

# Ninja Selling

**“A user friendly  
selling system”**

**by Larry Kendall  
The Group, Inc.**

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**What is Ninja Selling?**

Ninja Selling is a sales system developed by Larry Kendall and The Group, Inc., Real Estate Associates in Colorado and is now taught nationwide. The system is based on a philosophy of building relationships, listening to the customer, and then helping them achieve their goals. It is less about selling and more about helping people buy.

It is called Ninja Selling because one of The Group sales partners who helped develop the system was nicknamed “The Ninja” by the staff in his office. He had great sales volumes, great customer satisfaction and referrals and yet seemed to have a life outside of his career. Larry Kendall began documenting the sales systems used by the original Ninja and other top sales people at The Group. Ninja Selling is the result.

Ninja Selling is based on a belief in abundance and the power of focused energy and synergy with others. The symbol used for Ninja Selling is the Japanese symbol for “Ki” or the universal energy that connects all things. Ninja Selling is based in the philosophy of the non-violent martial art, Aikido – the way of harmonizing energies.



**Ai (Harmony/Love)**

**Ki (Energy)**

**Do (The Way or Path)**

Larry Kendall holds a Masters Degree in Business Administration from Kansas State University and has practiced real estate in Colorado for 33 years. He is one of the founding partners of The Group, Inc., a real estate company that is owned by its sales associates and staff. Currently, the firm has 230 sales partners in 7 offices in the Fort Collins, Loveland, Greeley, and Windsor, Colorado areas and annual sales of \$1.5 billion. Larry’s sales philosophy and systems helped The Group, Inc., be recognized by *Realtor Magazine* as the most productive real estate company in the United States as measured by transactions per associate.

In 1994, his class, “Ninja Selling”, was presented to 440 participants in the International Center of the Broadmoor Hotel and still holds the record as the largest continuing education real estate class ever taught in Colorado. Larry went on to teach “Ninja Selling” to over 7,000 Realtors in Colorado. He was later asked to teach “Ninja Selling” to the 17 national CRS (Certified Residential Specialist) instructors. Many of these national instructors teach his sales philosophy and skills today. Walt Frey and several other instructors have been authorized to teach Ninja Selling nationwide. In 2004, Larry received the CRS Special Achievement Award from the National Association of Realtors. This national award, which has only been conferred twice before, recognized Larry’s contributions to education of the real estate industry. Larry’s mission is the help people bring out the best in themselves and their organizations.

# Ninja Selling

By Larry Kendall

## A. Introductions

B. The Goal: Increase your income per hour so you can have a life.

C. Ninja Selling – “A user friendly selling system.”

### 1. User friendly – for whom?

- a. For customers - because you are not selling.
- b. For you – because you are not selling
- c. STOP SELLING! – become a **Proactive Trusted Advisor**.

### 2. What is a system?

It is documented and you can hand it to someone.  
It gives you predictable results – regardless of market or personality.

### 3. F.O.R.D., Focus & Flow

F. = **Family & Friends**

O. = **Occupation**

R. = **Recreation**

D. = **Dreams**

### 4. F.O.R.D. is used for:

- i. **Building Rapport**
- ii. **Prospecting**

### iii. Negotiating

#### 5. Five rules of Selling

1. Show Up
2. Pay Attention – Listen!
3. Tell the Truth and Keep Your Commitments
4. Add Value to Your Customer
5. Don't Get Attached to the Outcome

#### 6. Economic Beliefs: Getting profitable results in an oversupplied economy

1. Supply and demand generally seeks balance over time.
2. Profit is the cost today of being in business tomorrow.
3. Profit breeds competition.
4. Perceived excessive profits breed ruinous competition.
5. Profits ultimately flow to those who add the most perceived value.

#### D. The 3 Personal Beliefs

1. Belief in Real Estate as a Career.
2. Belief in Your Company.
3. Belief in Yourself.

#### E. What is a Ninja?

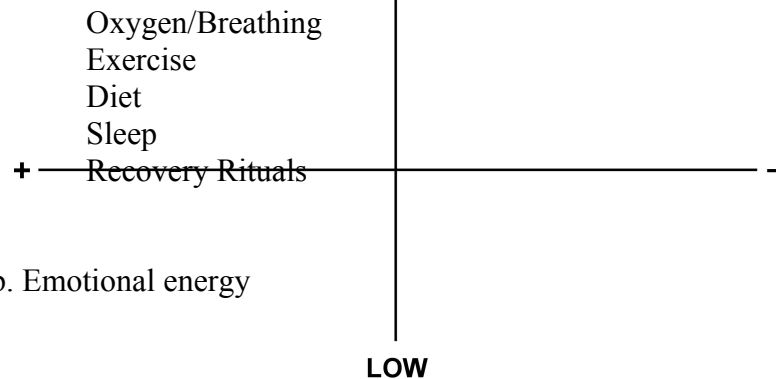
1. Seems to sell real estate without effort. Has fun and makes it fun.
2. Has great customer satisfaction.
3. Obtains most of their business from people they know.
4. Seldom talks except by asking questions. Is a great listener.
5. Knows their market and their customers better than anyone.
6. Is a master salesperson with subtle and “user friendly” sales skills.
7. Is committed to mastery and self-improvement. A “student of the game”.

8. Focuses on “what works”. Practices the 80/20 principal.
9. Has a very high income per hour – and a high net worth.
10. Has sales systems and routines that produce consistent results.
11. Provides service that is relevant, customized, differentiated, and value added.
12. Has a positive attitude and a life outside of real estate.

## F. Six Keys to Ninja Success

### 1. Energy/Attitude/Goals

#### a. Physical energy



High Positive

High Negative

Low Positive

Low Negative

#### c. Mental energy

Focus  
 Visualization/Mental rehearsal  
 Realistic optimism  
 Creativity

d. Spiritual energy

Purpose/Meaning  
Passion  
Values  
“Why”

“He who has a ‘why’ to live for can bear with almost any how.”  
- Nietzsche

e. Learning to Run Your Brain

1. Perceptual Maps – 3 keys

a. **People You Meet**

b. **Places You Go.**

c. **Books You Read.**

2. Success Process

a. Thoughts – 50,000/day

b. Beliefs

c. Actions

d. Results

3. Responsibility & Response-ability

4. Vision – Your search for meaning. What do you want . . .

a. To Have

b. To Do

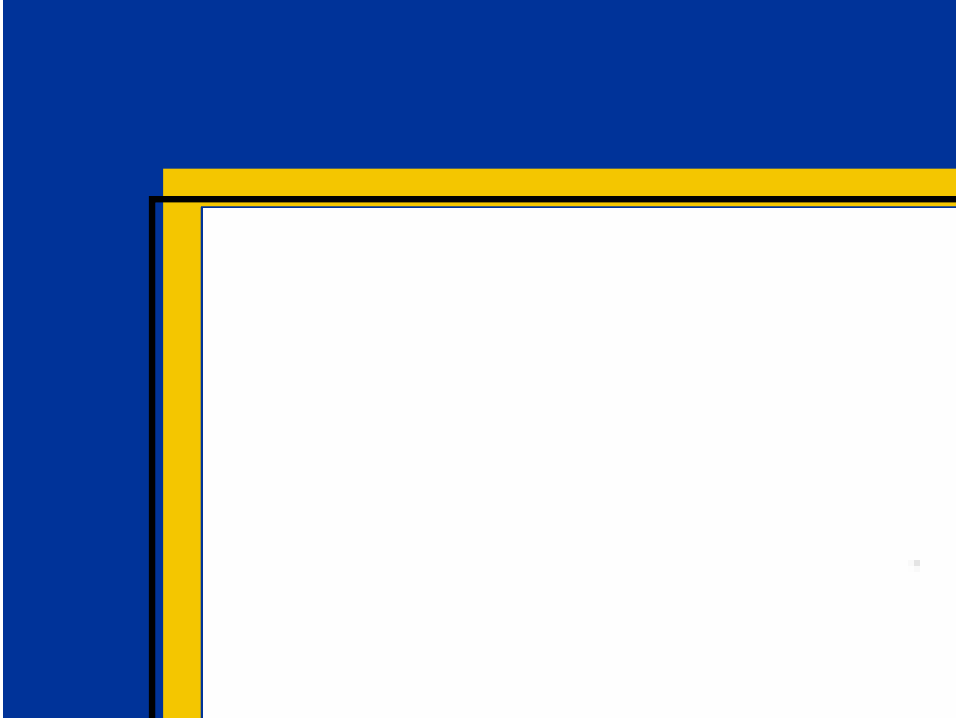
c. To Be

5. The Reticular Activating System



6. The Power of Focus & Miracles!

**2. Commitment to Mastery.**



**3. Socratic Selling** – asking the right questions & listening.

- a. You can only help people who are moving toward you. “Are you pursuing?”
- b. People are attracted by perceived value
- c. First connect! Then stay connected – more powerful communication
- d. 3 Modes of Verbal Communication

1. **Command (Telling)**

2. **Question (Dialogue)**

3. **Sharing (Story/Metaphor)**

- e. Pay Attention! “It does not take sharp eyes to see the sun and the moon, nor does it take sharp ears to hear the thunderclap. Wisdom is not obvious. You must see the subtle and notice the hidden to be victorious.” – Sun Zu
  - 1. Watch their body – match and mirror
  - 2. Watch the eyes – 60% Visual; 15% Auditory; 25% Kinesthetic
  - 3. Listen to their speech – tempo, tone, predicates, from/toward
  - 4. Personality type

a. **Power People (D)**

b. **Party People (I)**

c. **Peace People (S)**

d. **Perfection People (C)**

f. 3 Rules for Powerful Presentations

1. **Showing** is better than telling

2. **Asking** is better than telling

3. It matters **who says it.**

g. Internal & external dialogues

h. “Pretend States”

**4. Controlling the process** (you control process; customer controls decisions.)

Ninja Sales Process: **Phase 1 – Connection**  
**Phase 2 – Information**  
**Phase 3 – Presentation**  
**Phase 4 – Solution**

**5. Focus on the customer**

A. Real Estate Research

**11 %** of buyers use their same Realtor on their next transaction

**28 %** of sellers use their same Realtor on their next transaction

B. Consumer buying decisions

**15 %** Lowest Price

**5 %** Highest Price

**80 %** Value (Relationship of price and perceived quality)

C. Pre-Listing Packets – a seller’s method of “due diligence” to get comfortable

D. The Listing Presentation – “It’s a job interview.”

E. Consumers want a Realtor who is FAIR and HONEST – charges the same price for all – whatever your price is, be CONSISTENT

F. Understanding Customer Basics:

People are only willing to pay money for two things.

1. **Solve a problem (relieve pain).**
2. **Feel good (pleasure).**

A home buyers four greatest fears are:

1. **Losing the house.**
2. **Missing out on something – a better house.**
3. **Paying too much.**
4. **Something wrong with the house**

A home sellers three greatest fears are:

1. **Home selling too cheap.**
2. **Paying Realtor too much – not getting value.**
3. **Home not selling.**

During the 9.3 to 21 month home buying/selling process, when is the emotional high and low experiences for both buyers and sellers?

Emotional High: **Time of contract.**

Emotional Low: **Time of inspection.**

G. Service and Skills: 10 Skills customers want and are willing to pay for:

- |                                   |                               |
|-----------------------------------|-------------------------------|
| 1. Pricing skills.                | 6. Marketing skills           |
| 2. Supply/demand/absorption       | 7. Sales/presentation skills  |
| 3. Market trends/forces           | 8. Negotiation skills         |
| 4. Staging skills                 | 9. Make it easier – save time |
| 5. Design skills – what's hot/not | 10. A “perfect transaction”   |

H. The Customized Economy



#### I. The 4 Pillars of Brand Building (Young & Rubicam)

1. Recognition
2. Reputation
3. Relevance
4. Differentiation

#### J. Building a Brand by Creating Value (Exercise)

1. Basic Services (services provided by most Realtors)
2. Differentiated Services (services provided by you that are different (or in addition to) basic services)
3. Customized Services (services that you provide that are unique to that particular seller/buyer)

4. Convenience Services (services that you provide that makes the process easier for buyers/sellers compared to working with another Realtor)

**6. Focus on what works – building effective rituals, routines, and “flow”.**

“We become what we do repeatedly. Excellence, therefore, is not an act. It is a habit.” - Aristotle

a. Rituals

b. Routines (habits)

c. “Flow”

1. Herbert Research: During the 9.3 to 21 month process that buyers and sellers go through on their way to a real estate closing, they pick their Realtor in just 1 to 3 days. The decision is fairly arbitrary and is based primarily on “flow”.

