehow believe that this will increase their chances of success. This is completely the wrong mentality.

It's important that you not only select a geographic area in which to work, but that you spend the time necessary to become an expert in that area. This means that you'll need to learn about the schools, shopping facilities, worship facilities, typical home styles and what most homes in the area sell for.

It takes a lot of time to comb over a neighborhood so that you intimately know all the in's and out's, but I assure you it is worth it. When you have this much information at your disposal, it makes it much easier to quickly identify great bargains.

Put Your Knowledge and Education to Use

I mentioned earlier that you need to take the time to educate yourself and even set goals in order to accomplish this. The possibility for making a mistake in this is if you spend all of your time reading books and never move beyond that point.

You could easily spend thousands of dollars on the amount of material available out there on real estate investing as everyone seems to have an opinion. While it is important, even critical, that you take the time to educate yourself, it won't do you any good if you spend all your time 'studying' but never put the knowledge to use.

To solve this problem, set a goal to put to use one point from each book you read or seminar that you attend. Doesn't matter what it is. Maybe it's a method for generating leads; whatever it is make a point to put it to use.

Start a Positive Cash Flow from Day One

In some cases, new investors are just so anxious to get started that they do not take enough time to thoroughly research a deal before they go into it. As a result, they either select a deal that has no hope of turning a profit or they spend so much money before flipping the property that the result is negative cash flow.

Never make the mistake of thinking that you can take a hit on your first deal just to get your foot in the door and then make it up down the road. Chances are that, if you start out with this kind of mentality, you'll never get past it.

Structure your first deal to make a profit and keep going.

Before you ever make an offer on a property, take into consideration the purchase price and any outstanding taxes or fees that you may also need to apply. Next, take into consideration all renovation costs. Research property values to determine how much the property will be worth upon completion of the renovations. Unless you are able to purchase the property below market value and then sell at or above market value; do not move forward with the deal.

Plan and then Put Your Plan into Action

You don't want to overdo this one, but failing to plan is tantamount to accepting defeat at the minute you walk into a deal. You must have a plan, including an exit strategy, ready to put into action.

In most cases, the exit strategy for investors is to sell the property. While this is a fine strategy, there will be times when you won't be able to do so; at least, not right away.

There may be a lull in the market that is beyond your control. If you know, going into a deal, that you will not be able to afford to hold a property for up to twelve months, it's not a good idea to proceed with the deal.

Always have a back-up plan. For example, if the property does not sell right away, plan to rent it out.

Be Accessible

One of the critical keys to both buying and selling in real estate investing is being accessible. You must be accessible to potential sellers or they'll sell their lovely and profitable home to some other investor and you must be accessible to prospective buyers or you'll miss out on a sale and end up holding a property. When people make a decision they usually want to act right away. If you are not accessible you run the risk of never hearing from them again.

With today's technology, being accessible is easier than ever before. There really is no excuse not to be accessible with the availability of cell phones, pagers, instant messaging and call forwarding. The best strategy I can recommend is to obtain a cell phone and use this as your primary business number. This gives you the flexibility of being accessible regardless of where you are.

Follow-Up

Similar in nature to failing to be accessible, failure to follow-up can also potentially cost you a small fortune in profits. Buyers and sellers are not likely to come banging down your door; you must be active and you must follow-up on all leads to succeed.

In this business you do not have the luxury of taking your time or simply letting one slide. You must be proactive and follow up on leads immediately. Develop a tickler system for yourself so that you always know which leads need to be followed up on and when it needs to occur.

Have Realistic Expectations

Many people go into real estate investment and believe that they will become millionaires overnight. While it is true that there is a great income potential present in real estate investment, there is work involved just like any other type of work. You may earn a great return on your investment and many times it will happen in far less time than if you invested that same amount of money in stocks or bonds; but it is a huge mistake to think of this as a get rich quick strategy.

It requires work, determination and time. If you are not prepared to put in the time and effort required to reap the benefits in this business, then there is no point in ever getting started because you will only be disappointed. Recognize this from the beginning and you can position yourself to enjoy the fruits of your labor in a realistic manner.

Maintain a Sufficient Cash Flow

It is absolutely essential that you maintain a substantial cash flow in order to succeed. For beginners, this means that you <u>don't</u> quit your day job. Yes, there is a good opportunity here to retire with a good income from real estate investment. To succeed, however; you'll need money coming in to pay the bills; both personal and business related.

Unless you have an alternative, stable source of cash flow, it's a good idea to put away the proceeds of at least a couple of deals before you quit your regular job to do this full-time.

At a minimum, I would suggest that you put away the equivalent of one year's income before you rush to quit your job. There are plenty of profit opportunities available if you are patient. Take your time and work your way through two or three projects while saving up your profits.

Establish Lender Relationships

Let's face it, unless you are already independently wealthy when you begin investing in real estate, you are going to need assistance from a lender. You will need to borrow funds to possibly fund part of the purchase price as well as to finance the cost of the renovation. Without critical lender relationships, you will never be able to get this off the ground and will forever be stuck thinking 'what if?'

Take the time to develop and nurture those relationships. I will be the first to admit that directly borrowing money from lending institutions is not the best way to fund your real estate investments. The process can be too lengthy, the paperwork too bulky and quite frankly, the fees can be too stiff. With that said however, sometimes this may be your only option. Don't back yourself into a corner by not at least having a mortgage banker or two that you can contact should you find that you need assistance.

Develop a Business Plan

One of the quickest ways to fail in this business is not take the time to develop a business plan. I talked a little earlier of not setting goals. Setting goals is rather like the preliminary to developing your business plan.

Taking the time to develop a business plan can benefit you in two ways. First, a business plan will prove to lenders that you are serious and this is not a fly-by-night plan you might abandon tomorrow. Second, a business plan helps to keep you on the right path to success.

