

**EPISODE 11**

[INTRODUCTION]

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**ANNOUNCER:** If you're struggling with your vitality, energy, mood, focus, or sleep, this podcast is for you. Your host, Dr. Ann Tsung, ER doctor, and aerospace flight surgeon, will help you reach for the stars and remove the barriers or blockades that have been holding you back from living your best life. If you've been challenged by your health, relationships, or productivity, then it's time for a breakthrough. So, here's your host, Dr. Ann Tsung.

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**Ann Tsung:** Hello, welcome to It's Not Rocket Science Show, I am your host, Dr. Ann Tsung. Today, I like to talk about real estate as a form of passive income and why I decided to dive in. And we'll talk about my story and how I learned from zero knowledge, of knowing nothing in real estate to all the way to purchasing a fourplex a year later in Las Vegas, long-distance investing. And why it's just an amazing avenue for physicians or really anybody with any sort of income that they have saved up to put into real estate because of the tax advantages. And as physicians, we're not really taught financial planning or personal finance. We hear people get wealthy from real estate, people owning multiple units, and you think to yourself, at least that's what I was thinking when I first graduated from fellowship, I barely had any money saved up, I was making fellow salary. And the only thing I had really was in my IRA and 401k. And so, I knew nothing about real estate, I just knew that a lot of people became wealthy doing it, but it seemed like a lot of work, and a lot to learn.

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And I thought there were a lot of issues, that you have to deal with the tenants, etc., etc., marketing images, like, in my head I was already building up obstacles for myself. And because I set the mindset of achieving the five freedoms. I said, okay, I gotta dig into this, I've got to learn something about real estate, just get my feet wet. I just spoke with my good friend, who is huge in real estate, what is the number one book for beginners, and this is in 2020, in the heart of COVID, actually before COVID, in February before everything shut down. And he recommended to me *There's No Free Lunch in Real*

*Estate* by Jon Swire. S-W-I-R-E. *There's No Free Lunch in Real Estate* as the beginner book. And as a beginner book, it was very, very good at detailing from the beginning to end, how all the calculations are made, and the various types of busting and pitfalls. It was a fantastic primer bug. Because whenever you want to learn any knowledge, you want to build a foundation verse. When you have a good foundation, then you build up.

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And this is something else that I learned when I'm trying to learn a new material, and this is something I learned from Steven Kotler, The Flow Research Collective, we learn something, you have to repeat back and be able to explain it to yourself or to somebody else, like a six-year-old, explain it to a six-year-old, because if you don't really understand it yourself, then you're going to hide behind the terms, the complex terms when you don't actually understand the concepts. So, this is just another tangent. If you're trying to learn new knowledge, make sure you repeat it back and pretend you're teaching a six-year-old.

Okay, now, after that I was really inspired. And there's a blog called Semi-Retired MD, if you just Google Semi-Retired MD, it's hosted by Letty and Kenji. They're a fantastic physician couple who also invest hugely in real estate. And what's awesome about them is that they have blog posts that are free for you to begin learning why physicians should invest in real estate, or anybody really, and the tax advantages and different types of real estate. And that's where I begin. There, we're having a course and I joined the pre-chorus Facebook group, I looked through the blogs, and then when they came around, June of 2020 came around, I decided that I was going to pay for a coach, essentially the course, because I've talked a lot about coaches, I truly believe coaches exponentially fast track you towards where you want to go because they've been there, they've done it, they made the mistakes. So, they teach you not to make those mistakes, and they have the resources, the formulas, the sheets, the Excel sheets that you need, and the checklists that you need. So, I enrolled in the course and there are group coaching calls. And it was fantastic. I took it with my husband, and it was such a fantastic course.

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I went from zero knowledge with the terms to the following year purchasing a fourplex. The course took probably close to two months, I believe it was six weeks. You learn everything from you know different types of real estate, asset management, property management, like what to look for in a property manager, and you learn about contractors, real estate agents, cost segregation analysis for tax

benefits, all the tax benefits that you get, different types of investing, section eight housing, why it's good because it's a steady income and assisted living, multifamily, single-family, short-term rental. I mean, there's quite a bit and you get a decision of how risk tolerant you are, what type of investor are you, where do you want to invest, and everything was laid out, stepwise and in sequence, and there was a lot of support people on the Facebook group and the course to answer your questions. So, I highly recommend it. I don't have any financial relationships with them. I just really love how they give back to the community and they built a community. And so, if you ever want to learn about real estate investing, then go to their blog and Semi-Retired MD.