2. People prefer to work with a Realtor they:

**Know**

**Like**

**Trust**

**Are in “Flow” with.**

3. 20% to 30% Rule
4. 50/week – look for precession – bodies in motion operate at 90 degrees
5. Reasons to call that add value
6. Five step calling process
7. Reasons people want to buy real estate

d. Five keys to a successful business plan

1. Learn - expand your perceptual map
2. Goals - bold, passionate, measurable
3. Activities - necessary to achieve goals
4. Schedule - put them on your calendar
5. Action - perform the activities.

7. The Hero's Journey

8. The Power of Vision – 3 D's of Success

Dream

Dedicate

Dare

### **Customer Service Calls**

A. Reasons to Call (Have a reason to call that adds value to the customer.)

1. Sellers – update
2. U/C Buyers – update
3. Active Buyers – update
4. Recent closed customers – do you need anything?
5. Referral Sources – thank-you and update on progress
6. Anniversaries – “Guess what we were doing 7 years ago this week.”
7. Birthdays
8. 8 in 8 system
9. Tickets and “give-aways”
10. Annual market update
11. “Have's and Wants”

12. Thank-you, Congratulations, Thinking of You and .....

**B. F.O.R.D. System - Rapport Building/Prospecting/Negotiating**

Family  
Occupation  
Recreation  
Dreams (goals)

**C. Five Step Calling Process**

1. Salutation
2. Look for common ground – F.O.R.D.
3. Purpose of my call – one of 12 reasons to call listed above
4. End on common ground – F.O.R.D.
5. 3 to 5 minutes max

**These People Probably Want to Buy/Sell Real Estate**

Take out your list of people you know. Go through the names one at a time. Bring the person/family into your consciousness. Think about them and ask yourself these questions regarding their situation. If they fit that particular question, write the number of that question next to their name. After going through your entire list, you should have a clear picture of the potential real estate needs/wants of your customers – and the start of a business plan for yourself. Start contacting your customers using the F.O.R.D. system of questions. When they respond to your F.O.R.D. questions, listen carefully for changes going on in their lives that may affect their need/desire to buy/sell real estate.

**How many of the people you know:**

- 1. Have had an increase in family size in the past year?**
- 2. Have children age 10 and under? (Give your kids a chance brochure.)**
- 3. Have teenage children?**
- 4. Have children who have left home recently?**
- 5. Are living “below or above their means”?**
- 6. Have lived in their same house 7 years or more?**

7. Have had their employer/company expand in the past year?
8. Have had their employer/company downsize in the past year?
9. Have received a substantial inheritance?
10. Own a building lot?
11. Are getting married or are recently married?
12. Are getting divorced or are recently divorced?
13. Are getting divorced and married?
14. Have a dream for “Wake-up Money” investment property?
15. Have a dream to live “anywhere”?

## Referral Follow-up

1. Thank you card
2. Thank you by phone
3. Let them know after initial contact is made
4. Progress report during transaction
5. Report on conclusion of referral
6. Send “Thank you” and “Payment”

REFERRAL	SOURCE	1	2	3	4	5	6


# **“8 IN 8” Tracking Form (System Status)**

Partner: \_\_\_\_\_ Assistant: \_\_\_\_\_

<b>Week No.</b>	<b>Item</b>
1	
2	
3	
4	
5	
6	
7	
8	

<b>Name</b>	<b>Week</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>


## Flow

<b>Quality</b> (What I'm doing)	<b>Quantity</b> (How much I'm doing)	<b>Budget</b> (What I'm investing)	<b>Schedule</b> (When I'm doing it)	<b>Action</b> (How will I know when it's done)


## PIE Time

*This is probably the best explanation of PIE time that I can share with you.....*

**P time** = Three ingredients: You, a customer, a contract.

**I time** = Time you invest creating P time. Flow activities – calls, face to face meetings, mailings, hand written notes, etc.

**E time** = Everything else.

**Step one:** *Gather your data at the end of EACH day.....enter it in this format*

<b>Days worked</b>	<b>Date</b>	<b>Total</b>	<b>I</b>	<b>P</b> <u><u>    </u></u>
1	August 1	8	2	0
2	August 2	7	0	0
3	August 3	6	1	1
4	August 4	8	2	2
*	*	*	*	*
<u>26</u>	August 31	9	2	<u>2</u> <u><u>    </u></u>

<b>Total Hours:</b>	<b>181</b>	<b>51</b>	<b>20</b>
<b>Percentages:</b>	<b>100%</b>	<b>28%</b>	<b>11%</b>

**Average hours worked per day = 181/26=6.96 hours per day (P. I. E. total)**

**Step two:** Divide the total number of hours per month (181) by the number of days worked (26) to get the average hours worked per day in subject month (August).

**Step three:** Calculate “E” time by adding the total “I” hours (51), and the total “P” hours (20) to get 71. Now subtract 71 (I + P) from total hours (181) to get your “E” time; Total minus (I + P) = E or in the above example it would look like this;  $181 - 71 = 110$  (E). Now that you know your “E” time is 110, “I” time is 51 and “P” time is 20, you can work with your data.

**Step four:** Calculate the hours per day that you will never get paid for (E) like this: Take total “E” hours (110) and divide by total hours worked (181);  $110/181=61\%$ . Next take 61% of the average work day (6.96) and you get 4.25 hours,  $(.61 \times 6.96 \text{ hrs.}=4.25 \text{ hours})$ .

**Step five:** Finally calculate the ratio of “I” time you need to generate one hour of “P” time. *Remember this: You can create “I” time, but not “P” time, so our goal is to determine how much “I” time activities we need to earn the income we want.* Stay with it, we are almost there! Watch.

**Step six:** We will now calculate the “Yield Ratio” as follows: Divide total “I” hours (51) by the total “P” hours (20):  $51/20=2.5$  which means you need 2.5 hours of “I” time to generate one hour of “P” time. Got it? If so, you are in the process of becoming a Ninja!

### **To earn \$200,000 using the previous analysis....**

***Assumptions: Work 5 days a week and take 4 weeks vacation.***

<b>New listings and sales in the past 30 days</b>	<b>ssales in past 30 days    3</b>
<b>Average price</b>	<b>\$ 300,000</b>
<b>Total dollar volume</b>	<b>\$ 900,000</b>
<b>Total agent income (3% gross, 70% split to agent)</b>	<b>\$ 18,900</b>
<b>Hours of “P” time for last 30 days</b>	<b>20</b>
<b>“P” time value per hour (\$9450/20)</b>	<b>\$ 945</b>
<b>12 month financial goal</b>	<b>\$ 200,000</b>
<b>Annual “P” hours needed to reach goal (\$200,000/\$945)</b>	<b>212 hours of “P”</b>
<b>Yield ratio (from above)</b>	<b>2.5 to 1</b>
<b>“I” Hours necessary per year @ 212 x 2.5</b>	<b>530 hours per year</b>
<b>“I” Hours needed per week ( 530 /48 weeks)</b>	<b>11 hours per week</b>
<b>“I” Hours needed per work day (11 hours/5days)</b>	<b>2.2 hours of “I” per day</b>

***Now you know how much “I” time you need per day. Remember: You can control “I” time. You can’t control “P” time.***

### **Ninja Weekly Routine**

1. Schedule 1 hour weekly planning meeting with yourself. Review your goals. Begin with the end in mind.
2. Schedule time to exercise each day
3. Get to the office by 8:00 a.m. each day
4. Schedule 2 “Real Estate Reviews” (unsolicited CMA’s) for this week
5. Schedule 2 hours for “Customer Service Calls” – call all sellers, u/c buyers, active buyers, and closed customers (once a month for 1 year). Recommend this time be scheduled in the morning. Use 5-step calling process
6. Schedule 2 hours for other calls – birthdays, anniversaries, 8 in 8, etc. See 12 reasons to call that add value. Use 5-step calling process.
7. Send 10 notes – thank-you, congratulations, thinking of you
8. Schedule 2 lunches or breakfasts this week with a prospective referral source
9. Schedule 2 1-hour sessions this week for paperwork cleanup – meet with your assistant/escrow officer

10. Schedule 1 hour to review your customer lists and compare with "15 reasons why people want to buy real estate." Make 5 calls. Works best after touring properties.
11. Visit with 50 people this week – ask F.O.R.D. questions and LISTEN for change (pain and pleasure).
12. Build your mailing list of people who know you to a minimum of 200. Send them something of value at least once a month (recommend Insider).

If you are disciplined to have this routine on a weekly basis, you should earn a minimum of \$1,000 in gross commission income for each person on your mailing list (i.e., 200 names equal \$200,000 per year). This system assumes: an average sales price of \$200,000 or more; all people on your list know, like, and trust you; you accomplish every item on this list on a weekly basis. Remember:

- a. It's not just the people you know it's the people they know. Leverage your magic 50 with referrals.
- b. Review your 15 reasons "These People Probably Want To Buy or Sell Real Estate" each week in your weekly planning meeting and list the people who meet the criteria. Make sure you are in "FLOW" with them.
- c. Listen! They should have the "time of possession"

## **21 Point Business Plan**

- 1) Do you have a data base of names, addresses, phone #'s and other information on your clients readily available at your desk? Are you talking to 50 per week?
- 2) Do you have a scheduled time each week/day when you communicate with your clients/friends? ("Hour of Power") Do you do this consistently? Do you meet with your clients once a year for a "review" of their real estate?
- 3) What are your systems for generating a continuous flow of buyers and sellers? Are you at the "cause" of what's happening or the "effect" of what's happening?
- 4) Do you have a Buyer Interview Sheet and "Buyer Packet" readily available?
- 5) Do you have a Prelisting Interview Form near your phone?
- 6) Have you mastered your "Ninja Selling" scripts for buyers, sellers, investors?
- 7) Do you know how to use the MLS/County Records to do an accurate CMA?
- 8) Do you use a Listing Packet and a printed CMA presentation? Have you trained your assistant as to how you want these put together (order of pages, etc.) so they can be generated quickly and without "brain damage"?
- 9) Do you have a powerful Listing Presentation that:
  - a) Clearly shows the seller their odds of selling their home?
  - b) Shows them how to "price their home to sell"?
  - c) Has a Marketing Plan that differentiates you from your competition?
  - d) Demonstrates how you add value to the seller? What is your "Wow!"?
  - e) Shows at least 5 things that you and your company do for the seller that your competitors don't? Do you dress up for the interview?
- 10) Do you know your "Sweet 16" listing questions? Are you prepared to answer the

most common "objections to listing" and "pricing objections?"

- 11) Do you have pricing and staging videos readily available?
- 12) Do you have a marketing plan/checklist for your listings?
- 13) Do you know the first 5 questions to ask a buyer? The first 5 questions to ask an investor? The first five questions to ask at an open house?
- 14) Do you have questions and visual aids to help shift a seller from a "price shopping" mindset to a "results shopping" mindset?
- 15) Do you have a system for coaching your builder? A marketing plan?
- 16) Do have "routines" that keep you in balance and "rituals" that help you perform at your best?
- 17) Do you have several Relocation Packages, Buyer Packages, and Listing Packages at your desk so they are easily accessible when you need them?
- 18) Do you have your most common letters "standardized" so you don't need to create an original every time you want to communicate with someone?
- 19) Do you know your product, your market and your competition? Do you know these better than your customers?
- 20) Is your financial house in order so you are not distracted? Do you have a set of books so you know if your business is profitable? Are your taxes paid? Do you have a "feel good" account? Do you have wealth creation on "automatic pilot" with your Business Manager? Do you have a Goal Contract?
- 21) Do you have Goals and a Business Plan? Do you know where your business comes from specifically? Do you have a plan to build a business based on customer satisfaction and referrals? Do you have a Career Plan? A "Goddard List"? Who is someone you would like to emulate and learn from? A mentor?

