Introduction To Passive Investing: How To Be An Educated Passive Investor
How Webinars Work

Type your questions into the [chat box] on your screen.

We will get to as many questions as we can at the end of the webinar.
How Webinars Work

This webinar will be posted on The Lifestyles Unlimited Bridge educational portal.

Handouts are located in the “Handout” section attached to each class.
How Webinars Work

If you think of more questions after the webinar is over, or you are viewing a recorded webinar, you can:

– e-mail the presenters
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– e-mail your local Mentors:
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In this class, you will learn:

• Benefits and Limitations of Passive Investing;
• Steps to Become an Educated Passive Investor;
• Resources for Passive Investors;
• Some Suggested Best Practices for Passive Investors;
• Some Tips to Effective Networking;
• Nature of the Lead Investor/Passive Investor Relationship and Some Communication Tips
Benefits of Passive Investments

• Limited time commitment compared to an Independent Owner or Lead Investor
  – Before you invest:
    • Educational activities;
    • Networking events;
  – When evaluating investment opportunities:
    • Reading and understanding deal documents;
    • Due diligence on Lead Investor, projected financials, property and deal specifics;
    • Attending meetings for potential investors.
  – After you invest:
    • Attending investor meetings;
    • Reading and understanding monthly reports.
Benefits of Passive Investments

• Create passive income from someone else's real estate knowledge, skill, and effort.
• Invest in multiple deals to meet your personal investment needs.
• If you decide to become an Independent Owner or Lead Investor, having been a passive investor may be an advantage.
Limitations of Passive Investments

• No ability to customize documents.
• No input on daily operations.
• Limited influence on company decisions.
• Must rely on the Lead Investor to run business profitably.
• Must live with group decisions when investors do have a vote.
Limitations of Passive Investments

• You will not learn how to be an Independent Owner or Lead Investor. Lead Investors:
  – are not responsible for teaching you how to invest, or how to operate an apartment community, you learn this at Lifestyles Unlimited;
  – They rarely allow Passive Investors to participate in planning or operations.
Steps to Becoming an Educated Passive Investor

1. Attend Case Study regularly.
2. Attend the 2-Day Financial Freedom Seminar at least once a year.
3. Consultation with your Multifamily Operations Consultant / Customer Service Manager
4. Attend the Multifamily Orientation
5. Attend Multifamily Road Trips

*These events are part of our 10 Days of Learning*
*They occur in each office, and online, each month.*
Steps to Becoming an Educated Passive Investor

6. Use your resources:
   – Live and Recorded Classes
     • Get your Passive Investor Certification (Coming Soon)
   – Documents
   – Consultants and Mentors
   – Special Events
Resources for Passive Investors - Classes

Your goal is to be as knowledgeable and informed as an Independent Owner or Lead Investor!
Resources for Passive Investors - Classes

To reach this goal, complete the Lifestyles Unlimited Passive Investor Certification (Coming Soon) on the Bridge education portal.
Resources for Passive Investors - Classes

Some key classes for Passive Investors:

- Suggested Best Practices for Passive Investors (Coming Soon)
- Suggested Best Practices for Lead Investors
- Review of the Passive Investor Checklist (Coming Soon)
- Code of Conduct for Passive Investors (Coming Soon)
- Code of Conduct for Lead Investors (Coming Soon)
- Networking Tips for Passive Investors (Coming Soon)
- Preferred Investor Group Networking at the Wealth and Passive Income EXPO
- Passive Awareness Series
- How to Analyze a Passive Investment Opportunity (Coming Soon)
- Multifamily Financials for Passive Investors (Coming Soon)
- What Passives Should Look for in a (Coming Soon)
  - ✓ Private Placement Memorandum
  - ✓ Operating Agreement
  - ✓ Subscription Agreement
Some key documents for Passive Investors:

- Suggested Best Practices for Passive Investors
- Suggested Best Practices for Lead Investors
- Passive Investor Checklist
- Code of Conduct for Passive Investors
- Code of Conduct for Lead Investors
Your Multifamily Operations Consultant/Customer Service Manager will:

• meet with you for your initial consultation;
• listen to your investment goals and financial information;
• share with you the map that other investors with similar circumstances and goals have successfully used;
• outline your next steps;
• be there for on-going support.