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So, I finished the course then I was sent to Russia. And so, I didn't really have time to look for real estate. Initially, my target market was in Austin, because it was blowing up at the time. And I went through my very first offer with my friend and my husband placed it under contract. And it was the scariest thing. I was like, okay, I guess we're gonna do it, tell him we want to lock this up. It was the scariest thing. And now it's like really no big deal. Because you can do your due diligence in 10 days. And if you don't want it, it's fine. Anyway, at that time, it was a huge step forward to jump through that hoop, but just to put in one offer. And we didn't do the due diligence, though, it was a senior living home. And it was in need of a lot of work. And we felt like it was too much work for a first-time investor and first purchase ever to be able to do this. And so, we decided not to go through with the deal. The money that we paid on inspection was well worth the learning experience. Because, we got in touch with Kekoa Team later Kekoa Team is a turnkey investment team based out of the Seattle area, and the biggest area. And when I got in touch with them, I was not afraid of putting in offers, I know how to assess, oh, that's the other thing, Semi-Retired MD course, teaches you how to assess the cash-on-cash calculator. So essentially, what that means is that it's how much return you get based on how much cash you put in, or equity, you put in on a percentage. So, say, there's cash on cash of 10%, you put in 100k, then you'll get 10k a year. And so, I got in touch with the Kekoa Team, early 2021 through the referral of Semi-Retired MD. And it is a whole team of people who are helping you, they send you deals in your email, and we'll calculate the cash on cash for you as is, and also after renovations. And so, it's very easy. They've already done the initial work for you. And you just have to look at the property, look at the location and kind of verify all of the numbers. And there's a whole team of five or six people just really, really awesome. They go through them, help you with inspection, they have contractors, they have property management that they interview and it was in Vegas, and helping you through the escrow process. And with their guidance, I was able to lock up all of the property, because there were, there was a lot of competition. And initially, I was top three. And we had to

structure our offer in a way so that we will win the contract in the end, the first buyer, the top buyer didn't come through. So that's how I got it. And I think if I didn't go with such an experienced team, I don't think I would have known how to structure that. So, I was very, very grateful for their service.

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So, after that, I purchased the fourplex, I got the property management companies that they refer me to spoke with them, picked one and also the general contractors that they vetted spoke with him as well. The prices seem reasonable. In five weeks, there were four units, two units were already rented. And to backtrack a little bit they have people on the ground, who did the video tour with me of the property before I purchased it. I actually didn't see the property in person before I purchased it. I did it through pictures, FaceTime, took a look at the inspection report, and took a leap of faith and just did it. And so, two units at the bottom were already rented out with prior tenants, two units on top were not rented out. So, we began the renovations, which costs 14,000 per side per unit and took about five weeks to complete, and were rented out. Essentially, two months after closing, all of them were full and rented out.

The property management, they take about 8% of the rent. And when they do a new lease, they will charge you \$500. I mean, they took care of everything for me, everything is connected to my bank. And so far, since owning the property in May of 2021, I have not had to pay mortgage because of the rental income coming in. And that's one of the advantages of owning real estate because a lot of people say, well, crypto, you make more money, and stocks, I have money in stocks, or I can put my money in REITS, which is essentially a real estate index fund. And the downside to those is that you have to put in your own money to buy those assets, right? In real estate and actual owning a property. Other people give you money to buy the asset and the equity to start off. I mean, initially you're putting in some, but the rest of it, if your loan is 75% of the cost to purchase, then other people are basically paying that for you. I mean, where else would you go to get other people to buy your assets, your stocks, your crypto? No way.

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And the one thing I had no idea about, and now I know why you can build well so fast is the tax advantages. So essentially, there's something called depreciation and bonus depreciation. Essentially, what it does is that it creates paper losses, usually in the first few years. So essentially, all of your rental income, your net income is tax-free, because there were so much paper losses. So, it's amazing like with stocks, with crypto if you sell out, or there are fees, and then with real estate index funds, I mean,

all of those have capital gains tax essentially on when you sell it, and also on your dividends. So, at this point, the first few years, when you own the property, depending on how much your depreciation is, you have no tax.