### **The 2005 Profile of Home Buyers and Sellers**

NAR Economic Research \*

#### **Buyers**

##### **Method Used To Find Real Estate Agent**

Referred by family or friend	44%
Worked with before	11%
Internet site	7%
Visited open house & met agent	7%
For sale sign	6%
Walked/called into office	4%
Referred by employer or relocation co.	4%
Referred by another real estate broker	3%
Personal contact by Realtor	3%
Newspaper, Yellow pages, Home Book	2%
Direct mail - newsletter, postcard, etc.	1%
All other	6%

##### **Most Important Factor In Choosing**

Reputation of Realtor	41%
Knowledge of neighborhood	24%
Realtor's firm	7%
Professional designations	5%
Other factors	24%

#### **Sellers**

##### **Method Used To Find Real Estate Agent**

Referred by family or friend	43%
Worked with before	28%
Personal contact by Realtor	5%
Visited open house & met agent	4%
For Sale sign	4%
Referred by another Realtor	3%
Referred by employer/relo. co.	3%
Direct mail, newsletter, postcard	3%
Walked/called into office	2%
Internet site	2%
News/Yellow pages/Home book	1%
All other	1%

##### **Most Important Factor In Choosing**

Reputation of Realtor	57%
Knowledge of neighborhood	17%
Realtor's firm	6%
Professional designations	3%
Other factors	17%

**Number of Realtors Interviewed**

One	64%
Two	20%
Three or more	15%

**Number of Realtors Interviewed**

One	74%
Two	17%
Three or more	9%

**Where Buyer First Learned About Home**

Realtor	36%
Internet	24%
Yard sign	15%
Friend/neighbor/relative	7%
Builder	9%
Newspaper advertisement	5%
Knew seller	3%
Home book or magazine	1%

**Did Seller Use Same Realtor to Purchase?**

No	47%
Yes	53%

**Number of Weeks Home Was on Market**

Less than 1 week	
1 – 2 weeks	28%
3 – 4 weeks	13%
Over 4 weeks	50%
Median = 4 weeks	

**Would Use/Recommend Realtor Again**

Buyers	66%
Sellers	63%

**FSBO Success Rates**

Used a Realtor	85%
Sold themselves (39% knew buyer)	13%
Sold to home buying company	1%
Other	2%

\* National survey of 90,000 home buyers and sellers between August 2004 & July 2005.

## What Customers Want

(Survey of 50,000 buyers and sellers)

1. Care and Concern
2. Source of Knowledge
3. Fair and Honest
4. Promise/Deliver – Close on time
5. Stay in Touch – Call Them First
6. No Surprises
7. Make It Easier
8. Save Time/Money

9. Problem Solver
10. “Book-end Selling” – spend more time on the front & back of transaction
11. Risk Reduction
12. Recovery – how do you recover from mistakes?

## **Five Ways to Measure Customer Satisfaction**

1. Did transaction close on time – according to original contract dates?
2. Did you receive a referral from buyer/seller by end of transaction?
3. Did you call them first during the transaction to keep them informed? If they call you first to find out what’s going on, you are failing!
4. Survey Results
5. Focus Groups

## **The Psychology of Selling**

1. Mental Preparation, Beliefs & Energy – “ATTITUDE is everything!”
2. The Law of Reciprocity - violins
3. Focus/Be There – 3 minute “nose exercise”
4. “Grand Openings”
  - a. Stand-up
  - b. “Cheese Wiz”
  - c. Power of Touch
  - d. 3-Steps – Enroll, Acknowledge, Who You Are
  - e. Ask Permission to take control of the process
  - f. Move to new space
  - g. “Buyer Eyes” & seating assignments
5. Building Trust & Rapport
  - a. Internal & external dialogues
  - b. The Power of Giving – “Equity Sensitive”

- c. The Power of “Hoop Jumping”
- d. Speaking Their Language
  - 1. V – A – K
  - 2. Matching – V-A-K; Speed; Tone/Volume; Predicates; Gestures

#### 6. Start Your Process – Process/Decisions

“If it’s alright with you, let’s . . . . .”  
 “Here’s what’s going to happen next.”

#### 7. The Power of Questions

- a. Staying Connected – AB Game
- b. F.O.R.D. – Family/Friends – Occupation – Recreation - Dreams
- c. M.A.N. – Motivation – Ability - Needs “Why?”
- d. Favorite Questions:
 

1. Floor	4. Buyer Interview	7. Buyers
2. Open House	5. Listing Interview	8. Sellers
3. New Homes	6. Investor Interview	9. Pricing

#### 8. So . . . . . (Backtrack) . . . . . Anything Else?

#### 9. Small Decisions - “Scratch Pad” Close

### Information Preference Checklist

Put a check next to each item that is basically true for you.  
 Don’t think about the item too long – your first impression  
 is usually the most accurate.

- \_\_\_ 1. On an evening when I don’t have anything else to do, I like to watch TV.
- \_\_\_ 2. I use visual images to remember names.
- \_\_\_ 3. I like to read books and magazines.
- \_\_\_ 4. I prefer to get written instructions from my boss rather than oral ones.
- \_\_\_ 5. I write lists to myself of things I have to do.
- \_\_\_ 6. I follow recipes closely when I am cooking.
- \_\_\_ 7. I can easily put together models and toys if I have written instructions.
- \_\_\_ 8. When it comes to playing games, I prefer word games like Scrabble.

- \_\_\_ 9. I am very concerned about the way I look.
- \_\_\_ 10. I like to go to art exhibits and museum displays.
- \_\_\_ 11. I keep a diary or a written record of what I have been doing.
- \_\_\_ 12. I often admire the photographs and artwork used in advertisements.
- \_\_\_ 13. I review for a test by writing down a summary of all pertinent points.
- \_\_\_ 14. I can find my way around a new city easily if I have a map.
- \_\_\_ 15. I like to keep my house very neat looking.
- \_\_\_ 16. I see two or more films each month.
- \_\_\_ 17. I think less highly of a person if he or she does not dress nicely.
- \_\_\_ 18. I like to watch people.
- \_\_\_ 19. I always get scratches and dents repaired quickly on my car.
- \_\_\_ 20. I think fresh flowers really brighten up a home or office.

**Information Preference Checklist  
(continued)**

- \_\_\_ 21. I like to exercise.
- \_\_\_ 22. When I am blindfolded, I can distinguish items by touch.
- \_\_\_ 23. When there is music on, I can't help but tap my feet.
- \_\_\_ 24. I am an outdoors person.
- \_\_\_ 25. I am well coordinated.
- \_\_\_ 26. I have a tendency to gain weight
- \_\_\_ 27. I buy some clothes because I like the way the material feels.
- \_\_\_ 28. I like to pet animals.
- \_\_\_ 29. I touch people when I am talking with them.
- \_\_\_ 30. When I was learning to type, I learned the touch system easily.

- \_\_\_ 31. I was held and touched a lot when I was a child.
- \_\_\_ 32. I enjoy playing sports more than watching them.
- \_\_\_ 33. I like taking a hot bath at the end of a day.
- \_\_\_ 34. I really enjoy getting massages.
- \_\_\_ 35. I am a good dancer.
- \_\_\_ 36. I belong to a gym or health spa.
- \_\_\_ 37. I like to get up and stretch frequently.
- \_\_\_ 38. I can tell a lot about a person by the way he or she shakes hands.
- \_\_\_ 39. If I've had a bad day, my body gets very tense.
- \_\_\_ 40. I enjoy crafts, handworks, and/or building things.

**Information Preference Checklist  
(continued)**

- \_\_\_ 41. On an evening when I don't have anything else to do, I like to listen to music.
- \_\_\_ 42. To remember someone's name, I will repeat it to myself over and over again.
- \_\_\_ 43. I enjoy long conversations.
- \_\_\_ 44. I prefer having my boss explain something to me orally rather than in a memo.
- \_\_\_ 45. I like talk shows and interview shows on radio and television.
- \_\_\_ 46. I use rhyming words to help me remember things.
- \_\_\_ 47. I am a good listener.
- \_\_\_ 48. I prefer to keep up with the news by listening to the radio rather than by reading.
- \_\_\_ 49. I talk to myself a lot.
- \_\_\_ 50. I prefer to listen to a cassette tape or CD of some material rather than to read it.

- \_\_\_ 51. I feel bad when my car sounds funny (has knocks, pings, etc.)
- \_\_\_ 52. I can tell a lot about a person by the sound of his or her voice.
- \_\_\_ 53. I buy a lot of prerecorded CDs and tapes.
- \_\_\_ 54. I review for a test by reading my notes aloud or by talking with other people.
- \_\_\_ 55. I would rather give a talk than write a paper on the same topic.
- \_\_\_ 56. I enjoy going to concerts and musical events.
- \_\_\_ 57. People sometimes accuse me of talking too much.
- \_\_\_ 58. When I am in a strange city, I like to stop at a gas station to get directions.
- \_\_\_ 59. I talk to my dog or cat.
- \_\_\_ 60. I talk aloud to myself when I'm solving a math problem.



## Matching Predicates

As a listener, you can determine what portion of experience a person is attending to and representing consciously by the words they use. People tend to speak in predicate sets (predicates are verbs, adverbs and adjectives) and such words usually specify the processes of seeing, hearing, feeling, tasting and smelling.

For instance, when a person is talking about a particular experience in visual terms, the following words may be used:

perspective	new way of looking at	see, look, observe, image
appear, watch	get the picture	paint a picture
frame	visualize	clear, vivid
flash, focus	brilliant	light, dark
vague	hazy, foggy	shine, bright
sparkling	glazed	colorful
hues	scene	horizon
photographic		

An experience may be related in auditory terms:

sounds like	harmonize	hear, speak
listen	tell, talk, say	question
tune-in, tune out	scream, shrill, screech	volume, frequency
shout, amplify	give an ear to	cacophony of sound
rhythm, melody	raucous noise	musical
dialogue	symphony	tone

A person may talk about something using kinesthetic words (feeling predicates):

made contact with	in touch with	out of touch with
have a handle on	toughened, softened	smooth, rough
shook me up	stumbling block	tripped me up
connect with	geared up for	keep abreast of
tight, tense	bond	stuck, cemented
warm	flowing	solid
excited	hurt	loaded, unloaded, dumped
sensitive	a feeling person	get a grasp of the situation

Words that specify the processes of tasting and smelling include:

odor, scent	get my teeth into	that left a sour taste
pungent	smell, sniff	bitter pill to swallow
salty	sweet, sour	bit off more than could chew
stale	fishy	fresh

## Listing Interview

A. Prelisting Interview Questionnaire

B. Deliver Prelisting Packet

C. Property walkthrough goals: rapport, review, qualify seller, qualify house

D. During property walkthrough:

1. How many properties have you sold? (If this is their 1<sup>st</sup>, go to question 2.)
  - a. When did you sell your last one?
  - b. What were your experiences with that sale? How did it go?
  - c. What did you like the best? What did you like the least?
2. (Review) Why are you selling your home?
3. (Review) Where are you going?
4. (Review) How soon do you need to be there?
5. Do you have any other properties that you need to sell? Would you like me to help you with those properties?
6. (After you have asked about inclusions and exclusions) Do you want to price your house with this \_\_\_\_\_ or with \_\_\_\_\_? (Qualify the house.)
- E. You are now at the kitchen table, kitchen counter, or in a conference room in your office.
7. I prepared a package of information for you and had it dropped off yesterday. Have you had a chance to review it? (If not, review the package with them.)
8. Do you have any questions regarding the package?
9. Based on the information in the package, do you feel I am qualified to market your home? (a. and b. are optional dialogues)
  - a. (If “Yes”) Would you like for me to handle the sale for you?
  - b. (If “Yes, but....”) “How do you mean?”

So....you feel I’m qualified once we can agree on \_\_\_\_\_.

Setting \_\_\_\_\_aside for a moment, is there anything else?”

Playback and list all their concerns. Write them down.

“Would you agree that we have the same goal - to get you where you want to go on time?”

c. You know, one of three things will happen today:

1. You may like me and what I have to say and you may choose to hire me to help you.
2. You may like me but you may not like what I have to say or you may decide I'm not the right fit for you and you may choose not to hire me.
3. I may choose not to take your listing if I feel I can't help you.

