**PEP 135 Edited\_Transcription**

[Daniel Hill] (0:05 - 30:14)

Welcome to the Official Property Entrepreneur Podcast with myself, Daniel Hill. We are now rated in the top 10 of all business entrepreneurship podcasts in the UK. Last year, we were rated the seventh most popular property podcast.

And every month by downloads, we are rated in the top 5% of most popular podcasts in the entire world. Thank you all for your support, for sharing and subscribing to these podcasts. This is literally my life's work broken down into simple blueprints for you to execute everything that you want, be it wealth, health, or life by design.

Success and failure are both very predictable. Let's get into it. Welcome to another Official Property Entrepreneur Podcast.

In this blueprint podcast, we're going to look at how you can actually be your own bank. Now, this might sound like quite a bold statement. But for those of you that are early on in your journey or have hit a bit of a glass ceiling with raising funds and doing bigger deals, this will be the blueprint that game changes what you're doing and takes you up to the next level.

I use this blueprint to structure a 20 million pound joint venture with a high net worth individual. And when you have that in place, it enables you to do bigger deals, do things quicker, move faster, have a lot more flexibility in the structures that you do. And I want to share this with you now.

If you don't have this or before you have this, what you're going to experience is you're going to spend a lot of time working with banks, working with private investors, working with small groups of people who might be investing 20, 50, 100,000 pounds. And that's fine. That gets us started.

But it's really going to stop us from moving into those six, seven and eight figure developments. Whereas when you have this, the idea of buying deals at auction, being creative, taking higher risks, being able to buy properties unconditionally is going to be a real huge thing for you. If you've not already listened to one of the earliest podcast episodes called The Margins Missing, go back and listen to that episode.

And it will talk through a number of margins which most investors miss. And this is the solution to get you over a number of those. The aim of the game here really is to get to a point where you have built your credibility, built your portfolio, done a few deals.

And now you want to move bigger or you want to move faster by having one high net worth individual who has not tens or even hundreds of thousands of pounds, but millions of pounds to partner with you privately and then enable you to start doing deals. And this is what I'm going to share with you in this episode. A quick update before we do about 2023 and where we are.

So this is very much my year of Carpe Diem. And we're now in the second week of March. And probably the main two things for you this week is the first thing is definitely had my first experience of being burnt out this year.

So last year, I did a 12-hour work week, pretty much semi-retired and took a lot of time off. And the challenges I had in that, you will have heard in previous podcasts. Most recently, the challenge I've had is Carpe Diem is going out, loving what I do, being busy again, doing deals, all the exciting, sexy stuff that comes with being a property entrepreneur.

But through January, I got the wheels moving. In February, I started to really go full steam. And the reality was, by the end of the month, beginning of March, I had my first experience of burnout.

So I've just had a three-day weekend off the grid, no work, recharge, and I'm ready to go again. But it was just a little sense check and reminder that you've got to be sensible and sustainable with high performance at this level. As we go into this podcast, what you'll realize is at this level, you do want to be doing things differently.

And the things you've done to get you to the pace you're at now will not work to get you to the next step. We want to do what we call the level up. And we want to achieve what's called a step change, fundamentally change the way that you do things.

I guarantee that once you put this into place and you get there, this may be in a few weeks for some of you. For a lot of you, this might be in a number of months or years. But when you get to this step change, everything becomes easier.

Everything becomes more straightforward. And the deals very quickly become far more lucrative. I use this blueprint to structure a 20 million pound joint venture with a high net worth individual.

I'm going to take you through it now so you can do the same. So what are you going to need? So what do you actually need to do this?

Well, one is a fundamental understanding of wealth creation. Now, this is level three strategy or level two, mainly level three strategy. If you've not listened to the podcast episode number 24 called Rich, Bad, Wealthy, Good, go and have a listen to that.

And it'll talk to you about the three levels. This is the third level. And you're going to need a few things to get to this third level.

You'll hear me in that podcast talk about don't skip the gears. What you're going to need to get to this third level is you're going to need some credibility. You're going to need some track records.

You're going to need some deals under your belt. So if you're listening to this and you haven't yet done any deals, you want to get that done first and do it consciously with the understanding that at some point you're going to leverage this proof of concept, this credibility, this track record, and you're then going to step up and level up to the next level at level three, going and being your own bank and partnering with a high net worth individual. So in order to do this, you need to have a track record, credibility, and a few deals under your belt. Also, you want to have the appetite to level up because moving to this level and working with a high net worth individual is not like working with friends and family.

It's not like going to the bank and filling out finance forms. In this capacity, you're going to have to balance the skillset of being strategic, of doing deals that actually make money, being able to communicate it effectively, being able to appraise risk strategically, and also your communication style. You're going to be working very different with a high net worth individual than you are with a bank or friends or family or people you've borrowed 50 or 100,000 pounds from.