Think of it as a road map. Your first step in writing your business plan will be to consider what you want to achieve. Personalize each objective and steer away from being too generic. Ask yourself how many rehabs you wish to accomplish in one year and then ask yourself whether you have sufficient capital and cash flow to accomplish that objective.

Keep asking yourself questions until you have fine-tuned each objective.

Every business plan should include: an executive summary, market analysis, implementation plan, sales projection, projected profits/losses and a financial plan. Keep working on your business plan until it is complete and then make adjustments and revisions as necessary.

Exhibit Confidence

While it is certainly understandable for new investors to be almost literally shaking in their shoes the entire way through their first deal, letting this show can lead to disaster. Neither sellers nor potential backers will have confidence in you and your abilities if you are not able to exhibit yourself in a professional manner.

No-one, including sellers and lenders, will have confidence in you if you do not have confidence in yourself. Don't allow yourself to fumble a great deal. Remember the expression, 'fake it until you make it.'

Understand Property Values

No investor can expect to turn a profit if they do not know how to determine property values. Without this critical knowledge, you will be unable to asses the potential value of a deal and have no idea how much to list the property for when you've renovated it.

This is one of the easiest ways to flub a deal.

One of the first things you'll need to learn, as a real estate investor, is how to judge property values and how to make property comparisons. There are a number of different tools on the market to teach you how to do this.

Once you get the hang of it, it will be like second nature to you. But, make no mistake; you must take the time to learn this critical step in order to succeed.

After you have completed a few deals of your own, you will have detailed records to which you can refer as research material. However, you will need to look to other sources of information when you are first starting out. The county clerk's office, the local tax appraiser's office, local real estate appraisers and agents can all prove to be solid sources of information for property values.

Understand the Anatomy of a Real Estate Deal

Every real estate deal, regardless of price or terms, has a basic anatomy just like the human body. You must take the time to learn each part of the deal, which parts must transpire before other parts and possible contingencies.

The first phase is **lead generation**. This is where you perform active research to find potential deals. You may use several strategies to perform this step but all focus on the same end result - a potential deal.

Once you have located it, you will then need to perform some initial research in order to help you determine whether the deal is feasible. You will perform an initial inspection of the property and meet with the sellers. Based on the information which you gathered up to this point, you will then need to determine whether you want to proceed with the deal.

Make no mistake; this is a very critical step. After you put pencil to paper, should you determine that there is a profit potential present. You then proceed to negotiate with the seller. This may involve making offers and counter-offers.

For example, you may offer $30,000 for the property and the sellers may come back with a decision that they cannot accept less than $45,000. Depending on your assessment of the deal, you may either walk away or continue to negotiate.

Should you arrive at a figure which is acceptable to both of you, the next step will be to **put the offer in writing** and begin procedures to close the deal. You'll need to have the property professionally inspected.

Provided that nothing untoward pops up in the inspection, you will **close on the property**. This means that money will exchange hands and you will become the owner of the property. You then move into the **renovation phase** of the deal, based on the initial plans you made.

After the renovations are made, you'll need to get the house ready to show and set your marketing campaign in place. You are then ready to begin accepting offers on the property and move into **the sales stage**.

Only Make Promises Which You Can Keep

Some investors have the potential to garner great success, but they shoot themselves in the foot by making ridiculous promises. They promise a potential investor that they can bring in a 50% return on their investment. They promise a prospective seller that they can pay them ***x*** amount of money for the property when they don't even have their financing lined up.

Don't promise anyone, buyers and sellers included, the moon if you can't deliver it. This will quickly earn you a bad reputation and cost you plenty. Be conservative and modest in the assurances you give and then anything above and beyond will be 'gravy.'

Keep to Your Word

Regardless of what it is, if you made a promise or an assurance, keep it. Otherwise, don't even bother.

Ask Questions

You've heard of flying blind, right? Needless to say, it isn't a good idea. How can you possibly know what to expect if you don't ask questions?

You must learn to ask questions early on in order to succeed. Unless a seller is just plain dumb, they are not going to give you all the information you need unless you ask well-crafted questions. You must learn to probe to obtain the information you need to structure a deal.

Buying

ALWAYS Make a Thorough Inspection of the Property

This can be a mistake that can lead to huge financial losses and major headaches. Sure, the property looks great on your drive-by and you've even seen the inside of it. But what does the foundation look like? Are there areas of the property that you missed, by failing `to make an inspection, which could cost you thousands later on?

This is a simple way to determine whether you want to pass on a deal or make a go of it:

When you first arrive, bring a notepad, pencil and flashlight with you. Make a note of anything that could detract from the sales price or could cost you money in the renovation. Make a note of it even if it's minor.

Check the Legal Status of Each Property

Always get your lawyer to check the legal ownership and title of any property you have a serious interest in getting, whether its Municipal rates or any taxes paid etc.

Spend your Time on the Right Properties

One of the keys to being successful in real estate investment is in learning the difference between properties that are possibilities and properties that are a waste of time.

Before you even begin looking at properties, you should take the time to draft a list of criteria and then stick to this list when analyzing potential deals. When you are considering what you want in a potential investment deal think about how much profit you want to earn on the deal and how much work you are willing to perform on the property in order to earn it.

Understand the Difference Between Profitable and Expensive

A percentage of real estate investors start out thinking they can focus on expensive homes and turn a higher profit in a shorter amount of time than if they focused their attention on less expensive homes. This is a mistake.

Sure, there’s potential in an expensive home to bring in a good-sized profit but you must also realize that you are significantly decreasing your potential pool of buyers, which means that you may end up holding the property for longer.

You may also run into increased renovation costs associated with renovating a more expensive home. It’s better to go for affordable homes and neighborhoods that a larger number of people can afford.

Calculate Your Ideal Purchase Price

Failure to calculate your ideal purchase price before you even go into a deal can spell disaster from the beginning. How can you expect to hit the target if you haven’t even written it yet?