Shall we proceed and see where we are?

10. My mission is to help you get where you want to go on time. Would you like to see your odds of selling your home? (Show them their market odds.)

11. Are you willing to list your home at fair market value?

F. You know, we find most buyers select homes to look at based on three criteria: 1) style, 2) location, and 3) price range. For a moment let's pretend to be a buyer and look at the market for your home. (Show market analysis.)

12. Based on the supply and demand for homes in your price range, where do you feel we should price your house to get you to (new place) on time?

13. Do you think that will get you there on time? If not, what's your Plan B?

8 14. If we get to (date) and your house isn't sold, what will you do?

9 15. If we got a contract on your house for \$\_\_\_\_\_ today, what would you do?

10 16. If we find a buyer for your house in the next 72 hours, are you going to be O.K. with that? What if it's the first person who looks at your house

## Pre-Listing Interview

1. Name \_\_\_\_\_
2. Property Address \_\_\_\_\_  
Mailing Address \_\_\_\_\_
3. Owners/Decision Makers \_\_\_\_\_
4. Phones: (H) \_\_\_\_\_ (B) \_\_\_\_\_ (C) \_\_\_\_\_  
Fax \_\_\_\_\_ email \_\_\_\_\_
5. Why are you selling? \_\_\_\_\_
6. When do you need to move? \_\_\_\_\_
7. Could you describe your house for me? \_\_\_\_\_  
Beds \_\_\_\_\_ Baths \_\_\_\_\_ Sq. Ft. \_\_\_\_\_ Style \_\_\_\_\_ Lot Size \_\_\_\_\_ Bsmt? \_\_\_\_\_
8. How long have you owned your home? \_\_\_\_\_
9. What sold you on your home when you bought it? What features did you like?  
\_\_\_\_\_
10. Have you done any updating to the home since you bought it? \_\_\_\_\_
11. What are you going to be asking for the property? \_\_\_\_\_  
Have you had a recent appraisal? \_\_\_\_\_ Have you recently refinanced? \_\_\_\_\_
12. What do you owe on the property? 1<sup>st</sup> \_\_\_\_\_ 2<sup>nd</sup> \_\_\_\_\_ Other \_\_\_\_\_
13. What are 3 things you are looking for in a Realtor?  
\_\_\_\_\_
14. Are you interviewing any other brokers for this job? When are they being interviewed?  
Name \_\_\_\_\_ Company \_\_\_\_\_ Time \_\_\_\_\_  
Name \_\_\_\_\_ Company \_\_\_\_\_ Time \_\_\_\_\_  
Name \_\_\_\_\_ Company \_\_\_\_\_ Time \_\_\_\_\_
15. Have you considered going for sale by owner? \_\_\_\_\_
16. How did you get my name? \_\_\_\_\_
17. Explain what happens next: One Call \_\_\_\_\_ Two Call \_\_\_\_\_ Prelisting Packet \_\_\_\_\_
18. Set appointment: Day \_\_\_\_\_ Time \_\_\_\_\_ Place \_\_\_\_\_

**The Group, Inc.**  
**Listing Packet**  
(Suggested Inclusions)

Use The Group, Inc. color, 2-fold packet with center pocket (Longs Peak on cover)  
Insert pages organized from top to bottom, i.e, page 1 is on top, page 2 is next, etc.

1. Small “Leaders in Real Estate” brochure inserted in cut in center flap
2. Partner’s personal brochure or resume’
3. The Group, Inc. Annual Report
4. Market Statistics (current)
  - a. Quarterly Housing Supply & Demand – Appropriate Market
  - b. Quarterly Housing Supply & Demand – The Group (if appropriate)
  - c. Weekly showings by price range
  - d. Other statistics you feel are appropriate (new home sales report, etc.)
  - e. Your Competitive Market Analysis should NOT be included here
5. The Group Difference – 1 page brochure
6. Reasons to List with The Group brochure
7. 21 Point Marketing Plan
8. Sample color brochure
9. Sample Homes & Land page or other advertising you do
10. “The Collection” magazine if you plan to advertise their home in it
11. Current issue of “The Real Estate Insider” (sticky: 40,000 households/month)
12. Current issue of “The Real Estate Source” (sticky: 100,000 households/week)
13. Listing Agreement filled in (address, commission rate, etc.) except for price
14. Seller’s Estimated Net Proceeds Sheet with commission rate filled in stapled on top of a copy of “Contract to Buy and Sell Real Estate”
15. Seller’s “homework – paperclip together – add sticky note that says, “Please do the best you can to fill this out. I’ll help you when we get together.”
  - a. Seller’s Property Disclosure
  - b. Lead-Based Paint Obligations of Seller
  - c. Lead-Based Paint Disclosure (Sales)
  - d. Square Footage Disclosure
  - e. Radon Disclosure Brochure (Fort Collins only)
  - f. Canal Importation 100 Year Floodplain Area map (Fort Collins only)
  - g. Home Warranty Information (optional)
  - h. Utility Information Request Form
  - i. Loan Information and Verification Request Form
  - j. FHA Loan Pay-off Form
  - k. Authorization and Request for Homeowners’ Association Documents
  - l. Electronic Recording Key Safe (Lock Box) Authorization Form
  - m. Key Tag
16. Optional Information
  - a. Tips For Making Your Home Show Its Best
  - b. Staging Video
  - c. Pricing Video

## **Listing Process**

(What happens from the interview to the appointment)

1. Complete Listing Interview – decide 1 call or 2 call
2. Explain process to seller “Here’s what happens next. Will that work for you?”
3. Check seller packet to make sure it has current & relevant information
  - a. Proper city maps, statistics, etc. Up-to-date statistics, Source, etc.
  - b. Customize marketing plan based on interview?
  - c. Staging video? Pricing video?
4. Arrange for seller packet to be dropped off
5. Order Ownership & Encumbrances Record from Title Company
6. Do Competitive Market Analysis (CMA)
  - a. Similar properties that have sold
  - b. Similar properties that are active
  - c. Similar properties that have expired
  - d. Check pricing histories and days on the market
  - e. Determine absorption rate – given the current supply of homes that are similar to this one, and the rate of sales of homes that are similar to this one, how long (on average) will it take to sell this home?
  - f. Check months of inventory chart–what’s happening in this price range
  - g. Drive neighborhood
    1. Take digital photo of subject property (put in brochure)
    2. Check out similar active and sold properties – notice condition, orientation (open space, busy streets, etc.)
    3. Check out any For Sale by Owners (call and get info)
    4. Look for positive or negative changes in neighborhood
    5. Become the neighborhood expert
7. Based on the CMA what is my pricing strategy?
  - a. What is the price range for this home (subject to seeing home)
  - b. Where would I like to see this home priced? (subject to seeing home)
  - c. Where will we need to be “in line” to get this home sold in the time frame requested by the seller? (subject to seeing home)
8. Pre-Game
  - a. What is the seller’s most important objective?
  - b. What does the seller think is their most important objective?
  - c. What do I know about the sellers F.O.R.D.?
  - d. What is the seller’s personality type?
  - e. Is the seller primarily Visual, Auditory, or Kinesthetic?
  - f. What are three things the seller is looking for in a Realtor?
  - g. What are the potential objections they may have to listing with me?
  - h. What potential pricing objections may they have?
  - i. What are the potential problems with the property?
  - j. What are my strategies to handling their potential objections?
  - k. Review my “Sweet 16” Listing Questions
9. Listing Presentation – at seller’s home. Start with tour of home – condition?  
(During tour: “What is my desired price?” “What is my ‘walk-away’ price?”)

## Marketing Plan

Our goals are:

1. To help you get your property sold.
2. To help put you in the strongest negotiating position possible.
3. To help you get where you want to go on time.
4. To make it easier for you and reduce surprises.

Marketing Plan:

1. **Pre-Inspection.** We will have the major systems in your house inspected to reduce your risk of any surprises when negotiating with a buyer and to make your transaction smoother. I will pay for these inspections as part of my service to you.
2. **Pre-Title Commitment.** We will order (at our cost) a pre-title commitment to reduce your risk of any title problems at closing.
3. **Staging.** We will assist you with preparing your home for sale.
4. **Pricing.** We will assist you with pricing your home based on a competitive market analysis. This will help you to set the best price on your home so that it will sell within your time frame.
5. **Group Marketing System.** We will enter your home into The Group's marketing/information system. The Group sold over 50% of all homes in Northern Colorado last year.
6. **Relocation Program.** Information on your property will be put in the Group's relocation packages that go to major employers. This will increase your exposure to relocating buyers. Last year, 1 in 4 buyers was from out of town.
7. **Group Sign.** We will place one of The Group's award-winning signs on your property.
8. **Color Brochure.** We will have your home professionally photographed and a full color brochure prepared.
9. **Brochure Box.** We will place a brochure box on the Group sign. We will provide you with extra brochures to refill the box.
10. **Lock Box.** We will place a lock box on your property to increase showings and provide you with the security of knowing who has shown your home.
11. **Multiple Listing Service (MLS).** We will enter your home's information into the MLS, giving your home exposure to 2,500 Realtors in Larimer, Boulder, and Weld counties.

12. **Internet.** We will enter your home's information on REALTOR.com, the nation's largest real estate web site as well as four other web sites.
13. **Contact Realtors with Buyers.** We will mail a color postcard of your home to the Realtors who have buyers in your price range (taken from The Group's data base of showings by price point).
14. **Mail to Neighbors.** We will mail a color postcard of your home to 50 neighbors closest to your home.
15. **Personal Contact.** I will personally contact the 20 neighbors closest to your home to get their ideas on prospects for your home. In addition, I personally contact at least 50 people a week throughout the community.
16. **Counter Display.** We will prepare an informational notebook containing most things a buyer will want to know – survey, school information, utilities, homeowner's association, pre-inspection information, contract, etc. This information will give buyer's the confidence to write a contract.
17. **Buyer/Realtor Survey.** As part of the counter display, we will have a survey card for Realtors and their buyers to fill out and give us feedback on their showing of your home. They will leave the cards in a bowl on the counter so you can review their comments. I will offer a drawing for a gift as an incentive for them to fill out the survey card.
18. **Open House.** I will hold your house open (with your permission). Three days before the open house, I will place a sign in front of your home promoting the open house.
19. **Real Estate Source.** We will advertise your home to 100,000 households every week in the award-winning Real Estate Source. The full-color Real Estate Source appears weekly in the Fort Collins Coloradoan, Loveland Reporter-Herald, and Greeley Tribune newspapers.
20. **Transaction Management.** Our full-time transaction managers will manage the details of your transaction to ensure that your contract closes on time – and you can move on time. Over 90% of our contracts close on or before the date written in the contract compared to an industry average of less than 50%.
21. **Weekly Contact.** I will contact you weekly to give you an update on the marketing of your home and answer any questions you may have.

This marketing plan shall become a part of the listing agreement.