So they're the things you need. And in this podcast blueprint, I'm going to take you through how to be your own bank, build this blueprint out, and work with a high net worth individual to move you into the seven and eight figure deals. So there's six steps to this blueprint.

And the first is what you need to establish what we call proof of concept. Now, if you've not already gone out and done not only a few deals, but a single deal that works multiple, multiple times, you haven't yet established proof of concept. Proof of concept is that on your own money, on your own risk, you've gone out and generated a proper, secure and sustainable net return to prove that something works.

It's very unlikely that you're going to attract your first high net worth individual based on a punt or a guess or the optimistic entrepreneurial flair that this could pay off. You need to have track record, proof of concept to prove that this actually works. That's the first thing you want to have in this blueprint.

The second is that once you've got that proof of concept, what you want to do is be able to illustrate it. And not only illustrate it on request, illustrate it by publishing it. Basically, you want to take that proof of concept and create a visible profile, a bit of visible reputation, a visible track record, a visible paper trail, basically taking those deals that you've done and sharing them on social media.

So you can do this in a PDF document, you can do it in an investor brochure, you can do it on your website. But nowadays, pretty much everything starts with social media. So you want to make sure your LinkedIn's up to date, your Facebook's up to date, your Instagram's up to date.

And that day when you meet somebody who you may or may not know is going to be your potential high net worth individual to enable you to be your own bank, they're going to go on social media and they're going to look at you. And within 30 seconds, they're going to establish, is this person professional, credible? Have they got a track record?

Or are they down the pub with their friends, casual, relaxed, not the sort of person they want to invest millions of pounds with? So the first is proof of concept. Do you actually know what you're doing?

Can you prove it? The second is, is it out there for everyone to see? When somebody goes looking for that credibility box to tick that box as to whether you're worth working with, in 30 to 60 seconds on one of your profiles, can they get the confidence that you know what you're doing?

That's step two. And then step three is, you can have the best proof of concept in the world. You've got deals that make loads of money.

You can even have a social media post that shows you've made 100 grand on a deal, 50 grand on a deal. But if nobody's actually seeing it, then it's pointless. What you then want to do is basically magnify your reach.

So whether you do this online with your profiles, or you go out there doing it in networking in person, the third step is to go out and tell as many people as you can what you're doing, how you're doing it, what are the results that you're getting, what the case studies look like. Here's the videos. Here's the photos.

Here's the numbers. Here's the successes. Here's the challenges.

You know, being very real, very credible, very authentic, but getting it out there. So maybe you now start to go to networking events where you're going to meet a high net worth individual. It could be a property networking event.

It could be a finance event. It could be a social event, like going to the sort of places that high net worth individuals may hang out, like flying clubs or certain gyms in your local area. I always used to go to David Lloyd Gym, initially in Milton Keynes, then in Leeds.

And you've got these big cities with probably the most prestigious or well-known or higher end gym facilities, where if you sit in the reception area, in the lounge area and work on your laptop, you will hear people around you making calls about investments, about businesses they own. A high percentage of them, at least when I used to go, were in property. You don't have to have too many lunches, too many green teas, too many breaks there to start to meet people you want to meet.

Put yourself out there, network online, in person, and start to increase your reach. That's step three. And that's all basically the preparation work, the first three steps to get you in a place where you will attract these high net worth individuals.

The next three steps, so once you start to attract that interest, how do you then get those people to engage with you? How do you negotiate? How do you structure the deal?

And how do you actually be your own bank by having a joint venture partnership with a high net worth individual? So step four is, before we go on to step four, if you've not already, if you've got a business partner or you've got somebody you're working with and you're thinking, you know, this is the secret to how this works, then feel free to share this, forward the link to them, give them the confidence that working with 20, 30, 50, 100,000 pound investors is only going to get you so far. If you're currently doing three, five, 10, 200,000 pound projects a year, working with those sort of investors is only going to get you so far.

At some point, you're going to want to step change. You're going to be like, right, how do we get to this next level? How do we do bigger deals?

How do we move faster? How do we buy unconditionally? How do we take more calculated, but more risk and do deals that nobody else can do because the banks wouldn't back them and bridging finance is risky and expensive.

And how do you just step up in what you do? Feel free to share this podcast with them. So we've done the first three steps.

Step four is all about starting to have these conversations. So people have approached you, you've got your first few interested parties who may or may not be your high net worth individual. You're going to end up partnering to be your own bank.

But the first thing you want to explore is objectives. Now, people think that negotiation and sales is a sort of wink, wink, twist your arm, try and convince people to buy something they don't want to buy. Those salespeople sell used cars.

They do deals that are based on transactions. The relationships are short term. And a decade from now, they'll still be having the same issues.