You must learn early on how to calculate your ideal purchase price or else when it comes time to sell the property you may find that you take a loss instead of make a profit. This means that you’ll need to take a variety of factors into consideration including total cost of renovation and time you may spend holding the property as well as business expenses not related to the renovation.

Understand the Makeup of a Good Neighborhood

Letting yourself fall into the trap that you can make a profit on any home in any neighborhood is a critical error.

You must understand what comprises a good neighborhood and be able to identify it. This doesn’t necessarily mean an expensive neighborhood; it means a neighborhood that families feel comfortable living in and that meet their lifestyle needs. These include the property having a style that fits in with others in the area. Other very important factors which you should research are the convenience and quality of local schools, shopping facilities and services such as hospitals, doctors etc. Arm yourself with information from back issues of the local newspaper about the prices which similar properties in that area have been offered for and actually sold for.

Look at the Big Picture

Don't allow yourself to believe that a property will be able to turn a profit easily simply because it looks good from the outside.

Remember that beauty is only skin deep. This applies to homes as well as people. Look for properties that have good bones and avoid properties that will require major and expensive overhauls.

Consider the Layout

Never make this mistake of falling for a property that has a bad layout and believe that you can improve it enough to bring in a potential. One of two things will happen. Either you will end up spending so much money on trying to fix the layout that you'll destroy your profit potential or else you simply won't be able to fix it at all. Generally, the latter is true.

Avoid homes with bad layouts because quite simply no one will want to live in them and you'll end up holding them or selling them for a loss. Look for properties that have a practical layout from the very beginning, that require only minor layout changes such as the removal of a wall or moving a doorway.

Buy Below Market Value

My motto in this business is that "***you make your profit when you buy***". It doesn't matter what you do after that; you can never change how much you initially put out on the property. Therefore, it is critically important that you buy below market value and sell high. Sadly, too many people make the mistake of paying too much when they buy.

When you buy at or above market value you can bet that you won't turn much, if any, profit. If you can't buy a property at less than market value, don't buy it. It won't matter what you do to the property during the renovation, you'll never be able to make up the difference in profit. The solution to this one is simple: buy below market value or don't buy at all.

Don't Take, "No" for an Answer

Sooner or later you will run into a seller that wants to play hardball or is actually quite good at negotiating.

Okay, so the first offer you made on a property was turned down by the seller - that doesn't mean you walk away. Obviously, you shouldn't lay all your cards on the table and make an offer that is structured with no room for profit, but you should always have one or two more offers prepared before you chalk this one up to a loss.

Consider playing the old game of pretending to walk to the door. This by itself may be enough to get the seller in a more cooperative mood. If that doesn't work, consider pausing just before you turn the handle and explaining to the seller that you appreciate their reluctance to give up such a lovely home and ask whether there are any other terms that you might discuss to help you arrive at an agreement.

Negotiating is like walking a fine line. You don't want to seem too eager or you'll lose all your power and end up getting taken for a ride. At the same time, you don't want to be completely inflexible. Leave room for negotiating from the very beginning. Never offer your maximum price first.

View a Property Before Making an Offer

One of the worst mistakes you can make as a beginning investor is to make an offer on a property practically sight unseen.

Never, ever make an offer of any kind, before you have had a chance to view a property and have a professional property inspection carried out. This is one of the quickest ways to fail in real estate investment and get yourself into a heap of trouble. Take the time to thoroughly inspect the property yourself. Then hire a professional inspector to go over it with a fine toothcomb before you close on the deal. Their fee is tax-deductible and as essential as your insurance cover.

Only Deal with Sellers that are Motivated to Sell

Many investors waste precious time by dealing with sellers who are simply not motivated to sell. They may have a "For Sale" sign on their property. Who knows - they may even be in the process of having their home foreclosed upon; but that does not mean they are motivated to sell.

There is no point in dealing with sellers who are not motivated to sell when you could be dealing with those who are. It's that simple. Do not waste your time, and potential profits, by dealing with sellers who will not be willing to negotiate because they are simply not motivated to sell. Bid them good day and move on to the next lead.

Set Aside Preconceived Ideas

Contrary to popular belief, location is not always everything when it comes to real estate. Don't make the mistake of passing up a potential great deal simply because it's located in what you perceive to be either a 'bad' or a 'good' neighborhood.

Take the time to do your research about the neighborhood and thoroughly inspect the property before you make a decision. You may be pleasantly surprised at the amount of potential present in a property that you might have initially passed on.

Verify Information and Numbers

The world would be a perfect place if we could trust everything everyone tells us. Of course, we all know the world is not a perfect place, so don't act like it is when you are handling real estate investment matters.

You should never go into any real estate deal by simply trusting that the information the seller has provided you is true and accurate. You should always take the time to verify the information, including numbers such as payoff amounts, etc. before you move forward with the deal. This may take a little longer but you'll be glad you did it in the end.

Use a Mix of Funds

One of the quickest ways to sink your boat when you are starting out in real estate investment is to plunge a ton of your own money into a deal. This is setting yourself up for failure from day one.

When buying properties it's important to use as little of your own money as possible. Using too much of your own money ties up funds that could be critical to your cash flow. Learn to finance in the least expensive way possible and using the least amount of your own money as possible.

Buy Low

Many times, the amount of profit which you will earn on a deal is ultimately determined by the amount of money you pay to purchase that property. Paying too much money for a property can seriously detract from your profit margin.

It's always a good idea to research your market to insure that you fully understand what the 'going rate' is for comparable properties. This will help to ensure that you don't overpay for a property and cut into your profit. Secondly, never let your emotions rule any offers you make on a property.

Structure More than One Purchase Offer

People who are successful in real estate investment recognize that one size does not fit all. One deal structure will not be ideal for every seller. You need to figure out what the unique needs are for each seller, then be creative and structure your offers to meet those needs.

This is quite common when you are looking at purchasing a home from a seller who is about to be foreclosed upon. It could be that, while they recognize they have few options available to them and will either need to sell their home or face foreclosure, they simply have not thought far enough ahead as to where they will live when the inevitable occurs.