## **Realtor 7.0 Listing**

1. Show up on time (shows respect and integrity)
2. Dress up – it's a job interview!
3. Give a pre-listing packet in advance
4. Provide market information- statistics – odds of selling
5. Provide written comparative market analysis
6. Provide written marketing plan
7. Position the seller in the strongest negotiating position possible:
  - a. Pre-Inspection
  - b. Improvement location certificate (ILC)
  - c. CLUE report
  - d. Professional measurement and floor plan by appraiser
  - e. Septic inspection
  - f. Staging, carpet/paint program
  - g. Handyman service (make it easier)
8. Color brochure
9. Additional marketing – Source, Just listed cards, etc.
10. Have the home “Parade Ready” before exposing to the market
  - a. Pre-inspection/Septic inspection and disclosures
  - b. Improvement location certificate (ILC)
  - c. Professional measurements and floor plan by appraiser
  - d. Pictures and complete information in MLS
  - e. Enhanced Realtor.com
  - f. Color brochure and brochure box
  - g. Counter display
  - h. Contract writing packet
  - i. Sign and lockbox
11. Managing transaction to make sure it is smooth – weekly communication
12. Create “Fabled Service” through use of “Wow!’s” at moments of truth

## GETTING IT SOLD!

### Marketing Checklist

1. Does the seller have a “gap” – a reason to sell, a place to go, and a time to get there?
2. Does this home create a good first impression? Staging? Carpet & paint program?
3. Has the seller detached emotionally from the house? How can we help them?
4. Has the seller de-personalized the house? How can we help them?
5. Has the seller de-cluttered the house? How can we help them?
6. How many homes of this style and price range are for sale in this area?
7. How many homes of this style and price range sold in the last quarter?
8. How does this home compete with new construction?
9. Has the seller adjusted the price for location, condition, and any obsolescence?
10. Where does this home need to be priced in order to sell in the time frame requested by the seller?
11. Is this property priced “at the front of the line” relative to competition? Will it be one of the top 2 or 3 properties picked by a buyer for this area, price range, and style?
12. How can we set this property apart from the crowd?
13. Do we have a decent photo – season, angle, exposure?
14. Do we have brochures and a counter display in the home? Brochure box?
15. Does the property brochure and counter display have complete information that answers the buyer’s questions? Is there enough information for them to write a contract without tracking down the listing Realtor?
16. Does our sign look new and fresh?
17. Do we have the home on tour? Do we have good directions? Is the house properly staged **before** we tour it?
18. Do we make it easy for buyers and Realtors to get information on this property?
19. Is the listing file complete and easily available?
20. Are showing instructions simple, clear, and complete?
21. Is this home easy to show?
22. Is this home on lock box?
23. Are we offering the best financing terms available?
24. Is the Seller available to review contracts? Have they been coached to let me know where they are if they leave town? Are they mentally prepared to accept a contract?
25. Can a buyer get possession quickly/easily?

## GETTING IT SOLD!

### Additional Marketing Checklist for New Home Neighborhoods

1. Who is the buyer for our homes? Where will they come from & why will they buy?
2. Who is our competition (including resale homes)? Do we visit competition monthly?
3. How are we unique in a way buyers perceive as valuable? Do we have a niche?
4. Is our sales staff trained to know our product, the competition, and how to communicate the differences?
5. Do we have a good “window”?
  - If yes, how do we maximize use of the window? Signs, model location, etc.
  - If no, what is our marketing plan to get people to visit us?
  - How do we phase construction to keep the window open as long as possible?
6. Does our entrance create a “sense of arrival?” Landscaping, signage. What does a buyer see when they drive in the neighborhood? When they drive out?
7. Does the buyer experience the 3 “wows?” – 1) entrance into the neighborhood; 2) driving up to the house/model; 3) stepping into the entry of house/model.
8. Have we walked through the neighborhood repeatedly using “Buyer Eyes?”
9. How do we get from “project” to “neighborhood” as soon as possible?
  - “Clustered” versus “scattered” construction.
  - Sodded front yards?
  - Site controls: construction traffic, material storage, weed control, porta-johns, periodic street cleaning, radio volume, construction hours, a clean construction site that minimizes wind and visual impact.
10. Have we taken good care of our customers – met their expectations on quality, inclusions, completion time, walk through procedure and call-backs?
11. Do we have happy customers who will speak positively about our neighborhood, help build a positive reputation for it, and refer potential buyers to us?
12. Have we prepared a marketing plan and budget using the “Eight P’s of Marketing”?

### Eight Step Marketing Plan

1. Product
2. Price
3. Promotion
4. Place (Speed/Convenience of getting product)
5. Positioning (relative to competition)
6. Packaging
7. Perception (“Buyer Eyes”)
8. Promise

## Pricing & Commission Questions

### Pricing Questions:

1. Are you willing to list your home at fair market value?

If yes. Would you like me to handle it for you?  
If yes, but . . . So... backtrack...anything else?

As a buyer, how would you select the homes you want to look at? (Listen)  
You know, we find most buyers select homes to look at based on three criteria:  
1) style, 2) location, and 3) price range.

For a moment let's pretend to be a buyer and look at the market for your home through the "buyer's eyes". (Show market analysis. List homes for sale in order of price, showing where theirs is "in line".)

2. Based on the supply and demand for homes in your price range, where do you feel we need to price your house to get you to (new place) on time?
3. Do you think that price will get you there on time?

- a. If we get to (date) and your house isn't sold, what will you do? What's your "Plan B"?
- b. Can you handle the cost of maintaining two households?
- c. Will you go to (new place) and leave your family here or will you take your family and leave your house here? (explain insurance)
- d. If we had a contract for \$\_\_\_\_\_ sitting in front of us right now, what would you do?

4. If they ask you, "What do you think the price should be?"

We always look to the market for answers. The market will speak to us. The question is whether we will listen. Based on the information we have just gone over, the current market appears to be telling us your home will probably sell somewhere in the range of \$\_\_\_\_\_ to \$\_\_\_\_\_. Will that work for you?

5. If they say, "We need \$\_\_\_\_\_ because of \_\_\_\_\_."

Let me ask you this, when you purchased your new home, did you decide to pay that price based on your knowledge of the market and what your choices were?

Would you have paid above market price for that home if the seller had needed more?

6. If they say, "We can always come down."

Here is a list of homes available for sale that are similar to yours in style, price range and location. You can see at a price of \$\_\_\_\_\_ where we are in line. If you were a buyer and you wanted to pick 3 homes to look at, which 3 homes would you pick? At \$\_\_\_\_\_, do you think we will make the cut?

7. Drop back positions:

- Automatic price reductions in the listing agreement.
- Solve it "on the other end" – the house they are buying
- List it in the future.

"Joe from XYZ Realty says he can get us our price."

Do you believe him?

Has he shown you the same information we have gone over?

If (date) arrives and Joe hasn't sold your home what will you do?

If it wasn't for the price, would you prefer to list with Joe or with me?

Then let's do this, why don't you list with Joe until (date). Maybe he will get it sold for you. Just in case he doesn't, let's list your home starting (date +1). That way we will be ready to go if it doesn't sell.

**Commission Question:** "What is your fee?"

- \_\_\_% and let me show you how that works. We pay \_\_\_% to the broker who sells your house. We use \_\_\_% to market your house. I'll show you a list of things we do to market your property with the \_\_\_%.
- There are really two fees. Our fee to do all the marketing I've shown you is \_\_\_%. Now, what we need to decide together is how much of a fee we want to offer to brokers to encourage them to sell your property. Most of them will sell your home for \_\_\_%. Will that be OK with you?
- That's really up to you. You have 2 choices. We can do everything I've shown you for a fee of \_\_\_% - some of my sellers choose to go this route. Or, we can offer some additional marketing and incentives for a fee of \_\_\_%. Many of my sellers prefer to go this route because it improves their odds of selling. Which program would you prefer?

**SHIFT!**

- When pricing a home, shift from "Price Focus" to: (a) Results Focus; (b) Time Focus; (c) F.O.R.D. and (d) Objective Criteria
- When questioned about your fee, shift from "Cost Focus" to: (a) Results

Focus; (b) Differentiation & perceived value; (c) Integrity (fair/honest); (d) Guarantee (last resort).

## **Smooth Moves**

### **Creating Customer Satisfaction and Increasing Income per Hour**

1. Customer Survey – Top 3 Characteristics Customers Seek in a Realtor
  1. Knowledge
  2. Trust
  3. Strong Negotiator  
("Pleasing personality" is important but no longer in top 3)
2. Number 1 Customer Satisfaction Criteria: "Was it a smooth transaction?"
  1. Did it close on time?
  2. Did it close the way the contract was initially written
  3. Was there a lot of hassle between contract and closing?
  4. Were there a lot of surprises?
3. Three Reasons to do Inspections at Time of Listing:
  1. Leads to smoother transaction – fewer surprises, happier customers
  2. Puts seller in stronger negotiating position
  3. Differentiates and Adds Value
    - a. Differentiates you as lister, adds perceived value to seller
    - b. Differentiates the listing, adds perceived value to buyers
4. Reasons Realtors in Colorado Don't do Inspections at the Time of Listing:
  1. Habit/tradition
  2. Lack of training/fear of change – lacks a system
  3. Haven't figured out how it adds value – tries to substitute for buyers inspection
  4. Cheap – tries to get seller to pay
  5. Likes the drama of surprises before closing
5. Cost/Perceived Value/Differentiation
  1. Roof – about \$50
  2. Furnace – about \$60 - \$70
  3. Home Inspection - \$100 - \$200
  4. Radon – use mitigation allowance in seller's net sheet
  5. Cost to salesperson - \$210 - \$320; Perceived Value to Seller - \$1,000's

6. Salesperson has 1) higher perceived value (justifies fee); 2) is different; 3) has smoother transaction (higher customer satisfaction)

#### 6. Cover Letter on Inspections:

The attached inspections were completed on behalf of seller to determine the condition of this property at the time of listing for sale. Buyers are welcome to take copies of these inspections, however, no representations or warranties are being made by seller or The Group, Inc. Buyers are advised to use experts of their own choosing in evaluating this property.

#### 7. Sample Dialogues:

“We have 3 goals:

- 1) To get you where you want to go on time;
- 2) To make your transaction as smooth as possible
- 3) To put you in the strongest negotiating position possible.

90% of all buyers are going have your house inspected before they will close. So we don't get surprised after we have signed a contract, do you know the condition of your \_\_\_\_\_? Have you had it inspected recently?”

If yes: “Are you comfortable pricing your home based on that inspection?”

If no: “O.K. Here's what I would suggest we do next. I'm going to have the major systems in your house inspected by licensed contractors. I will pay for these inspections as part of my service to you. This will accomplish 3 things:

1. It will reduce our risk of any surprises when negotiating with a buyer.
2. It will save you money because we can probably adjust the sales price by the amount of any repairs. Plus, the buyer is probably going to have more confidence in writing a contract on a house that has been inspected.
3. It puts you in a stronger negotiating position.

Does this sound like a good plan to you?”

If yes: proceed

If no: “May I ask why not?” (They give reasons.)

So.....playback reasons .... Is there anything else? (Get all reasons on the table.)

“Let me ask you this, are you comfortable pricing your home and selling it, not knowing what a buyer might come back with prior to closing?”

## **Buyer Process**

**( 10 steps)**

1. Greet – first 2 minutes – 3 steps - Connect & Control
2. Meet – different location – gift
3. Five buyer questions:
  - a. Do you own your current home? How long have you owned it?
  - b. How many homes have you owned?
  - c. When you purchased your current home, what was the process you used to find that home?
  - d. How did that process work for you? Any changes?
  - e. Are you familiar with how real estate works here? Are you familiar with the current market?
4. Buyer packet and agency disclosure
5. Funnel process
  - a. Process of elimination versus selection
  - b. Make sure you don't miss anything
  - c. Make sure you don't pay too much
  - d. Some we will look at on line, some we will drive by, some we will go in
  - e. Rolling top 3 – CMA & HOA
6. Scale of 1 – 10
7. Cash? Loan? House to sell?
8. Two pieces of paper – 10 to 1; 3 things you can't live without
9. What and why? Features & benefits

10. If we find it . . . . (story)

## **Soft Closes with Buyers**

A “**soft close**” – an easy, low risk question that requires a small, low drama decision.

A “**hard close**” – a tough, high risk question that creates drama and requires a big decision.

### **Buyer Warm Up's:**

1. F.O.R.D. questions
2. If you could live anywhere, where would that be?
3. Tell me about your current home. What do you like best about it? Etc.
4. How many properties have you purchased?
5. When did you purchase your last home?
6. How did you go about it? How did that work for you?
7. Are you familiar with how real estate works here?
8. Explain your process (funnel – process of elimination) and handle their 3 fears: 1) losing the house; 2) missing something; 3) paying too much.

### **Favorite Buyer Interview Questions:**

1. On a scale of 1 to 10 with a 1 meaning you are just starting the buying process and a 10 meaning you are ready to buy today, how would you rate yourself? What would it take to get you to a 10?
2. How soon would you like to move?
3. What are 3 things in a home you can't live without?
4. If we find a home today that has the features you just mentioned, what will you do?
5. Will you need to sell your current home in order to buy a new home?
6. With interest rates at one of the lowest levels in your lifetime, are you living in the home you want to be in?

### **Favorite Showing Questions (after the gate of the mind is open):**

1. Can you see yourself living in this home?
2. Is this a home you'd like to own?
3. When would you like to move in?
4. If they express an objection: So . . . is there anything else?
5. Is there any portion of the home you'd like to see again before we leave?

