

Nine Characteristics of Successful Real Estate Investors

By Vena Jones Cox

In my 10 years in the real estate business, I bet I've met 5,000 investors at all levels of knowledge and experience. Some have become amazingly successful, while others have lost steam or experienced dramatic failures. In this time, I've noticed that there are certain characteristics that come with real estate investing success. As a matter of fact, I have come to believe that I can predict with fair accuracy whether a particular investor will be successful. All I have to do is find out a little about their attitudes and actions, and I'll know what their chances of becoming successful are.

Before I outline the specific characteristics that I've found in successful investors, I'd like to define what I mean by "successful investor". A successful investor is NOT the person who owns the most properties or does the most deals, or who has the most zeros in his net worth. A successful investor is simply a person who knows what he wants – financially, personally, and in terms of what he wants to contribute to the world – and uses real estate investing as a way to get those things. For a successful real estate investor, real estate is a means to an end, not an end unto itself. A successful real estate investor works to become as financially secure as is necessary for his peace of mind and who is happy and comfortable with his investment activities.

Successful investors I've known include high school dropouts and PhDs, men and women of all races and backgrounds, people born into poverty and people born with trust funds, guys who started investing at 19 and those who started in their 70's, part-times and full timers. There is no single predictor of success, but there are things that I've found that all successful investors have in common. Here are a few.

1. **Successful Investors Have a Plan** – and work it. It's simple enough to put pen to paper and figure out how to become financially independent in 2 or five or ten years. It's another thing altogether to wake up each morning and do the things you need to do to reach this goal. Somehow, your real life always seems to get in the way of your long-term goals. Successful investors battle this tendency to get caught "in the thick of thin things" by creating not just a list of goals, but a daily plan for getting there.

2. **Successful Investors Network.** Real Estate investing must be the only profession in the country that has no accepted curriculum of formal training. Since your success as a real estate entrepreneur relies in no small part on your ability to get reliable information and advice when you need it, and since your local community college doesn't teach courses on important topics like how to evict a non-paying tenant, the only answer is for you to find a mentor who can teach you the ropes. Choose a mentor who is knowledgeable, motivating, and accessible and is known for high ethical and business standards. Don't abuse your mentor by constantly asking for information that you could get from a simple trip to the library. And don't forget to thank your mentor by taking him to lunch, giving him gift certificates to his favorite restaurant, and, of course, letting him in on good leads when you find them. Where do you find mentors? Try your local non-profit real estate investment or landlord association. It's full of people who are there to share.

3. **Successful Investors Cull Their Herds.** When I was a little kid, I read an article about chicken farmers. This article mentioned that when the new chicks hatched, the farmer killed the weak, undersized and deformed chicks before they had a chance to grow up. I was, of course, horrified and immediately began making plans to open an orphanage for runt chickens. Unfortunately, my home in the suburbs and my insensitive parents conspired to keep my project in the planning stages to this day. Most real estate investors look at selling their "dud" properties with the same horror with which I view the whole slaughter of slightly imperfect baby chicks. They will keep a property year after year despite the fact that it loses money, doesn't fit the owner's goals, is a huge management hassle or is in a neighborhood that has become a war zone. Successful investors review their portfolios at least once a year and aggressively get rid of their loser properties before they can damage the profits from their winners.

4. **Successful Investors Protect Their Assets.** What's the use of building a huge real estate portfolio if a single lawsuit could wipe it all out? Why bother to achieve financial independence if the bulk of your estate will end up in the hand of the government? And why is it that the average real estate investor does absolutely nothing to reduce their #1 yearly expense –

taxes? Arranging your affairs to protect your assets from creditors, plaintiffs and the taxman is tedious, complicated and time consuming. Yet, every successful real estate investor take the time to do it, thus assuring that their hard-earned money stay theirs.

5. **Successful Investors Have a Code of Ethics.** We tend to think of our investment activities in terms of bricks and cash. In fact, the real estate business is about PEOPLE. Without sellers, renters, contractors, agents and so on, you would have no real estate business. And since your business activities affect so many other people, I think it's important to decide how you are going to treat the people you into contact with each day. Since there is no formal code of ethics for real estate investors, it's up to each of us to decide how we'll behave toward customers, tenants, sellers, workers, etc. Instead of using a measure, "What can I get away with?" or "What allows me to sleep at night?" perhaps the proper question is "What's FAIR?" Take the time to think about your activities and how they affect people that you come into contact with.

6. **Successful Investors Involve Their Families.** In ten years, I have yet to meet a truly successful investor who did not have the support of his (or her) significant other. Because your real estate activities generally involve spending (or promising to pay back) tens of thousands of dollars at a time, and since your business will take time away from your family, I think it's very important to sit down with everyone who's old enough to feed themselves and explain what you're doing, why and that you'd really like to have their help or at least their understanding. If you have a spouse who's reluctant to allow you to take out a second mortgage on your home in order to invest in the deal of a lifetime, try sending him or her to a beginner's seminar on investments. Some of your significant other's very natural fears may be overcome by an understanding of what you're doing.

7. **Successful Investors Treat Everyone Better Than They Expect To Be Treated.** What goes around comes around. If you think that your reputation as a buyer or landlord doesn't precede you, think again. When you go the extra mile to solve people's problems both profit and success will follow.

8. **Successful Investors Stay Educated.** Since I began investing in real estate full time in 1989, my state has passed a mandatory seller disclosure law. The federal government has made lead-based paint disclosures mandatory and expensive to ignore. Congress has changed the rules for capital gains taxes twice. HIV-positive people have become a "protected class" in terms of fair housing. My city has passed ordinances that say that I can be fined or jailed for renting to drug dealers. Mortgage money for high-risk borrowers has become cheap and easy to get. The Fair Credit Reporting Act has been revised to include landlords. Things change. Your business if affected. Stay on top of it.

9. **Successful Investors Pass On What They've Learned.** Just as successful investors have become mentors, successful investors become mentors. By passing on their knowledge to novices, they keep our industry alive, give others a chance at financial independence and get a wonderful sense of their own accomplishments. Now, that's what I call success.

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