Perhaps you could rent an apartment for them for six months until they get things figured out as part of their 'profit.' Maybe they have plans to stay with a relative but don't have a vehicle and need one to get back on their feet. You could easily purchase a used vehicle for them to solve this problem.

Being creative is the key.

Obtain Legal Advice

There's a reason why it takes four years of college and up to three years of law school to become an attorney. It's complex work. Sadly, many people do not recognize this fact and think they can write their own contracts.

Unless you have been trained to write legally binding contracts, take the time and spend the money to hire an attorney to draft your contracts for you. Thinking that you can do this is not the same as being able to write a contract that will stand up in court. It's not worth the risk.

Avoid Weasel Clauses and Too Many Contingencies

One of the quickest ways to earn a bad reputation and kill your budding career as a real estate investor is to throw too many clauses and contingencies into a contract.

Sure, every contract needs a contingency occasionally to cover all the bases, but don't fill your contracts with them in an effort to get one over on the sellers. Deal honestly and fairly. If you can't make a deal work by being honest and fair, walk away.

Utilize Various Financing Methods

There is no rule that you must pay 100% cash for a real estate deal. There are a number of different financing methods and tools available to you; but if you don't take the time to learn about them you will never realize your full potential with real estate investments.

Utilizing methods such as assumptions, seller financing and various conventional loans can help to free up cash and get you on the road toward your next investment.

Take it Slow and Easy

The one mistake that many investors seem to have in common is not knowing how to take it slow in the beginning. They get their first taste of success and can't seem to stop. Not that you want to stop, mind you, but it's sheer lunacy to try to juggle a dozen deals at one time when you've been doing it for less than a year.

After you have been doing this for a while, you'll be able to easily handle multiple deals and properties at a time. But, it's a mistake to try to get started at the same speed. Take it easy and slow with your first few deals until you fully understand how everything works and then never try to work on more deals at one time than you can realistically handle.

Think Like a Homeowner

Homeowners have their own peculiarities and quirks and rightfully so. They have worked hard for their home and the equity they have in the property. In most cases, they are not going to simply walk away.

To counter this, you must do one critical thing.

You must learn to think like a homeowner in order to structure a deal that will benefit both of you - otherwise you'll never be able to get past the offer stage on most deals. Learn what they want, what they need and how they feel.

Renovating

Outsource the Repair Work

Many people believe they can save a few bucks, and thus increase their profits by doing all the repair work themselves. Where is the profit if you mess up a repair job and then no one will buy the property because of shoddy work, or you end up having to hire someone anyway to repair the work you messed up?

If you’re not an expert or it’s not an exceedingly simple job, don’t do it. Bite the bullet and call in the experts. It will cost a little more but you and your profit margin will be glad you did.

Develop a Timeframe and Stick to It

Far too many investors make the mistake of thinking they can complete a renovation and flip a property within a certain timeframe, and then sadly realize they just can’t make it.

The number one reason for this is poor planning. The second reason is failure to stick by what you plan.

It’s simple. Make a realistic plan and then do not stray from it.

What about unforeseen circumstances? When you plan realistically, you take those into account and then they no longer become ‘unexpected.’

Time is money and this rule doesn’t apply to any situation more than when it comes to renovating and flipping properties. Know when you go into each deal, how much time you realistically plan to spend renovating a property and then stick to that plan.

Each additional day that you spend on renovations takes money from your pocket.

Spend your Time Where it Counts

Many new real estate investors get caught up in spending money where it won't count; places which prospective buyers either won't care about or will never see.

Every penny you spend should go towards renovations that add value to the property. Focus on the kitchen, bathroom, floors and curb appeal. Money spent on anything else is simply wasted. What about major structural repairs? If the property needs major structural repairs, you shouldn't have bought it in the first place.

Limiting Repairs

There is a common tendency, especially among new investors, to not know when to stop. This usually occurs when investors are doing much of the renovation work themselves. They always see something that needs fixing, something else that could look a little 'better.' Before they know it, they have blown their renovation budget and their time-frame.

One of the best ways to resolve this problem, is to simply not handle all of the repair work yourself. When you are not there everyday, in the trenches, you won't be as likely to see all the little minor imperfections and be so ready to shell out the bucks, and the time, to 'fix' them.

Make Necessary Repairs

On the other side of the coin, investors tend to not perform enough repair work in the belief that they can get by with less and still turn a tidy profit. In this case, the opposite is true, because sellers aren't interested in purchasing homes that still need work for a high price tag.

You shouldn't undertake a major renovation. That said, if the home needed a major renovation, it probably wasn't a good deal in the first place. But, don't be afraid to spend some money to 'wow' potential customers. You'll increase your profit margin and, generally, the property won't sit on the market for as long.

Correctly Estimate Renovation Time

One of the biggest mistakes made by new investors is underestimating their renovation time. They go into a project believing they can get it completed in far less than a realistic time frame.

If you have never handled any type of renovation work before, this is where a good mentor can set you straight. Ask for advice and don't be afraid to pick the brains of those who are more experienced than you in this area.

Always be conservative in your estimation of the time required to renovate a property before flipping it.

A mistake here can be critical and cost you a lot of money.

Stick to Your Budget

Of course, not many investors go into a deal thinking they are going to exceed their budget but, before they know it, there it is!

It can be amazingly easy and quick to blow your entire renovation budget and drastically reduce your profit margin.

Fortunately, the solution is simple. Just don't do it! Plan your budget and then do not stray from it. Leave room in your budget for the unforeseen, plan well and this should not be a problem.

Remain Objective

Many beginning investors make the mistake of personalizing their rehab. They fail to understand that the property they are renovating must be renovated and decorated in a way that will have universal appeal. Too often, they personalize the renovation and let their own personal choices rules their decorating decisions.