*In addition, they will teach group classes on all aspects of apartment community operations.*
Resources for Passive Investors - Mentors

Your Multifamily Mentors will:

• meet with you as needed for specific mentoring not provided by the Multifamily Operations Consultant or included in our group classes;
• outline your next steps;
• be there for on-going support.

In addition, they teach group classes on all aspects of apartment community ownership.
Some key special events for Passive Investors:

- Lifestyles Unlimited On Location Events
- Yearly Wealth & Passive Income EXPO
  - Masters Tour Road Trip
  - Preferred Investor Group Member Recognition and Networking Event
  - Member Lunch
  - Passive Panel Discussion
  - Super Women of Real Estate
  - and more….

*Read the emails you receive from Lifestyles Unlimited so you do not miss out!*
Some Suggested Best Practices for Passive Investors

This is a *brief overview*, and does not cover all of the information contained in the class.

This class:

- is for Preferred Investor Group members who desire to be a Passive Investor in a real estate syndication.
- reflects our opinion of industry best practices for evaluating real estate investment opportunities as well as the Lead Investors who are sponsoring these investment opportunities.
Some Suggested Best Practices for Passive Investors

1. Know Yourself
   - Investment needs
   - Investment goals/strategy
   - Communication style
Some Suggested Best Practices for Passive Investors

2. Evaluate the Lead Investor

– Create a criteria for evaluating Lead Investors
– Determine how you will obtain the information you need to make an informed investment decision
– Commit to following your process each time you consider a deal
Some Suggested Best Practices for Passive Investors

3. Understand the Syndication Process
   – Security and Exchange Commission (SEC) rules & regulations and how they apply to:
     • Lead Investors (Syndicators/Deal Sponsors)
     • Passive Investors
   – Understand syndication documents & key clauses for evaluating investment opportunities.
   – Understand your obligations when:
     • handling syndication documents
     • participating as a Passive Investor
4. Create Your Personal Investment Criteria

- Understand Multifamily evaluation, underwriting, and financial analysis.

- Evaluate each deal against your personal investment criteria.
5. Understand How to Read Financial Reports

- Understand how to read basic financial reports.
- Hold the Lead Investor accountable.
6. Read All Documents Each and EVERY Time

– Never sign documents you have not read.
– Never sign documents you do not understand.
– Consult professionals familiar with your personal financial goals and investment strategies:
  • Attorneys,
  • Accountants,
  • CPAs or Registered Agents, and your
  • Financial Advisor
Some Suggested Best Practices for Passive Investors

8. Network effectively.
   – Learn to network with:
     • Lead Investors.
     • Passive Investors.
   – Do it!
Some Tips to Effective Networking

Get, and stay, plugged in!

• Expo-Biggest Networking Opportunity! (Online after event)
• Case Studies (Online & Live)
• Road Trips (Online & Live)
• Special Events
• Classes
• On-Location Events
• Investor Gathering for Your Deals
Some Tips to Effective Networking

Know Who’s Who
• Members and Non-Members
• Membership Participation
  – Financial Freedom Program (FFP)
  – Challenge Program for Single Family education and mentoring
  – Preferred Investor Group (P.I.G.) for single family & multifamily education and mentoring
  – Vendors
Some Tips to Effective Networking

Introduce Yourself, and Start a Conversation
• Practice introducing yourself. Keep it quick.
• Prepare a short list of open ended questions.
  – How long have you been a member?
  – What program are you in?
  – What activities have been the most beneficial for you?
  – Do you have any passive investments?
  – Who did you invest with and why?
  – You can come up with a lot of ideas in just a few minutes!
• Practice answering your own questions, in case someone else asks you something similar.
Some Tips to Effective Networking

Learn to Listen Actively

• Let others talk and ask questions.
• Let others know you are listening.
  – Turn off your cell phone.
  – Maintain eye contact.
  – Respond with a smile or a nod when appropriate.
  – Ask questions related to the current conversation.
  – Sparingly contribute SHORT relevant stories or comments.
The Lead Investor/Passive Investor Relationship

You are going into business together, perhaps for a very long time.