So, say, if you are making you put in 100,000, the first year, and you make, say, for example, the fourplex, if you're making 10,000 a year, because of bonus depreciation, you could potentially show a loss of 60 to 90,000, it depends on the property, it all varies, and you have to do a cost segregation study. That means that if you make 10,000, that year, you don't have to pay any income tax on it, because it shows a paper loss, and those losses if you don't use all of it, it will carry forward throughout the years, multiple years. And if you make 50,000, you don't pay tax on it. If you make 100,000 the first year in the cost segregations of 100,000, you don't pay tax on it, depending on your tax bracket.

I mean, that is like a savings of \$25,000 to \$35,000. I mean, it's crazy, right? And then in six months, you put in 100k into a property, and then six months, you can actually refinance the home, and then take all the cash and put it somewhere else. So when you refinance a home, what they'll do is they'll do another appraisal of the value of your home if your value has gone up if you've done some renovations to push up the value, and you know what time with the cash that you put in it, they'll do a new appraisal, they'll take that new price if it's higher than like say, you know, initially my home appraised for 400,000 and with a new appraisal after six months it's 450,000. So, they'll deduct how much loan that you have left, say if I have like 300k left in the loan, 450 minus 300, so 150,000. And depending on the bank or the agency, they will give you 80% of that. So, it's like \$110,000 so you can take that money out and then put it into another property and you basically use the same money over and over and over again to acquire assets to acquire equity. And that is another benefit of real estate that I have found out is that number one, first you're getting the gains like 10% a year so you're having similar to stocks and crypto, say if you're doing like, okay index funds, eight to 10% a year. At the same time though, you're actually gaining equity. And at the same time, if you have those tax benefits in the first few years, you're not paying income tax because of those paper losses. I mean, it's like win, win, win. And then I finally realized why financial independence can be fast-tracked so quickly with real estate and then the and then after six months or a year, you can take out the same money and then redo it, put it somewhere else. That's how people acquire so many properties so fast, it's not like they make so much money, they could be making a lot and acquiring a lot. It is possible if you don't make that much you just kind of rinse and repeat and use the same money. And so that has been my journey into the fourplex and now I am looking into multifamily apartments. My coach Dr. Vikram Riah, he is fantastic. He is my life and business coach. He's a functional cardiologist, also is a founder, and co-founder of Viking capital, and

they do multifamily syndications. And a founder of vitology, which is a functional medicine clinic, and also a founder of Limitless MD, which is the service that I use to provide me coaching, essentially.

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And I went to the educational event on multifamily deals and syndications. And I now realize how you can fast track your way even faster than just starting with two, fourplex, that there is a way to just go begin right away passively invest into these multi-200-units, 400-unit deals as a limited partner. And you don't need any experience. The returns that you get with a partner with a company that has a good track record can be amazing and completely passive. And you can be active in it as well. This is another way to really multiply your income, then build your wealth. And I'll do another episode to dive deeper on multifamily and what I've learned on multifamily syndications, but I know I'm really, really excited about it because of all the benefits, all the little benefits I told you about real estate, and then you just like 10-X it, and that's multifamily.

So, I hope that that was informative for you to understand a little bit of why real estate is awesome in building wealth, building passive income. And you begin with knowledge and with education. And it's not hard, we can all do this, you just build a foundation, pick up one book, go to one blog right now and type it in, read one post, that's it. But I would suggest ordering in a book because a book is more organized for you and then lays a good foundation. Again, the book I read is *There is No Free Lunch in Real Estate* by Jon Swire. There are many other books that we'll talk about when you kind of get further other people have recommended. And so, if you have any questions on my real estate journey or any questions in real estate in general or passive income, please reach out to me [anntsungmd@gmail.com](mailto:anntsungmd@gmail.com) that is [anntsungmd@gmail.com](mailto:anntsungmd@gmail.com). And go to It's Not Rocket Science Show for all the show notes. I am so grateful for your time here with me. And remember, everything we need is within us now. Thank you.

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**Announcer:** That's it for today's episode. Head on over to iTunes and subscribe to the show. One lucky listener every single week that posts a review in iTunes will win a chance in the grand prize drawing to win a private VIP Day for a health and life makeover with Dr. Ann Tsung, herself. Then, be sure to head on over to [itsnotrocketscienceshow.com](http://itsnotrocketscienceshow.com) and pick up your free gift from Dr. Sung. Then, join us on the next episode.

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