Stick to basic, neutral colors and classic choices. Remember that you are not decorating this home to live in, you are renovating it for someone else to purchase and that someone else may not have the same tastes. Leave the trendy choices for decorating your own home.

Do it Right

Less than experienced investors and, unfortunately, even some of those who should know better, sometimes cut corners to save on expenses. They do so under the mistaken belief that this will somehow increase their profit and no one will be the wiser.

Cutting corners on the renovation may save you a few bucks, but it will do nothing for you in the long run. This can be disastrous for your reputation when the first properties you renovated begin to fall down around the new owners and word gets out.

Take the time and spend the money to do it right.

Hire Professionals

Similar to cutting corners, some investors try to get by with hiring people off the street; so to speak. They fail to check references and investigate whether the crews they have working on their project are really professionals.

The success of your business and your reputation will depend on your ability to turn out a quality renovated property. This means that you need to hire qualified professionals to do your renovation work; not someone whose idea of advertising is to post a business card at the local bar or pub. Check references, do background checks and ask around.

It’s not worth it to risk your deal, your reputation and your profit on just anyone.

Add Curb Appeal

It's absolutely amazing, but so many investors completely skip this one on their renovation to do lists. Curb appeal is an absolute must. It doesn't matter what the property looks like on the inside, if you never get the buyer out of the car!

Ignoring the outside of a property can guarantee that you will miss out on potential buyers and ultimately take a loss on the property. It is critical that you include improving the property's curb appeal in your renovation budget.

Consider planting some pretty flowers outside, make sure the lawn is mowed and trimmed neatly and the gutters are cleaned. Edge the flower beds and place a pretty welcome mat outside the front door. Remember that you are trying to sell a lifestyle more than just a house.

Obtain a Professional Inspection

Some investors try to get by with just giving the property a once over before they shell out the bucks and sign on the dotted line. They are so anxious to get going on their first deal that they completely overlook this cardinal rule.

While you should absolutely inspect the property yourself, this will never suffice unless you are a trained, professional property inspector.

Always hire an actual inspector to look over the property and give you a full report. He or she can give you accurate idea of what to expect in the way of repairs and you can avoid any unforeseen surprises down the road.

The inspection will cost you a little money upfront, but it is well worth it in the end if you can avoid purchasing a property that may have some serious issues.

Selling

Research the Market

Many new investors commonly make the mistake of reading the books, attending seminars and then believing they are ready to go with their first purchase only to take the first property that comes their way.

It looks like a good deal and they are completely blinded to the fact that appearances are not everything.

Until you actually conduct a market survey, you have no way of knowing how much a house will actually rent for, or the price at which a house may potentially sell for.

Don't guess - do the research.

Set a Minimum Profit Target on Each Deal

Some beginners say, "I'll just see what I can get for this one when the time comes." Unfortunately, when the time comes, this line of thinking can land you in a heap of trouble. There is no way you can hit a target if you haven't even specified the target.

It is crucial for you to know the minimum amount of profit you want to make on each deal. Ideally, you should set this amount when you purchase the property. This will help you to meet your goals, not only on each deal but for each fiscal year as well.

Check on Licenses or Permits

One of the first things you will need to do when you set up your business, is to check on whether you are required to have any licenses or permits. Every city is different. Amazingly, some people still think they can operate a business out of their home and not have to worry about this issue.

It's not worth paying a fortune in fines and penalties, when it's easy enough to call and find out whether you need a license or permit to run a business out of your home. It's a small cost to pay for the peace of mind knowing that you are doing things legitimately and legally.

Use a Property Manager

It all sounds great; purchase a property, renovate it, rent it out and watch the profits start to roll in. That is until you are the one responsible for actually collecting the rent, banging on the door when it's late and getting calls at 2 a.m. to tell you the toilet is plugged up.

Still sound like fun? Just because you own a rental property, does not mean you have to be bothered with these kinds of hassles. They can easily keep you preoccupied and too busy to move on to the next project. Before you know it, you're up to your eyeballs in debt and repair bills. This can easily be avoided by hiring a property manager if you intend to rent out your property.

This can help to insure your properties are well cared for and the rent is paid on time without you having to spend crucial and precious time doing it yourself. The cost is a wise investment compared to running around trying to take care of all the details.

Understand What You're Selling

Some investors believe they are selling a house when what they should be selling is a lifestyle. Prospective buyers need to be able to envision themselves living in a home and visualize how wonderful it will be to live there. You need to be able to help them with this vision in order to make a sale and reap a good profit.

Don't forget to include preparing the home to help create this vision and sell the idea of a lifestyle. This includes planning to rent furniture in the home just before it goes on the market for sale and adding curb appeal with bright and cheerful flowers and maybe even a flag hanging out front. Take the time to include these costs in your budget and on your to-do list. This can make the difference between a quick sale and a property that lags on the market.

Use Lease Options

When you do not have a down payment, it can be difficult to get started in real estate investing unless you are aware of some creative techniques. Using lease options is one of these techniques.

They are a great way to get in on an investment deal with little to no money or your own involved. It also gives you the flexibility you need in your early deals. Basically, a lease option works like a rent to buy. You rent the property with the option of purchasing it within a specified time frame. This gives you the time you need to make a decision regarding purchase and possibly begin the renovations.

Instead of making a hefty down payment and arranging for financing, you only have to worry about paying the monthly rent. In most cases, the existing owner won't care at all that you are making repairs to the property because you are only increasing his property value if you decide not to buy. Overlooking these goldmine opportunities can cost you plenty.

Understand the Advantages and Disadvantages to Flipping vs. Holding

New investors sometimes make the fatal mistake of holding onto their properties when they should really let them go. They do this, even when there is a negative cash flow because they are hoping to bring in the big bucks later on when the market turns around; when it's a better time.

Sometimes you just have to face reality and let it go for less than you originally intended. Making some profit is better than making no profit.