You are both seeking a mutually beneficial business relationship.

You both expect to profit from your business venture.

You both expect to be treated fairly, with honesty, integrity, and transparency.
The Lead Investor/Passive Investor Relationship

- You will rely on the Lead Investor to:
  
  - Provide you with all relevant information needed to make an informed investment decision;
  - comply with the Lifestyles Unlimited Suggested Best Practices for Lead Investors;
  - Provide answers to all the questions on the Passive Investor Checklist;
  - produce projected returns;
  - run, or closely supervise, the daily operations;
  - make all the business decisions; and
  - implement the business plan outlined in the original offering.
The Lead Investor/Passive Investor Relationship

• The Lead Investor will rely on you to be an educated passive and:
  – understand the offering documents;
  – make sure this investment will fulfill your personal investment goals;
  – handle syndication documents in compliance with SEC rules and regulations returning them complete and on time;
  – know how to read the monthly financial reports;
  – respect their time and let them fulfill their role as Lead Investor; and
  – try to resolve issues directly with them before involving others.
Tips for Evaluating a Lead Investor

• Take your time, get to know them personally.
  – Observe them at events.
  – Introduce yourself and talk with them every time you see them.
  – Ask questions respectfully, and listen carefully to their answers.
  – Some are open to meeting with you, others are not. Remember they are running one or more active businesses. You are asking for a meeting with a CEO.
Tips for Evaluating a Lead Investor

• Talk with other Passive Investors
  – Have they invested with this Lead Investor?
  – Are they planning to invest with them again?
  – What do they like most about them?
  – Do they have any concerns?

• Do you like and trust them?

• Do they display humility and grace?

• Does their communication style match yours?
Communicating Effectively with Lead Investors

• All communication should be one-on-one.

• Each email you send should be personal, and sent to only ONE Lead Investor.
**Tips for Your First Contact**

- **Do**
  - Introduce yourself.
    - In person at events with a QUICK summary of who you are and what you want to accomplish through your Passive Investments.
    - Through email, if you cannot meet them in person, with a QUICK summary of who you are and what you want to accomplish through your passive Investments.
Tips for Your First Contact

• **Do**

  – **Follow up with an email.** The Lead needs your introductory email to communicate with you regarding any future investment opportunities.
  – Have they invested with this Lead Investor?
  – Are they planning to invest with them again?
  – What do they like most about them?
  – Do they have any concerns?

• Briefly remind them where/how you met, and that you are a Preferred Investor Group Member at Lifestyles Unlimited.
  – Let them know if you are a sophisticated investor, accredited investor, and if you are a **Certified Passive Investor**.
  – Make sure your email signature has your full name and contact information. Consider adding your picture to your signature line.
Tips for Your First Contact

• **DO**
  – Carry business cards.
    • Simple
    • For other Passive Investors
  – Ask others for their business cards.
  – Be professional, polite and respectful.
    – Treat them like a business owner or CEO, they are!
Tips for Your First Contact

• Don’t
  – Send long emails.
  – Send long emails requiring a response.
  – Do a mass emails – ever.
  – **Use Lifestyles Unlimited name without express written permission.**
    • On business cards.
    • On social media sites.
    • In your personal business name.
    • In any other way.
Tips for Your First Contact

• **Don’t**
  - Ask questions when you can get the answers from our education and mentoring program or elsewhere. Use your resources wisely.
  - Send a massive biography or resume.
  - Ask them to teach you the business.
  - Ask to have input or involvement in daily operations.
  - Make demands.
  - Tell them they have a deadline to reply.
The Lead Investor/Passive Investor Relationship

Remember Your Goal:

To establish and maintain a long-term mutually beneficial business relationship.
Tips for Contact When Evaluating Investment Opportunities

