Hello, this is Edna Keep, and thank you very much for requesting my free report on our number 1 strategy for making money using other people's money.

Our number strategy, our favorite strategy, the easiest one to do and the most lucrative for us has been our joint ventures strategy. What is a joint venture? The legal definition is that it's "The joining of 2 or more people to conduct specific business enterprise". The investor definition is "An agreement joining together 2 or more parties for the purpose of investing in real estate".

Remember that there's no guarantee so when you're talking to your investor, provide a list of things that might go wrong and make sure the investor understands the pit falls for real estate investing, both short term and long term.

Keep everyone happy. Reduce risk and meet your investors' expectations. Find properties that fit a conservative joint venture model. For example, larger down payments, smaller mortgage payments, solid allowances for vacancies, repairs, maintenance and other problems and location of the property. You can joint venture with family and friends. Dealing with money and friends is a quick way to lose both money and relationships. The failure for joint venture with family is 50% and friends is %75. My feeling for the majority of that we treat them like they're still family and friends instead of business partners so we don't feel that they need the reports. We talked to them at Christmas and New Year's about it, and we don't have regular meetings with them. That's a big part of it. Keep that in mind when you're working with your investors.

Get commitment for your project, up front. As the finder, you get the money from the investors to give you the chance to tie up the properties with very small deposits. Keep in mind, you could working on a few properties at the same time so you don't want to tie up a huge amount of capital. Many of the money questions you're going to get are, "Who puts up what money? When is the money required? Who holds the money, and how does the money flow from the money flow from the money partner to the property? What if the money partner borrows the money? Who pays the interest? What is the standard percentage split?"

We do things our way, and there is some flexibility involved when you're doing a joint venture. Sometimes you have to work with your joint venture partner on what they need. They may need to have the interest paid on their line of credit. You can work that in to the cash flow projections and pull that out of there. You want to make sure that it's going to cover everything. You don't want to have the property in a deficit by paying somebody's line of credit. Again, we don't usually pay the line of credit. We have in the past. Again, each property is different.

Who puts up what money? Again, generally, everything is different. You can make changes required on what people are wanting, but generally, we get our investor partner to put up all the money, and the money includes the down payment, which is 20-25% of the value of the mortgage, and we also get generally, $5,000 put aside for reserve fund. They'll also pay the legal fees and closing costs so we always add that in. When we're looking for the money, we show that up front how much money's going to be required.

When's the money required? Lots of times, we get the deposit on the property from the investor, right away, as soon as we get an accepted offer that locks them in as well. Who holds the money? In the case of a deposit, the realtor would hold it. In the case of the rest of it, we always get it held at the lawyer's so they deliver the money right down to lawyers, get a receipt for it, and it's held there until the closing, which can be anywhere from a month to 3 months, depending on how long it takes to close on the property.

How does the money flow from the property to the money partner? How we set it up is we do a quarterly report. We call it a quarterly cash flow report. At the time, we will write up the quarterly cash flow and mail the check out with the report or etransfer the money and email the report. Report covers everything from what the mortgage payment is, what the insurance payment is, if you're paying any utilities, what they are detailed. Then, at the bottom of each report, we also detail if there's any repairs and maintenance. For example, if we had to repair a broken window or a backed up toilet, anything like that. We put down the name of the supplier or the contractor that did the work, what exactly they did, and what it cost us. The reason we get so detailed in that is it saves a bunch of phone calls. If they know exactly what the repairs maintenance are, they don't have to phone up and say, "Oh. I see you spent $500 on the property this month. What was that for?" Detail and you're not always going to remember either especially if you have a lot of properties so it's good for you to look back on it as well without having to dig through all your invoices.

We covered off with the money partner borrows the money and who pays the interest. Like I said, we generally don't pay the interest. We have, at times, in the past. That we will all depend on maybe how good of a client they've been, whether it's early in your career and you have to give up more than you get. That happened in the beginning as well. Our standard percentage split is 50-50. If there's a cash flow left over each quarter of $1,000, we each get $500 after all repairs, maintenance, we keep a certain back for repairs and maintenance and vacancy allowances as well.

We generally do a long term joint venture, we're going a minimum of 5 years. The reason we do that is because you just can't tell what's going to happen with the market up front. We want to make sure we get a really good chance of getting equity appreciation, mortgage paid down, and cash flow on that particular property. You can't always do that in under 5 years. We always make sure to say that if the market is down when that 5 years is up, it's probably not going to be the best time to sell so we have to hold on maybe a little bit longer. Always make sure that we cover that off in inspections right up front.