Understand the "as is" Value

This mistake can be easily made by new investors. They take a look at a property, get excited and start seeing dollar signs. In essence, they overestimate the value of the property as it is and fail to realize the amount of money they will need to put into it in order to latch onto the profit they envision.

It's important that you understand the accurate price of the property 'as is' compared to what the market value may be after repairs and renovations. Taking the time to do your research, particularly market research will help to solve this problem.

Make Correct Estimates on Repair Costs

Investors who have little to no experience in construction and renovation often make this mistake. While you do not necessarily need to have experience in these matters, if you are going to be involved in real estate investing then you need to take the time to educate yourself on how much a basic renovation, including labor and materials is going to cost. Again, this is where a mentor can prove to be invaluable to you in the early days.

Remember that guessing is not the same thing as estimating. It can land you in big trouble if you try to guess at the costs of a renovation instead of accurately estimating the costs.

Take the time to do it right and you won't be surprised in the end.

Make Accurate Profit Estimations

While everyone hopes to hit it out of the park on their first deal, the truth is that you might only make a modest profit. This becomes a mistake when you fail to be realistic about the amount of profit in a deal.

The key to solving this mistake is in your early planning and research. You need to perform a complete market analysis before you ever close on a deal and structure your deal from the beginning so that you can be virtually assured of hitting your target profit. Remember, buy below market value and sell above.

Maintain a Personal and Emotional Distance

When you pour time and money into a project it can be easy to become emotionally attached, but this is a mistake. Remember that this is a business and as such your goal is to turn a profit within a decent amount of time. Getting emotionally attached can seriously hamper that goal.

One way you can resolve this problem is by keeping the end goal in mind and not performing all the work yourself. There is just a natural tendency to become emotionally involved when you are actually performing all of the labor yourself. It’s a human characteristic. Outsource the work and you will be able to take a step back and look at it objectively.

Maintain Sufficient Insurance

This should be a no-brainer, but for many investors it’s simply not. They think they can get by without shelling out the money for this expense. This is especially a problem for investors who plan to flip a property in a relatively short amount of time.

If you are financing a property through conventional methods, the bank will require that you have sufficient insurance in order to protect the property and their investment. Even if you are not financing the property and paid 100% cash, you should still take out insurance against the unforeseen.

Who is to say that a wild fire might not sweep through the neighborhood and wipe out the whole block? Or a torrential rainstorm might not flood the entire first floor? Okay, maybe these are extremes, but you get the point.

You must look at insurance as a vital expense. Failing to take out sufficient insurance can wipe out your business - don’t take the chance; it’s not worth it.

Retain ALL Your Receipts

One of the worst mistakes you can make anytime you own a business is failure to retain receipts, and real estate investing is absolutely no different than any other business.

Retaining receipts is important not only for tax purposes but for your own accounting needs. It can be easy to forget how much money you spent on a section of the renovation when it comes time to figure the profit. Retaining receipts can insure that your numbers are objective and realistic.

Take the time to set up a proper bookkeeping method, hire a professional bookkeeper and get yourself organized. Make an appointment with your bookkeeper, like clockwork, to go over each deal in detail upon completion.

Until that appointment, develop a habit of dropping your receipts in a receipt box or bag until you can get them to him/her.

Select Qualified Tenants

Surprising as it is, many investors fail to take the time to select qualified tenants and this mistake can cost you big time.

If you choose to go with the renting option as your exit strategy, be sure to choose qualified tenants and not just whoever happens to apply. Be vigilant in running credit checks and following up on references.

This can be the difference between turning a profit and losing your shirt when a tenant tears up your newly renovated property and leaves you holding the bag full of repair bills and lost rent.

Take Advantage of Tax Savings

One of the best things about real estate investing is the availability of tax advantages. Failing to take advantage of them can seriously cut into your profit margin. Don't ignore a golden opportunity to increase your profits.

For example, if you choose to finance a property you may very well be able to write off at least a portion of the interest on the mortgage. Can you say the word PROFIT?

Research the Market before you Buy

'Don't buy the first one you look at' holds true for more than just cars; it's also true for real estate investment properties. There is no way you will know whether you are looking at a good deal or not unless you thoroughly peruse the market.

The first deal you see may be a golden opportunity; on the other hand; there may be a better deal just down the road.

Don't purchase a property until you have taken the time to perform the market research and know what else is on the market. You should always strive to have more than one deal in the works at a time. This gives you options and flexibility as well as allows you to keep a finger on the pulse of the market.

Select the Right Agent

If you decide that your exit strategy will be to sell, one of the first things you'll need to do is line up a real estate agent.

It's important that you select the right real estate agent to work with when you are selling your property. The right agent must be a good negotiator, a good marketer and able to find prospective buyers for your property. They must also act with integrity.

Selecting an agent without these characteristics can spell trouble. You can easily find yourself involved in a deal where your profit begins to dwindle or you face no sale at all. Work with a respectable agent from the beginning.

Choose the agent as carefully as you would someone you were giving a partnership to in your business – this decision is *that* critical. They must be someone you are comfortable dealing with, that you trust on a personal level, has a reputation for putting their clients' interest at the forefront.

The best way to find such a paragon is to get word of mouth recommendations from your friends and colleagues. Never depend on the agent's own brochures or promotional features in the media.

Be Realistic about Your Ideal Price

We all have a dream price that we hope to bring in for each property and under the best of circumstances, you may get it; but you shouldn't hold on to a property and refuse to sell when you don't get that price.

Don't hold onto a property when it is obvious that you have a cash flow problem. Always plan for a walk away price as well; just in case you need to make a quick sale. A quick sale is always better than no sale.

Understand the Factors that Affect the Sales Price

Some investors do everything else right, get the property renovated and put it on the market and then watch it sit there and wonder why it isn't moving. This mistake is created because the investor did not understand that there are multiple factors which affect the sales price.

It's important that you understand there is more than just one factor, which will affect the sales price of the property. You must take recent sales prices of similar properties, competing properties, the strength of your marketing campaign, type of buyer and the reason for purchase into consideration.