• Stay in Touch with Lead Investors and Passive Investors
  – Networking events
  – Live Case Studies
  – Live Stream Case Studies
  – Online Recorded Case Studies
Tips for Contact When Evaluating Investment Opportunities

• When a Lead Investor sends you information about an investment opportunity:

  – Analyze the deal YOURSELF
    • Does it meet your personal investment criteria (Value, Yield, Blend)?
    • Do you like the property and the submarket?
    • Does the exit strategy work for you?
    • Does the business plan and financials make sense?
    • Do you want to invest with this lead after reviewing the Passive Investor Checklist?
Tips for Contact When Evaluating Investment Opportunities

• When a Lead Investor sends you information about an investment opportunity:
  – Do not forward syndication documents or any other information about the deal to anyone except your:
    • Attorney.
    • CPA or Registered Agent.
    • Financial planner or other investment advisor familiar with your financial needs and goals.
  • NOTICE your Mentors and Consultants are NOT on this list.
Tips for Contact When Evaluating Investment Opportunities

• When a Lead Investor sends you information about an investment opportunity:
  – Respond by all deadlines if you want to invest.
    • Investor Questionnaire
    • All other completed and signed Syndication Documents
    • Transfer of investment money
  – Do not give your social security number, personal financial statement, or bank account number until you are accepted in the deal and have signed the subscription agreement.
Tips for Contact When Evaluating Investment Opportunities

• The Passive Investor Checklist:
  – Most Lead Investors will provide a completed copy of this checklist to all investors along with the rest of the syndication documents.
    • If a not, submit the checklist and respectfully ask for the answers.
  – Look for a credit score, not a copy of their credit report.
  – Leads have a variety of ways to share credit and background checks with you.
Tips for Contact When Evaluating Investment Opportunities

• Understand that the Lead Investor can’t customize syndication documents to your requirements.
  – You take the deal as presented or pass.
    • Tell them if you see an error.
    • Have an Attorney review the documents and explain your personal risks and exposure. Tell them NOT to submit changes.
  – The Lead Investor MUST Provide the Same Information to ALL Potential Investors
    • Most Lead Investors will provide instructions on how to submit questions.
      – If they do not, ask how to submit questions.
      – Be patient, it will take them time to compile and distribute.
Tips for Contact Once You Invest

• Understand the deal you have invested in and the operating agreement.
  – Limit your expectations to the business plan presented in the syndication documents.

• Maintain good business relationships with the:
  – Lead Investor
  – Passive Investors
Tips for Contact Once You Invest

• Participate in all investor meetings.
  – Ask thoughtful questions.
  – Discuss difficult or controversial issues in private well before the meeting, giving time to prepare and respond.
    • This is not the time to “confront” anyone.
  – Respect others time.
    • This is not the time or place to learn to read financial statements or receive investment or operational education.
    • This is not the time for you to “tell” the Lead Investor or Property Manager how they should run the business.
Tips for Contact Once You Invest

- Remain professional.
  - Even when others do not.
  - Even when you are angry or upset.
  - This is a business venture.
    - Everyone wants to make money.
    - Everyone wants to feel comfortable.
    - Everyone wants to be heard and understood.
    - The Lead Investor wants to run the business.
• Ask for help when needed.
  – You have the right to expect the deal to be operated as presented in the offering documents.
  – If you have:
    • Validated your concerns and they are legitimate and based on facts;
    • Brought your concerns to the Lead Investor;
    • Listened to the Lead Investors action plan or explanation;
    • Given the lead Investor enough time for information gathering and corrective action; and you still have no resolution, you should contact your Multifamily Operations Consultant to share your concerns. We will try to mediate a solution if the Lead Investor agrees to the process.

NOTE: We have no legal rights or responsibilities concerning your investment.
Action Items

• Complete the 10 Days of Learning
• Use Your Resources
• Follow our Suggested Best Practices for Passive Investors and complete each step!
• Network
• Create Mutually Beneficial Business Relationships
• Be an Educated Passive Investor!