### **Favorite After Showing Questions:**

1. Which home do you like better? (Comparison of two homes)
2. For new construction: What is your favorite plan? Lot?
3. If I call you later tonight and tell you one of these houses has sold, which one would you be most disappointed to lose ?
4. If this home sells tonight, will you be OK with that? What is your Plan B?
5. “Scratch Pad” close or set another appointment

### **Five Favorite Floor Call Questions**

1. “What was it about that home/ad that attracted your attention?”
2. “Do you have any other properties written down that you’d like details on?”
3. “Would it help you if I got you the details on those properties?”
4. “I’ll get the information together on these properties for you. When would you like to get together to go over them?”
5. “Do you have a buyer packet?”

### **Five Questions for Potential Investors**

1. Do you own your own home?
2. How long have you owned it?
3. Has it been a good investment for you?
4. What would your financial situation be like if you owned 10 of them?
5. What would your life be like if they were all free and clear?

### **“Funnel” Process for Home Buyers**

1. Orientation meeting
  - Cover all the basics
    1. Residential resale
    2. MLS
    3. New Construction
    4. For Sale By Owner
    5. Lending
    6. Inspections/warranties
  - Realtor is “Source of Information” and “Trusted Advisor”
2. The Funnel
  - Elimination process versus Selection Process – Don’t want to miss anything
  - Drive by homes (Outside the funnel)
  - Homes to show (Inside the funnel)
  - Always focus on Top Three in the funnel (can be a rolling Top Three)

- Will do CMA, HOA, etc. on Top Three (Make sure we don't pay too much)
- Five Open House Questions (to obtain listings)**

The objectives of this open house are:

1. To meet prospective buyers who are also sellers
2. To market the home to buyers and meet buyers
3. To sell the home and satisfy the seller
4. To generate listing appointments. If the open house is from noon to 4:00 p.m., the goal is to have listing appointments after the open house.

After the guests to the open house have entered the home and you have greeted them, allow them to “get their bearings” and circulate through the home for a bit. When you sense they are comfortable, approach them and ask these questions:

1. Are you folks from around here?

If “No”: Where are you from?  
What brings you to the area?  
How soon do you plan to move?

If “Yes”: Where do you live now?  
How long have you lived there? How do you like it?  
Why do you want to move?  
What homes have you seen that you particularly like?  
If you could live anywhere, where would that be?  
Do you own your own home or are you renting?

2. Will you be needing to sell your home to purchase a new home?
3. Do you have an idea what your current home will bring in today's market?
4. Would it be valuable to you to have a current market evaluation showing what your home will sell for in today's market, what your closing costs will be, and how many net dollars you will have from your sale to buy a new home?
5. I get off my open house at 4:00. Why don't I swing by your house on my way home and help you with a price opinion? That way you'll know how many net dollars your working with to buy a new home. It will only take a few minutes and there is no obligation.

## **Open House Listing Appointment**

1. Would you give me a quick tour of your home?
2. Rapport – F.O.R.D. Questions
3. Information gathering questions:
  - When did you buy this home?
  - What sold you on it?
  - Have you done anything to it since you bought it?
  - Do you know the approximate square footage?
  - Do you know your approximate loan amount?
4. If you were to sell your home is there anything you would want to exclude? – work bench, dining room chandelier, etc.?
5. Is there any special item you would like to include in the sale? – hot tub, play ground equipment, etc.
6. Would you like to price your home with \_\_\_\_\_ or \_\_\_\_\_.
7. How many properties have you sold?
  - When did you sell your last one?
  - What were your experiences with that sale? How did it go?
8. What other properties do you have that you might need to sell?
9. Based on the information you've given me I'll prepare a current market evaluation showing what your home will probably sell for and your net dollars from the sale. When can we get together to go over it?
10. Here's a package of information that I would like to leave with you. It will give you an overview of the current market. Will you be able to take a look at it before we get together again?

## **New Home Sales – Two Minute Qualifier**

“Welcome. How are you today? Thank you for coming out to see us. My name is \_\_\_\_\_. Is this your first visit to \_\_\_\_\_?”

If no, we’ve been here before: “Great! Welcome back. How can I help you today?”

If yes:

“Great! Let’s start by getting you located on this map.” (Lead them to map table.)

Start pointing out landmarks on the map:

“ Are you familiar with the area?”

“ Are you from around here?”

If no:

“Really?” “What brings you to the area?” (Find out if their move is job related.)

“What is your timetable for moving?”

“Have you had a chance to look at very many new home neighborhoods?”

“What have you seen that you like?” “What did you like best about...?”

“Have you decided that you want a new home versus an existing home?”

If yes:

“Really?” Where do you live now?

“Do you own your home or are you renting?”

If they own:

“That’s a nice area. How long have you lived there?”

“Why are you thinking of moving?”

“Have you had a chance to look at very many new home neighborhoods?”

“What have you seen that you like?” “What did you like best about....?”

“Have you decided that you want a new home versus an existing home?”

“Do you plan to sell your current home in order to buy your new home?”

If they rent:

“How long have you lived there?”

“What is your timetable for moving?” “When is your lease up?”

“Have you had a chance to look at very many new home neighborhoods?”

“What have you seen that you like?” “What did you like best about....”

“Have you decided that you want a new home versus an existing home?”

“How did you hear about \_\_\_\_\_?” Do your presentation.

Spend most time with most qualified – create reason for another appointment.

## **Negotiation Skills**

“The difference between what you want and what you get is the price you pay for your fear of asking” - Bob Woolf, *Friendly Persuasion*, My Life as a Negotiator

**Three Keys to Negotiations: 1) Power/Need; 2) Information; 3) Time**

### **Negotiation Skills/Strategies**

1. Cheese Wiz – Power of Touch
2. Fluff/Facts/Feelings/F.O.R.D.
3. Five Negotiating Points of a Contract
4. Third Party/Limited Authority
5. Equity Sensitives
6. Soviet Style
7. “Nibblers”
8. Winner’s Curse
9. “Flinch”
10. From/Toward – Pain/Pleasure – Avoid Loss/Make Gain
11. Reduce to the Ridiculous
12. High Need/Low Power – Low Need/High Power – A Viable Alternative
13. Impending Event
14. Solve on the Other End
15. “As if” – Plan B?

### **Pre-Game Ritual**

1. Know the players – Information, Time, Need/Power
2. Know what you want to accomplish
3. Rehearse your strategy
4. Know your “drop-back” positions
5. Know your “enough”. When do you walk away?

**“What Game Are We In?”**  
(Your first question when you enter a negotiation.)

-----**Negotiation Continuum**-----

<b>Soft (Collaborative)</b>	<b>Hard (Soviet Style)</b>
Participants are friendly	Participants are adversaries
The goal is agreement	The goal is victory
Expectation: Short & Sweet	Expectation: Long and Hard
Greatest Fear: Losing the deal	Greatest Fear: Not getting every possible concession from the other party
Make concessions to cultivate the relationship	Demand concessions as a condition of the relationship
Equity Sensitive (give and take)	Perceives any giving or concession as a sign of weakness
Be soft on the people and the problem	Be hard on the problem and the people
Trust others	Distrust others
Belief in abundance	Belief in scarcity
Change your position easily (be flexible)	Dig into your position (be rigid)
Make offers	Make threats
Disclose your bottom line (your goals)	Mislead as to your bottom line (your goals)
Accept one-sided losses to reach agreement	Demand one-sided gains as the price of agreement
Insist on agreement	Insist on your position
Try to avoid a contest of will	Try to win a contest of will
Yield to pressure	Apply pressure

Source: ***Getting to Yes, Negotiating Agreement without Giving In***,  
by Roger Fisher and William Ury

## **Favorite Books on Negotiation**

1. **Getting To Yes, Negotiating Agreement Without Giving In**, by Roger Fisher and William Ury.
2. **Getting Past No**, by Roger Fisher and William Ury.
3. **Winning Through Intimidation**, by Robert Ringer
4. **You Can Negotiate Anything**, by Herb Cohen
5. **Friendly Persuasion, My life As a Negotiator** by Bob Woolf
6. **Influencing With Integrity, Management Skills For Communication And Negotiation**, by Genie Z. Laborde
7. **You Can Get Anything You Want, But You Have To Do More Than Ask**, by Roger Dawson
8. **You Are The Message, Getting What You Want By Being Who You Are**, by Roger Ailes
9. **Selling The Invisible**, by Harry Beckwith
10. **The Closers**, by Ben Gay III
11. **Managing The Equity Factor, . . . or, "After All I've Done for You . . ."**, by Richard C. Huseman, PH.D. and John D. Hatfield, PH.D.
12. **High Probability Selling, Selling Without Pain**, by Jacques Werth and Nicholas E. Ruben

## "Wake-Up Money"

Have you ever wondered what it would be like to wake up in the morning with enough money coming in that you could do what you want that day? Would you consider yourself **"Rich"**?

Here's a definition of **"Rich"** that we like: \_

*"Rich" is the ability to wake up in the morning with the physical health, knowledge, friends, financial freedom, and passion to do what you want that day."*

Financial freedom occurs when your annual investment income (your money at work) exceeds your annual lifestyle expenses. At this point you have **"Wake-Up Money."**

We have many clients who have achieved (or are on the path to achieving) this "Wake-Up Money" lifestyle. Many of them have modest incomes but have become "rich" through their investment in local real estate - specifically homes and condos. One client in particular comes to mind who has never earned more than \$30,000 in a year but currently has over \$50,000 a year in "Wake-Up" money from his real estate portfolio.

These clients understand that we have 3 choices in life.

1. **You at work.** Do you worry you will have to work the rest of your life?
2. **Your money at work.** Do you dream of someday not having to work?
3. **Charity.** Do you worry about being dependent on others?

If you prefer Choice 2 and want to get on the path to "Wake-Up Money," this simple brochure is devoted to showing you the way.

Peter Lynch, the great stock market guru and author of "Beating the Street" was once asked what he thought was the greatest investment. His answer: **"a single family house."**

### **A Simple Investment.**

Homes are one of the three basics of life: food, shelter, and clothing. Homes and condos are simple investments that most people understand because they already own them. Ask yourself these questions: Do I own a home? Has it been a good investment? What would my net worth be like if I owned 10 of them? What would my lifestyle be like if they were all free and clear?

### **What If?**

If you purchased 10 houses 15 years ago (average price then was about \$100,000/each) and financed them on 15 year loans, today your houses would be **free and clear**. Today, they are probably worth about \$275,000 each and your portfolio of 10 houses is worth about \$2,750,000. Your houses are probably earning you a net income of about **\$10,000 per month in "Wake-Up Money."** Will Rogers said, "Just the name 'real estate' implies that all other forms of

investment are illusory.”

### Three “Rules of Thumb” Help Investors Build Wealth Quickly.

**1. The “Rule of 72”** is used to estimate how long it will take your money to double itself at a given rate of return on your investment. If you divide your rate of return into 72, the answer is how long it will take your money to double. For example, if you earn 6% on a savings account, it will take you 12 years for your money to double in value – 72 divided by 6. If you are able to increase your return to 10%, your money will double in 7.2 years – 72 divided by 10.

**2. The “Rule of Leverage”.** One of the beauties of real estate (as opposed to other forms of investment) is that you can use leverage to increase your rate of return. You leverage your investment by using a loan on the property and reducing the amount of your own money you invest. The tenant makes the payments for you by paying rent. When you leverage (use a loan), your rate of return is increased.

For example, if you purchase a property for \$100,000 cash and it goes up in value by 5%, you have earned 5% on your money (\$5,000 divided by \$100,000) plus the amount of rent collected. However, if you purchased the property with a 10% downpayment (\$10,000) and a \$90,000 loan, your rate of return will be 10 times greater or 50% (\$5,000 divided by \$10,000).

**3. The “Rule of Return”.** Here’s a simple way to figure your return on investment:

- a. Convert your downpayment to a fraction.
- b. Multiply the denominator times the appreciation rate to find your first year  
1 return on investment.  
2

For example, if your downpayment is 20%, when we convert it to a fraction your downpayment is 1/5. The denominator is 5. Multiply the denominator (5) times the property’s appreciation rate (say 10%) and your first year return on investment is 50%.

