



Partnering On Real Estate Deals For The Right Reasons

by Jay DeCima

My personal investment strategy has constantly changed over the years as I've discovered what works, what don't and how to "tighten-up" my deals to maximize cash flow. I've always felt that investing alone is better than splitting the pie and sharing my profits! However, I have had several excellent partnership ventures over the years. And I must tell you this, when they work, you can achieve your financial goals many times faster than doing deals alone. But remember, I said when they work-that's the tricky part. Partnerships are like marriages - there are some good ones that last a lifetime and many that don't last till they're paid for! Like marriages, partnerships stand a much better chance of working and lasting if the partners are selected for the right reason. When I talk about partnership investing, I don't necessarily mean you should form a legal partnership. I'm talking co- ownership or two investors owning real estate together for the purpose of making money.

Why Would Anyone Want a Partnership?

There is only one good reason I know of to take on an investment partner. It's when you don't have enough financial horsepower to do the total deal by yourself. Most often, it's financial assistance you need. However there might be other legitimate reasons. Equity sharing and timeshare contracts are two examples of partnership investing. Both arrangements are specifically designed for investors who can't purchase the whole "enchilada" themselves, or at least they don't think they can!

Do not take on a partner because you want companionship!

Always ask yourself these questions: Do I really need a partner or do I just think I need one? Is it wise for me to split my profits with someone else? The answers should be very clear before you look for a partner. Every so often I hear about a "lonely investor" who apparently doesn't have enough confidence to buy real estate by himself. Generally this type of person lacks courage. He wants a partner for moral support. That's not a good reason to form a partnership. It's like the guy who thinks he's better off crashing in an airplane with 100 people aboard rather than crashing alone. Take my advice here, do not take on a partner because you want companionship. Partnerships are tough enough when you have a good reason.

Partnerships Must Be Based on Mutual Needs

Consider the want-to-be investor who knows just enough about real estate to be dangerous. He has more guts than it takes to fight a mountain lion, but not enough cash to use the pay toilet at the bus depot! Nine out of ten times, this joker will attempt to convince someone with money that by simply joining together, they'll both end up millionaires. Nearly always they both end up broke instead! Stay away from people who have million-dollar ideas, but no money!

My first thoughts when anyone approaches me with a partnership proposition are -What's in the deal for me? What's the risk to me and what assurances do I have that a partner will do what he says? One question you should always ask yourself is -What's the most I can lose if I do this deal? Naturally, I'd be very concerned that my partner and I shared equal risk!

Partnerships Can Solve Your Money Problems.

Developing partnerships to pool individual resources, knowledge and experience can provide an excellent vehicle for acquiring wealth at a much faster pace than would otherwise be possible. I've discovered that in

most successful partnerships, the partners themselves will often have very little in common with each other except their desire to make money together. Sometimes an accountant will team up with a carpenter or handyman. A doctor might select a contractor, or a school teacher with extra hours and mechanical skills might work very well with a real estate broker.

Sometimes the best way to find investment partners with the particular qualifications you need is by advertising in the Help Wanted ads of a local newspaper. Many folks would like to create a profitable partnership, but don't have any idea where to start! The first thing you must determine is what can you provide to the partnership! Will it be investment capital, your time or the specialized skills you possess. Write it down on paper, then advertise for a partner. There are many people looking for what you have to offer, but if they don't know you exist you must speak up and let them know.

The courting period requires honesty.

The biggest mistake for no money partners to make in trying to entice a person with money is to oversell and overstate the benefits the money partner is supposed to receive. If I were to show you all the proposals offered to me and added up all the profits I've been promised over the years, I'd need to rent the Bank of America headquarters building to store all my money. Fortunately or unfortunately, whichever way you view it, I didn't invest my money, so I'll never really know for sure. I can tell you this much however, a very high percentage of the deals went bust!

Jay's Rules for Finding a Money Partner

My "no-compromise" business rule for finding an investor with money when I need financial help is the same rule I use for landlording. I call it my 60/40 rule. It means I'm willing to give more than I take! I've always felt that broke investors should be willing to give up at least 60% of the partnership benefits in order to attract the money. This means if I'm the broke partner, I'll be content with taking 40% of the deal for myself.

Always ask yourself this question about the partnership. Who could most likely make it on their own-the partner with or without the money? I think its clear-the party with the money will always have a much greater opportunity than the one who's broke.

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