This is the only way you can arrive at a price, which will move the property. You cannot simply slap a price on the property because it's how much you want to bring in. Research, research.

Lack of Action – Procrastination

Avoid Procrastination

Unlike the investor who snatches up the first property he sees, some investors never seem to be able to settle on a property. They take the term market research to a whole new level.

One way to procrastinate yourself out of a profit, is to always believe there’s something better right around every corner. Failure to act simply because everything you’ve seen couldn’t possibly compare to what you’ll surely see next, is a one-way ticket to failure.

Be thorough and conduct your research, but don’t let it tie you down.

Avoid Delays

One of the biggest mistakes investors can make in real estate is taking too long in deciding whether to go ahead with a deal or not. Certainly, no wise investor jumps on a deal without checking out all the angles, but taking too long to analyze the deal can be equally as dangerous.

Set a goal for you to make a decision and then do not stray from that goal. Let the prospective sellers know that you will get back to them within a specified amount of time and then stick to your word.

Plan and then Move On

Sure, everyone needs to be organized and have a plan, but don’t allow yourself to become so bogged down in the planning and details that you fail to take necessary and critical action.

Make an action plan for yourself. Purchase a day calendar or planner or just a plain pad of paper; whatever works for you and commit yourself to getting at least one thing accomplished per day. Then lay the calendar down and DO IT!

Liquidate Property When you Can't Afford It

Many investors make the mistake of holding a property when they simply can't afford to do so, in the hopes that property values will rise and they will ultimately increase their profit or that they'll make a fortune by renting it.

This is a mistake if you can't afford to pay the incoming bills. Sometimes it's smarter to go ahead and liquidate the property and save yourself the constant out of pocket expenses.

Conquer your Fear

Anytime you consider doing something that is outside your normal skill set, it can be a frightening experience. Learning something new is always a little terrifying, but you'll never get anywhere by listening to fear and failing to try.

To overcome this problem, surround yourself with people who support you and your decision to try this. This can include supportive friends and family as well as mentors with experience in the business. When fear threatens to step in, your support network will be there to give you the pep talk you need to see you through.

Taking Care of Business

Hire an Accountant/Book-keeper

There's a reason why it takes so many years to become a CPA and why they are required to maintain continuing education requirements – understanding the ever-changing tax codes is hard work!

Don't set yourself up for failure by trying to keep the books yourself.

Hire an accountant or bookkeeper and relax, knowing that this end of your business is being handled by someone who knows what they're doing. Then you can concentrate on the other aspects of your business.

Set up a Database

It is absolutely critical that you remain organized. One way to do this is to set up a database containing all the information related to your deals. This can easily become a quick-reference tool for you to access all kinds of information easily and quickly.

Investors use different formats and tools to create a database, but the easiest way is to use a spreadsheet on the computer. You really don't even have to be a computer whiz to set up a spreadsheet.

It is basically nothing more than a table with rows and columns but it can be absolutely priceless when it comes to keeping you organized. For example: If you are creating a database to keep up with prospective leads you would design a database that looks something similar to this:

Date lead received	Name of lead	Date contacted	Date to follow up	Result

Be Prepared to Spend Money to Make Money

Like any other business, you'll need to spend money to make money. This doesn't just refer to spending money on the actual purchase of the property or making necessary repairs and renovations; this also refers to spending money on finding leads and rewarding those who help you find the leads you need for your business.

Get in the habit early on of setting aside money for this side of the business. Include it as part of your business plan and as part of your financial planning.

Set up a Team of Experts

Realize that there is no way you will ever know everything about everything. You can study and learn, but you will still need people who make it their business to be experts in exclusive niches. Take advantage of this.

At a very minimum; you will need to set up relationships with the following people:

Attorney Accountant Real estate agent Mortgage broker (Banker)

Appraisers Contractors Property manager

Maintain your Values

Most people have their own set of values and principles they were raised with or have developed over the years. Don't forget these, no matter how successful you may become.

Remember what goes around comes around. Maintain your personal integrity, no matter what.

Use Leverage

Investors sometimes sink far too much of their own money into a real estate deal when there are various options out there that would allow them to use less money and still allow them to get involved.

One way to do this is to use lease options instead of sinking a hefty down payment into a property or to use investment monies from private backers instead of using a traditional lending institution who might offer a lower interest rate but require a higher down payment. Learn how to use other people's money so you can use less of your own.

Understand Equity

An important component to your success in real estate investment will be to understand the basics of equity and what it means when applied to both your role as a seller and a buyer. Failing to understand how much equity you have in a property can seriously hinder your success and your profit potential.

Equity is the difference between what a house will sell for and the amount that is owed on a home. If you purchase a property worth $200,000 but you only pay $170,000 for the property then you have $30,000 equity in the home. If you perform $5,000 in renovations that increases the market value by $20,000 then you now have $45,000 equity in the home.

Be Willing to Accept Help

There is no room for an investor who isn't willing to admit that he/she made a mistake and needs some help or advice. The only mistake is being unwilling to admit that you need help and to continue down the same reckless path.

Develop a Marketing Plan

It is critical that you take the time to develop a marketing plan, not only for the selling end of your business, but the buying side as well. Don't expect buyers and sellers to come and knock on your door without you making the effort necessary to let them know you're out there.

When looking for leads, you will need to give some thought to how you are going to market yourself to a prospective seller in order to get them to sell for under market value. Stop and think about it? How can you persuade a seller to accept less for their home than it is actually worth?

By targeting your sellers and knowing what they need. For example, if you know they are facing foreclosure you can offer them the peace of mind of quick closure and avoidance of foreclosure by accepting less than market value. It’s a win-win situation.

You get a better deal and they are allowed to escape with some dignity. Don’t wait until you’re sitting in front of them to devise your plan. Have it ready to go before you ever begin the meeting.