Let’s test this rule to see if it works. Let’s say we buy a \$100,000 property and put 20% down (\$20,000) with an \$80,000 loan. Our downpayment of 20% converted to a fraction is 1/5. If the property appreciates 10%, it will go up \$10,000 in value. \$10,000 divided by our investment of \$20,000 equals a 50% first year return.

### The Benefits of Residential Real Estate Investment

Residential real estate offers **5 Major Benefits**. Most other investments offer only 1 or 2.

- 1. Cash Flow** - The rent provides income, i.e. "Wake-Up Money". This is your ultimate goal. When your property is "free and clear," you have the maximum cash flow and "wake-up money."
- 2. Leverage** - You can own \$100,000 worth of real estate with only 0% - 20% cash. You can also borrow cash out of one property to buy another. Your short term goal is to use leverage to acquire a portfolio of real estate.

Your long-term goal is to pay the loans off and own your properties free and clear.

3. **Debt Reduction** - Real estate is one of the few investments where someone else will make your payments. In essence the tenant makes the payments and reduces your debt.
4. **Tax Savings** - You are allowed to depreciate the house and write off your expenses in order to reduce your taxes.
5. **Appreciation** - Over time the value of houses and condos have risen. The average sales price of a home has more than doubled over the past 15 years.

### "Wake-Up Money" Example

Here's an example of how to purchase a "Wake-Up Money" property. This property was priced at \$150,000 and sold at full price. Here's how the investment works on this property.

<b>\$150,000</b>	Price
<b>37,500</b>	25% Downpayment
<b>112,500</b>	Loan @ 7.5%; 30 year; fixed rate
<b>781.73</b>	Monthly principal and interest payments
<b>100.00</b>	Monthly taxes and insurance payments
<b>25.00</b>	Monthly reserve for maintenance and repairs
<b>\$ 925.00</b>	Monthly rental income
<b>\$ 906.73</b>	Total monthly expenses
<b>\$ 18.27</b>	Monthly cash flow

Here are the 5 Major Benefits of owning this "Wake-Up Money" house.

1. **Cash Flow** - \$219.24/year;  $\$219.24/\$37500 = .6\%$  **Return on Investment**
2. **Leverage** - You own \$150,000 of real estate for a \$37,500 cash investment.
3. **Debt Reduction** - \$1037 in principal reduction the first year. In essence the tenant is buying you the house and giving it to you at the end of the loan.  
 $\$1037/\$37,500 = 2.7\%$  **Return on Investment**
4. **Tax Savings** - About \$3300/year in depreciation. This means that your income from this property will not be subject to tax.
5. **Appreciation** - If this house goes up 5% in value this year, it will increase by \$7,500.  $\$7,500/\$37,500 = 20\%$  **Return on Investment**  
(If the house doesn't go up at all, there is no return from appreciation.)

**Total Return on Initial Investment of \$37,500:**

**0.6% from cash flow**  
**2.7% from principal reduction**

## **20.0% from appreciation**

### **23.3% Total Return On Investment**

When this property is free and clear, you will have nearly \$10,000 a year in "Wake-Up Money." Of course by then the rents (and the "Wake-Up Money") will probably be a lot higher, as will the property's value. Home values and rents have more than doubled in the last 15 years.

### **"Free And Clear"**

These are three magic words for the person who's committed to creating "Wake-Up Money." Many investors consider **"free and clear houses"** as the **ultimate investment** for 3 reasons: 1) The house generates large amounts of cash flow. 2) The house is appreciating in value. 3) There is very little risk because there is no debt. Your short-term goal is to use leverage to acquire a portfolio of real estate. Your longer-term goal is to pay the loans off and own your properties free and clear. \_

### **How Do I Get The Downpayment To Buy Investment Property?**

With falling interest rates are you thinking about refinancing your home to lower your monthly payments? Instead, consider this: refinance your home and leave your payment the same. This will allow you to pull cash out of your home and buy an investment property. This is the #1 way most investors find the downpayment to get started owning investment real estate. Here's an example:

<b>Strategy</b>	<b>Loan Amount</b>	<b>Term</b>	<b>Interest Rate</b>	<b>Monthly Payment</b>
Original Loan	\$150,000	30 yrs.	8.0%	\$1,100.65
Refinance	\$183,579	30 yrs.	6.0%	\$1,100.65
Cash Out/Payment Change	\$ 33,579			-0-

Your home has just become a golden goose that laid a \$33,579 golden egg.

### **Top Ten Tips for Creating "Wake-Up Money"**

- 1. Buy residential properties** – houses, condos and townhouses. Stay away from land and commercial real estate unless you are an experienced investor or are buying as a business "user".
- 2. Buy "mainstream " houses and condos.** Buy properties that are at or below the average sales price. Buy properties that appeal to most buyers. Avoid high priced or unusual properties. Buy houses with at least 3 bedrooms and condos with at least 2. If possible, buy properties with a garage.
- 3. Don't buy with partners,** unless you have to. If you have to have partners, make sure they have the same goals and values, are of similar age, and have job, geographic, and marriage stability.
- 4. Believe in the long run.** Real estate markets are cyclical but the long-term trend has been up. Hang in there for the long run. The great investor's lament is "I should never have sold that

property." The other investor's lament is, "I could have bought that property for \$ \_\_\_\_\_!"

**5. Take care of your property and it will take care of you . . .** It's your "golden goose." If you don't like property management or are too busy, either hire a professional property management firm or buy condos and townhouses. They take a lot less management. The homeowner's association takes care of most of the property management.

**6. Get started early. Put time on your side.** Albert Einstein was once asked what he thought was the most powerful thing in the world. His reply, "**compound interest.**" Don't wait to buy real estate. Buy real estate and wait!

**7. If you don't have the money, make a plan and a commitment to get it.** (Consider borrowing your investment money out of the equity in your personal residence.)

**8. Know your "enough."** How much "wake-up money" do you need? Know when you are ready to stop accumulating property and start paying off what you have - and enjoying life!

**9. Work with knowledgeable people.** Pick Realtors, accountants, attorneys, and property managers who know what they are doing.

**10. Have a goal and a plan.** Develop your goals and a plan to achieve "Wake-up Money."

### **Setting Your Investment Goals**

1. Where do you want to end up financially? How much "wake-up money" do you want each year?
2. How soon do you want to get there?
3. What do you need to do each year to get there? What do you need to do today to get started?
4. How much money do you have to invest? Can you get more from other sources – borrowing from other properties, sale of stocks, etc.?
5. How much risk are you comfortable with?
6. How much time are you willing to invest to find, buy, and manage properties.
7. Are you "handy" with tools and can fix things or do you prefer to hire someone to do it?
8. Do you have the time and knowledge to manage your properties? In town? Out of town?
9. Will you want to hire a property manager to manage your properties? Do you know one you have confidence in?
10. Do you have geographic stability in your job/profession?

11. Do you have a plan to fund your children's college education?
12. Can you hold the property for at least 3 years? 5 years?
13. How you can leverage existing properties to buy more?
14. What types of properties are you most comfortable owning?
  - a) Single Family Homes                      Where?
  - b) Townhomes                                      Where?
  - c) Condos    Where?
  - d) Student/Campus Housing
15. Other than the economic benefits, for what other reasons do you want to invest in real estate?

### **Getting Started** (step by step process)

Step 1: Pick a qualified Realtor – 3 C's – Competence, Confidence, Chemistry

Step 2: Set your investment goals (Your Realtor can help you.)

Step 3: Create the criteria for the properties you will buy.

Step 4: Set up your systems

Meet with your lender and get pre-approved for your loan(s)  
 Talk to your accountant/attorney – how you want to take title.  
 Select your property manager if you are going to use one.  
 Gather your paperwork – leases, applications, etc.  
 Set up your bookkeeping system –Quicken, files, etc.  
 Make a list of your service workers and their phone #'s

Step 5: Start your search (continuous – weekly update)

Step 6: Identify potential properties – have your Realtor prepare a market analysis – what has sold; what is for sale

Step 7: Estimate rents. Call property managers and other owners; check newspaper and internet “for rent” ads and call on them; run an ad

Step 8: Drive by – look for big values, neighborhood, other properties for sale or rent, price relative to neighborhood, “who would want to live here?”

Step 9: Have your Realtor make an appointment to see the property

Step 10: Do your investment analysis

Step 11: Write a contract – keep your “big picture”, long term goals in mind

Step 12: Have the property inspected

Step 13: Closing

Step 14: Leasing

Step 15: Property management

“Take care of your property and your property will take care of you.”

Step 16: Asset/portfolio management – “Golden Geese” & Getting to “Enough”

### **Converting Your Home To a Rental Property Could Be Taxing**

With rising rents and property values, some homeowners who are buying new homes are keeping their old home as an investment property. Be careful if you do this. It could end up being very taxing. Talk to your accountant so you don’t end up converting your tax-free gain on the sale into a taxable gain.

For example, if you have a basis of \$100,000 in your home and sell it for a net of \$250,000, your \$150,000 gain is tax-free if you meet this four-part test:

Your gain was less than \$250,000, or \$500,000 for married couples filing jointly

No part of the house was used for business purposes or rented out

You lived in the house a total of two of the last five years as your “main home” where you voted, paid taxes, registered your car, and lived most of the year

You didn’t sell or exchange another principal residence within the past two years

Once you rent your home out for more than 3 years, you may no longer meet test #3 above.

Since you have not lived in the house for two of the last five years as your “main home”, your tax-free gain may have been converted into a taxable gain when you sell the property.

Smarter strategies might be to:

Sell your home and use the tax-free proceeds to buy rental property.

If you keep your home as a rental, sell it before the three years are up.

If you end up keeping the rental home more than three years, exchange it rather than selling it.

For further details, please consult with your accountant.

## **Real Estate Investment**

### ***“Rules of Thumb”***

1. Your Net Worth should =  $(\text{Age} \times \text{Income})/10$  (*Millionaire Next Door* by Thomas Stanley)
2. Know the difference between Assets & Liabilities. Assets are things that put money in your pocket. Liabilities are things that take money out of your pocket.
3. Know the “Rule of 72” (see Wake-Up Money)
4. Know the “Rule of Leverage” (see Wake-Up Money)
5. 20-25% Down & Break Even (rent covers expenses)
6. Change withholding to help with negative cash flow
7. \$50/mo. increase in rent = \$5000 to \$7000 in borrowing
8. When interest rates drop:
  - a. Refinance & lower payment
  - b. Refinance, leave payment same, pull cash out
  - c. Refinance, leave payment same, speed amortization
  - d. 1% change in interest rate = 10% change in loan amount
9. Don't buy long term assets with short term money
10. Be careful when converting personal residence to rental (see Wake-Up Money)
11. Build an “Investment Pyramid” – start with income at the base, then insurance, then a house, and a retirement plan. As you work your way up the pyramid, start with conservative investments (houses/condos) and then work your way up to apartments and commercial. At the top of the pyramid is the most risky investments – raw land and development. Don't do these until you have built a strong enough Investment Pyramid beneath you.
12. Use existing properties to buy new properties through proper use of financing and increasing rents.
13. Know your “Enough” – When you have enough properties that you could live on the rents if they are free and clear, stop buying more and start getting “Free & Clear”
14. Serious Wealth Accumulator – 80-90% of net worth is in income producing assets
15. For any given market, the appreciation rate will generally seek equilibrium over time. What is the average appreciation for this market over the past 30 or 40 years?

## **Investing Your Retirement Funds in Real Estate**

**Step 1:** Call Mike Sanchez at 303-299-8114 (or your attorney)

- (a) Set up a “Profit Sharing Plan”
- (b) Mike (or your attorney) will explain how this plan works
- (c) You will be the Trustee of the plan
- (d) This plan will cost you about \$750 - \$1,000
- (e) You will have complete control & **complete responsibility**
- (f) You will make all the investment decisions
- (g) You will be responsible for all record keeping
- (h) Alternative for IRA/401k – Call Bill Humphrey @ 303-546-7934

**Step 2:** Meet with your accountant

- (a) Show him/her what you’re doing – have them help you
- (b) Let him/her know to prepare your Form 5500 (tax return)
- (c) If you have a personal assistant, review your legal requirements for contributions to their retirement plan

**Step 3:** Set up a checking account in the name of your plan

- (a) Your plan will have it’s own tax ID number
- (b) You will make your profit sharing contributions into this account
- (c) You can “roll” other retirement plans into this plan/account

**Step 4:** Meet with your stockbroker or investment advisor if you want to invest some of your plan in stocks, bonds, or mutual funds

**Step 5:** Buy houses/condos/townhouses

Rules: (FOLLOW THESE EXACTLY!!!)