Choose your joint venture partners carefully. Blind trust is not enough. Review their background and experience. As the managing partner, people will look into our background and experience, get references from us, and that's really good, but you will want to either know your partner or you'll want to review their background and experience as well because you want to make sure this isn't their last dollar. You want to make sure that if things go wrong, they're going to be able to handle it. You want to make sure they've got a good enough job or business going that they'll be able to qualify for, a mortgage, preferably several mortgages. You just want to make sure that they're going to be a good partner. You don't want to get into your partnership 6 months and realize that they're a nightmare to work with.

When you structure your joint venture, always use a lawyer to draft a good agreement. We've got one we can share with you a draft agreement that we've used, but we always prefer you to have your own lawyer draft yours. Most of the points are covered. We always have our JV partner get independent legal advice, and actually it's worked out really good for us, too because sometimes there's things in there that you may not think of especially when you're brand new, and the other lawyer will think, "That's how you put it in there?" Then, what we've done is I think we started out with like a 19 point joint venture agreement. Now, we're about to 24 point just because of the lawyers have brought up some really good points that we didn't think of when we first started it. That's a good way to do it.

If you think you're going to have joint venture partner that's going to be a really good partner maybe doing for 5, 6 properties with you, you might consider forming a corporation, especially if they don't have any other kind of corporation to run the money through.

Receive good tax advice because there's different ways of claiming the income. We've had sometimes when we're able to claim dividends depending on your income. Again, your tax accountant will be able to help you with that. Everybody's situation is different.

The difference between a joint venture under the securities act is you are partners with this person so you're not raising money to just go out and buy some unknown property, you are joint ventures on this property. Even though the title will be in your joint venture partner's name, you'll register caveat on it. You have a full agreement. It's totally fine outside the securities act to be doing stuff like that. It is not with every aspect of raising money.

When you're looking for money partners, you might start with family and friends. I know we did. Started with clients we already had, with my past being a financial advisor. A lot of the times, you'll have people close to you who will be interested. One story that I heard from one fellow was that he talked to his family friends about everything like every challenge he had, every win he had, every strategy he was using. Long before he ever approached to invest with him because he wanted to know that he was taking the chances with his money up front, working out all the wrinkles in his system ahead of time so that by the time he came to them and asked them to joint venture with him, they considered him and expert. They knew that he knew what he was doing because he was consistently making money. Besides family and friends, you might consider my secret sources of private money.

When you're doing contracts with your money partners, remember: Securities investment contracts are governed by specific provisional security legislations. You'll want to sign unanimous shareholders agreement when you're looking at bringing in more than one joint venture partner. You can also consider using a task declaration. Again, that's something that you'll get advice on from your lawyer because again, every joint venture you get into will be different. In some cases, we've had up to 12 partners in one unanimous shareholders agreement. You do have to have things on the side that cover off all the things that you're going to go through, when things will be paid, what'll happen if there's a shortfall, what'll happen if there's extra money, different things like that. Keep that in mind.

Your money partners' responsibilities. You want to make sure you discuss with them up front what they're going to be doing, and what you're going to be doing. In our case, we are in charge of keeping all the financial records. What we've done with all our joint venture houses is we set up a separate bank account for each and every property. It's very nice for your accountant to deal with it at the end of the year because you just have basically 12 bank statements that they have to match up, not trying to find our receipts for 100 properties in one shoe box. I also do all the reporting. We do the reporting. I keep of that monthly, but I only send it out to the money partners quarterly. Again, that's when they get their cash flow check as well. With the bank statement, they've got full access to go in and look at it at any given time as well.

Another little tip there is when you're writing out a check for something, say, to the plumber, mark down that unit A had a toilet back up, the roots going through the pipes, or whatever. Give as much detail as possible. Again, it takes you 2 seconds to write that on your check, saves you a phone call for them going on the back account, clicking on the check, and say, "Why did we have another plumbing bill this month when just had one last month?" It really makes a big difference, keeps everybody feeling good about what's happening.

Also, always have an exit strategy planned. That might be 1, 2, or even 3 exit plans because you never know, your initial exit plan might be something that is "We're going to hold it for 5 years, and then we're going to sell it and get maximum dollar for it." It might turn out that the market is down a bit at that time. It might turn out there's all kinds of properties just like you have on the market so there's different reasons why it may not be the exit plan at that time so always make sure you cover in your agreements that 1 partner can buy out the other partner, that they have the first right of refusal, that you may, instead of just outright selling it, you may do it as a rent to own, or there's any number of options on that. Just kind of keep that in mind that you always want to have more than 1 exit plan when the time comes.

With that said, that is the general overview on how joint ventures work, how you can set up really good money making joint ventures for everyone. I hope you got value out of that. If you ever have any questions, please feel free to email me at edna@ednakeep.com and I'll be happy to answer your questions. Or if you'd like to have a Strategy Call to see how this could work for you please find a time here: https://meetme.so/ednakeep

Thank you.

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