Use Direct Mail

This can be a great way to maximize your time in contacting as well as following up on leads. You will need to be extremely well organized in order to make this work, but not taking advantage of this great tool means that you will never be able to realize the full potential in real estate investing.

Regardless of which method you use to gather a list of prospective fixer uppers (and there are many) the easy way to go about contacting them is through a direct mailing list.

This is where a database can come in extremely handy. It allows you to quickly and easily organize your information and see at a glance where you need to follow up. And make no mistake about it; you will need to follow up because most people do not respond on the first time through.

You might organize your direct mailing list to look something like this:

Month #1

1st day of the month	Letter, zone 1
10th day of the month	Letter, zone 2
20th day of the month	Letter, zone 3

Month #2

1st day of the month	Postcard, zone 1
10th day of the month	Postcard, zone 2
20th day of the month	Postcard, zone 3

To capture the attention of prospective sellers, you need to switch up your delivery methods. For example; you might use letters for one contact and postcards for another. At a different time, you might consider using a CD or cassette. Remain consistent and persistent.

Network

Early on, you will need to recognize the value of networking to make this succeed. You would be surprised who might turn out to be your most valuable referrals when it comes to digging up property leads.

Remember that anyone can provide just the tip you need to turn a deal into a profit maker. It could be your next-door neighbor, the guy who services your vehicle or even your kid's homeroom teacher. Don't underestimate the power of networking.

Replace Hope with Planning

Planning will be an integral part of your success; if you base your business on mere hopes alone you will eventually come crashing back to Earth with a resounding thud. Plan what needs to be done and then do it.

Plan for the Future

Recognize that not every deal will be a winner. With this knowledge, also recognize that you need to plan for your financial future. If you fail to do this, you'll land in financial trouble before you know it. Enjoy the fruits of your labor, but always remember to save some as well.

Personally, I recommend putting away the equivalent of one year's wages, especially in the early days. After that, you'll be able to get a feel for how much money you feel you should realistically put back. You will probably also want to consult with a professional financial advisor to get a good grasp on this as well. Remember that you do not want to end up on the verge of bankruptcy simply because you failed to handle your personal finances well enough.

Be Willing to Learn

Be willing to admit that you don't know everything and that you need to educate yourself in order to succeed. Some of the dumbest mistakes new investors make is in failing to admit when they are wrong and not being willing to accept help.

I can't state this often enough - you really do need to make a concentrated effort to find a mentor early on; someone you trust to give you the straight facts, tell you when you are wrong and then help you back on the right track.

Use Other People's Time

Once again, time is money. You can do everything from renovating the house to handling all the marketing to doing your own secretarial work to handling your own bookkeeping, but the end result will be sheer exhaustion and shoddy work.

Concentrate on what you do best and leave the rest to the experts. It will pay off in the long run and you can actually enjoy what you do. You may recall earlier that I talked about assembling your team of experts. Not doing so can be a number one mistake and it can very quickly lead to failure.

Have a Plan B

Regardless of what your initial plan might be, it's always a good idea to design an alternative plan. There are always unforeseen circumstances that can come up and punch you, completely obliterating your original plan. The difference in those who succeed and those who do not are those people who planned for such unforeseen circumstances by having a plan B.

For example, if you plan to sell the property but for some reason it doesn't move immediately, always have a fall back plan to minimize losses. Either rent out the property or sell it for less than you originally intended.

Be Persistent

Yes, there will be obstacles along the way. This is life, after all. The key to success is in planning for those obstacles and planning on how to overcome them. Those who are successful did not reach their dreams because they never encountered any obstacles; they reached them because they planned for them and how to get around them.

Conclusion

It is my sincere hope that the information I have provided in this book will help to motivate and inspire you and most importantly, help you in avoiding some of the many mistakes that new (and sometimes even some experienced) investors commonly make.

While there is no substitute for real life experience, if you can avoid just one mistake by following the advice of someone who has literally been there, you can save yourself time, money and plenty of frustration.

I won’t tell you that following every single step in this book will make you an overnight millionaire or even prevent you from ever making a mistake in real estate investment. To do so would be foolish and in all honesty, it would also be an outright lie.

I will tell you that one of the most important things you can do for yourself and your business is to find a mentor and take their advice seriously. Learn from others who have succeeded. Take the time to study their methods and then adopt them to work for yourself and your goals.

Along that same line, take the time and the money to study courses and attend seminars. Set goals for yourself in this department. This is perhaps the best investment you can make as you become involved in real estate. Nothing will ever pay off more or be more valuable than knowledge.

Knowledge is power.

Remember to set goals early on and continue to revise them as your success grows. It is imperative that you plan for short, medium and long term objectives. Don’t forget that this is your road map to success.

Don’t fly by the seat of your pants! Make sure you are making educated, sound decisions by researching the market. Learn all you can about market values and the infrastructure of the area you have selected. Become an area expert. This can be one of your number one marketing tools.

Before you collect your first dollar; develop a millionaire mindset. Even if it feels a little silly, go ahead and start telling yourself "I am a millionaire", not "I want to be a millionaire." Act confidently and with assurance and I guarantee that you will notice an immediate improvement in not only how you feel about yourself but how others perceive you as well. Give it a try!

Remember to start small and set the goal on your first project at a modest profit. There will be plenty of time later to expand and become involved in bigger and better projects. Use the first few projects as training ground. Even if you do not make as much money as you hoped on your first deal; a profit is still a profit.

Never give up and do not allow anyone to tell you that you can't do this. When you come across stumbling blocks, find a way around them instead of giving into despair. While there are plenty of possible mistakes you could make, the biggest one would be to give up or simply take no action at all.

Finally, enjoy the journey. I have been doing this for more than 10 years now and I can tell you that there is nothing else like it. I can't imagine ever wanting to do anything else. As your success grows, reward yourself and remember to give something back. Share some of the knowledge and experience you gain with others and I promise that you will never regret it.

Best wishes!

Sal Vannutini