- 1. Arms length transactions only
- 2. No commissions
- 3. No personal loan guarantees for the plan
- 4. Investment only
  - a. No personal use
  - b. No businesses
- 5. Separate account – ALL income and expenses run through this account

***Note: Make sure you review this plan and your investment decisions with your tax and legal advisor.***

# GIVE YOUR KIDS A CHANCE

## FACT 1 – The “Haves” and the “Have Nots”

The gap between the rich and poor is growing rapidly across the United States. In 1994, for the first time since such records were kept, the richest 20% of US households received a greater share of national income than the middle three-fifths combined. The bottom 40% was worse off in inflation-adjusted terms in 1993 than similarly situated people two decades earlier. (Source: US Department of Labor)

## FACT 2 – “A College Education Is the Difference”

Earnings of full-time workers who have a college degree continue to accelerate faster than those with just a high school diploma. In 1979, the average college graduate earned 49% more a year on average than a worker with only a high school diploma. By 1994, the earnings gap had widened to 89%. Each year of formal schooling after high school adds 5% to 15% to annual earnings later in life. (Source: US Department of Labor)

## FACT 3 – “College Costs are High and Rising”

Today, the minimum per year cost for a student attending a 4-year, in-state University is about \$10,000 per year. This cost includes in-state tuition, books, and room and board. It now takes an average of 5 years to graduate. Only about 40% graduate in 4 years. Here are the minimum costs of a college education based on 5 years to graduate and college costs rising at 5% per year.

<u>Now</u>	<u>Future 5 Years</u>	<u>Future 10 Years</u>	<u>Future 15 Years</u>
\$ 50,000	\$63,814	\$81,445	\$103,946

## FACT 4 – “You Have Four Choices”

- Pay college costs out of ordinary income. Add 25% to 30% to cost for taxes.
- Student works to pay part of costs. This could take longer to graduate with the higher possibility that student will dropout.
- Student loans. College graduate starts out in life deeply in debt.
- Pay college costs out of assets. Buy a rental property that will be free and clear.

## FACT 5 - The Easiest Way to Pay For A College Education Is to Buy a Rental Property with a 15 Year Loan When Your Kids Are Young (Under 5)

Here’s the equity created in a \$150,000 rental property with a 20% down payment:

	<u>Equity Now</u>	<u>Equity in 5 Years</u>	<u>Equity in 10 Years</u>	<u>Equity in 15 Years</u>
*	\$30,000	\$57,105	\$ 95,529	\$150,000
**	\$30,000	\$98,547	\$189,863	\$311,839

\* Assumes no increase in property value    \*\* Assumes 5% per year appreciation

# **“Financial Goals”**

**DECIDE WHAT YOU WANT!**  
**(Not What You Think You Can Have!)**

**MINE TO KEEP = \$**  
**(Deposit in my “Feel Good” Account)**

**RECREATION = \$**

**PERSONAL GROWTH = \$**

**BUSINESS GROWTH = \$**

**DEBT REDUCTION = \$**

**CREATURE COMFORTS = \$**  
**(Annual Living Expenses)**

**CREATURE COMFORTS = \$**  
**(Large Purchases)**

**BUSINESS COSTS = \$**

**RETIREMENT FUNDS = \$**

**INVESTMENTS = \$**

**TAXES = \$ \_\_\_\_\_**

**RECEIVING GOAL = \$**

## Net Worth Goal Worksheet

Current Net Worth \_\_\_\_\_  
(date)

### What I Own (A)

\$ \_\_\_\_\_ Cash and Savings  
\$ \_\_\_\_\_ Automobiles (Value)  
\$ \_\_\_\_\_ Retirement Plan  
\$ \_\_\_\_\_ Insurance (Cash Value)  
\$ \_\_\_\_\_ Home Value  
\$ \_\_\_\_\_ 2<sup>nd</sup> Home/Vacation Home  
\$ \_\_\_\_\_ Group Stock  
\$ \_\_\_\_\_ Stocks/Mutual Funds  
\$ \_\_\_\_\_ Properties (Total Value)  
\$ \_\_\_\_\_ Other Investments

\$ \_\_\_\_\_ Total

### What I Owe (B)

\$ \_\_\_\_\_ Current Bills  
\$ \_\_\_\_\_ Automobiles (Loans)  
\$ \_\_\_\_\_ Credit Card Balance  
\$ \_\_\_\_\_ Taxes Owed  
\$ \_\_\_\_\_ Home Loan(s)  
\$ \_\_\_\_\_ 2<sup>nd</sup> Home Loan  
\$ \_\_\_\_\_ Line of Credit  
\$ \_\_\_\_\_ Loans  
\$ \_\_\_\_\_ Property Loans  
\$ \_\_\_\_\_ Other Debts

\$ \_\_\_\_\_ Total

\$ \_\_\_\_\_ Net Worth (A total – B total)

Net Worth Goal \_\_\_\_\_  
(date)

### What I Own (A)

\$ \_\_\_\_\_ Cash and Savings  
\$ \_\_\_\_\_ Automobiles (Value)  
\$ \_\_\_\_\_ Retirement Plan  
\$ \_\_\_\_\_ Insurance (Cash Balance)  
\$ \_\_\_\_\_ Home Value  
\$ \_\_\_\_\_ 2<sup>nd</sup> Home/Vacation Home  
\$ \_\_\_\_\_ Group Stock  
\$ \_\_\_\_\_ Stocks/Mutual Funds  
\$ \_\_\_\_\_ Properties (Total Value)  
\$ \_\_\_\_\_ Other Investments

\$ \_\_\_\_\_ Total

### What I Owe (B)

\$ \_\_\_\_\_ Current Bills  
\$ \_\_\_\_\_ Automobiles (Loans)  
\$ \_\_\_\_\_ Credit Card Balances  
\$ \_\_\_\_\_ Taxes Owed  
\$ \_\_\_\_\_ Home Loan  
\$ \_\_\_\_\_ 2<sup>nd</sup> Home Loan  
\$ \_\_\_\_\_ Line of Credit  
\$ \_\_\_\_\_ Loans  
\$ \_\_\_\_\_ Property Loans  
\$ \_\_\_\_\_ Other Debts

\$ \_\_\_\_\_ Total

\$ \_\_\_\_\_ Net Worth (A total – B total)

## 80/20 Thinking

A. 80/20 Principle – A minority of causes or effort leads to a majority of the results.

80 % of what you achieve in your work comes from 20% of the time spent. Four-fifths of your effort is wasted.

B. History of the 80/20 Principle:

1897 – Vilfredo Pareto, Italian economist, discovers that 20% of the world's population enjoys 80% of the world's wealth. He later confirms the 80/20 principle is at work in most areas of life – 20% of land produces 80% of the food, 20% of plants produce 80% of the oxygen, etc.

80/20 Concept later called:

Pareto's Law

Pareto's Principle

80/20 Rule

Principle of Least Effort

1949 – George K. Zipf, Harvard Professor, discovers that resources naturally arrange themselves to minimize work so that 20% to 30% of any resource accounts for 70% to 80% of the activity. Calls it "Principle of Least Effort".

1951 – Joseph Moses Juran writes his classic industrial production book, *Quality Control Handbook*, pointing out that 80% of quality losses stem from only 20% of the causes. Juran goes to Japan with W. Edwards Deming and uses the principles to build Japan into a world economic power.

1963 – IBM discovers that 80% of a computer's time is spent executing only the 20% most popular operating codes. IBM makes this 20% more easily accessible so IBM's computers operate faster and more efficiently than their competitors. Result: IBM becomes world leader in computers.

1981 – Jack Welch becomes CEO of General Electric and notices that 80% of their profits are coming from just 30 of the over 300 companies GE owns. He closes or sells-off over 250 companies and focuses all resources on just the most profitable companies. His vision: GE will only own companies that are profitable and #1 or #2 in their markets – or can get there within 5 years. Result: GE reinvents itself and becomes one of the most successful companies in history. Jack Welch becomes a legend.

C. Examples of the 80/20 Principle:

20% of motorists cause 80% of accidents  
20% of beer drinkers drink 80% of all beer  
20% of people who marry are involved in 80% of all divorces  
20% of clothes in a person's closet are worn 80% of the time  
20% of carpets get 80% of the wear  
We spend 80% of our time in 20% of our house  
80% of the commissions are earned by 20% of the Realtors  
80% of our income comes from 20% of our activities  
80% of a seller's decision to list with us is based on 20% of what we say/do

The relationship isn't always exactly 80/20. For example, only 10 stocks (2%) of the Standard & Poors 500 Stock Index accounted for 100% of the gain in 1999.

D. The Key: Being able to distinguish the "Vital Few" from the "Trivial Many"

Ninja Philosophy: "What are the ***vital few*** that will give me the greatest results for the time/energy invested? What are the 20% that will yield the 80%?"

D. Focus on:

1. Finding and doing the "Vital Few"
2. Simplicity
3. Leverage – do more of what works; avoid what doesn't work for you
4. Eliminate waste

E. Waste:

1. Defects
2. Over production/duplication
3. Inventories
4. Unnecessary processing
5. Unnecessary movement of people
6. Unnecessary movement of goods
7. Waiting/unnecessary meetings/meetings that focus on "the trivial many"
8. Design of goods & services which do not meet user needs

## F. Practicing 80/20 Thinking

1. Look at your business – what gives you the biggest bang for your time/\$?
  - a. Source of business
  - b. Types of customers – buyers, sellers, investors
  - c. Types of activities – listing, selling, prospecting
  - d. Skills/systems that work (or don't work)
  - e. What are my highest income/hour activities?
2. Find your niche – something you enjoy and are good at
  - a. What activities do you enjoy in this business?
  - b. What activities are you good at?
  - c. What are you not good at? Are you willing to learn?
  - d. If you don't enjoy doing the "vital few" are you willing to:
    1. Do it anyway?
    2. Delegate it?
    3. Hire someone to do it?
    4. Change careers?
3. Each day look at your "Goals and To Do Lists" with 80/20 Thinking and focus on the "Vital Few".

Remember:

Life has no rehearsals, only performances.  
Time is life.  
Time (life) is our most valuable asset.  
80/20 thinking can save you time.  
80/20 thinking can save your life!

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## Words of Inspiration

“The very first condition of lasting happiness is that life should be full of purpose, aiming at something outside self.” – Hugh Black

“If we did all of the things we are capable of, we would literally astound ourselves.”  
– Thomas A. Edison

“There are only two ways to live your life. One is as though nothing is a miracle. The other is as though everything is a miracle.” – Albert Einstein

“Risk more than others think is safe. Care more than others think is wise. Dream more than others think is practical. Expect more than others think is possible.” – West Point Cadet Maxim

“When you hold back on life, life holds back on you.” – Mary Manin Morrissey

“Knowing is not enough; we must apply. Willing is not enough; we must do. We cannot plow the field by turning it over in our mind.” – Wolfgang von Goethe

“How do you know when you are committed to something? You are doing it instead of talking about it.” – Anthony Robbins

“Character is the ability to carry through on a commitment long after the inspiration in which it was made has left you.” – Jim Rohn

“Go within every day and find the inner strength so that the world will not blow your candle out.” – Katherine Dunham

“One should know the value of life better than to *pout* any part of it away.” – Hester Lynch Piozzi

“There are many things in life that will catch your eye, but only a few will catch your heart. Pursue these.” – Michael Nolan

“If you follow your bliss, doors will open for you that wouldn’t have opened for anyone else.” – Joseph Campbell

“Life is a great big canvas. Throw all the paint you can on it.” – Danny Kaye

We exist temporarily through what we take, but we live forever through what we give.”  
– Douglas M. Lawson

“The highest reward for a person’s work is not what they get for it, but what they become by it.”  
– John Ruskin

“It’s never too late to be who you might have been.” – George Eliot