What we're talking about here is proper business with proper business people, structuring genuine negotiations, which have no hoodwinking, no lies, no inflated truths. Just basically looking at a fundamental thing of each of you to get to where you want to get to. And this is step four.

Step four is all about objectives. And what you want to do is understand the objective. I could tell you all of the different ways to structure this joint venture.

I could tell you all the different ways that investors may want their risk, their return, their joint venture structure, their contract drafting, their rates, their returns, their securities, their ongoing liabilities, and other trigger mechanisms that might be in your shareholders agreement. But the most important thing before you get to any of that is understanding the objectives. And what this is, is a frank, fair, friendly conversation where two people, you and your potential high net worth individual, sit down and you explore what is the objective of each of you.

And I might say my objectives. So what you want to do first is obviously let them speak, two ears, one mouth. If you've not already listened to the podcast I've done, speak my language episode, self-awareness episode, things like that.

It's all about advanced communication techniques. What you want to do is let them speak first and just ask them, what are you trying to achieve? What's your criteria?

What you'll find very quickly from just a few of these conversations is some people want maximum return. So let's say they're a high net worth individual because they've just been through a business partnership breakup or a divorce. And they've now got 5 million pounds in the bank, ready to invest.

But because they've sold their business or broken up with their business partner or got divorced, the income that they've perhaps lived off for the last one, three, 10 years has now been removed. And they actually, it's really important that they can replace their standard of living by getting a return on this capital and actually the number one thing for them is cashflow, is return on investment, is high return. And they would be the people that want maximum return.

You'd also sit down and talk to other people who've got completely different objectives. You'll talk to them and they're like, I'm not interested in high risk. I don't really want a huge cash flow return.

The most important thing for me is because I've lost money in the past. I've done deals that didn't work. I might need to make sure that I do not repeat the experiences I've had with those.

My number one objective is secure capital. And actually the conversations they're looking at is security, sustainability. And you'll find out that everybody has these different objectives.

So step four is to understand what are their objectives? What are they trying to achieve? Is it risk?

Is it return? Is it security? Is it in and out?

Is it long-term hold? Is it equity gain? Is it a cashflow consideration?

Is it a buy and hold? Is it a build and sell? Is it a flip?

Is it a compound interest momentum investing strategy where you're going to take 3 million and turn it into 20? What is their objective? And then you can talk about yours.

And obviously, if there's a great match and a great potential, you can explore steps five and six. If you're completely on different pages, you want to go and play roulette at the casino and they want to get a 2% yield on a government bond, it's unlikely the conversation is going to progress. So step five is if it does progress, how do you then negotiate a deal?

And this is going back to what I said was step four, where the secret to success in negotiation is a fair and frank conversation about objectives and then the ability to find a win-win-win deal in the middle. That's the only objective. One way is that they could screw you.

They could screw you in the negotiation. You agree to the deal because you're naive, you're silly, you're desperate, and they probably won't win anyway because at some point it'll fall to pieces. Or you try and screw them.

You screw them down to the minimum rate they want. You make them take more risk than they actually want. And the outcome is that they get nervous.

You never actually get a deal done. The whole thing doesn't feel very comfortable and they feel like they're on the back foot from the off. Just jumping in quickly with two things.

So the first is if you're enjoying these podcasts and you haven't already ordered a copy of my brand new first ever release book, Karma Credits, please go to Amazon now and order yourself a copy of Karma Credits by Daniel Hill. And it'll explain to you the universal law of wealth, health, and happiness. And the second, if you want a free report that you can read straight away, go to www.boomorbust.co.uk to understand the five things that I'm doing as we head into this next phase of recession. Back to the podcast. The aim of the game with any negotiation is a win-win-win. Are they genuinely happy?

Are you genuinely happy? And can you do deals that both of you wanna have that are genuinely gonna be highly lucrative? What we're gonna look for is a win-win-win.

How do you match your objectives, take all the considerations and find a place in the middle where there's lots of give and there's lots of take, but both of you are really, really happy with the end result. That's number four. And then once you've got that and you found that structure, and what I'm gonna do is at the end, I'm gonna share with you how I actually did this for my build your own bank strategy, how I use this blueprint to form a 20 million pound joint venture with my high net worth individual.

And in there, you'll realize there's lots of different ways you can structure it. The deal's gonna look very different, but you do need to have these formalities in place. So step six is once you've got that agreed in principle, you found a win-win-win deal that you're both happy with, how do you then actually formalize this arrangement?

Well, the two things you need, one is the contract, basically the shareholders agreement, the SHA, and the other is the structure. So the shareholders agreement is gonna detail and define exactly what terms you've agreed. And this will be everything from the shareholding of the company, the rates that are gonna be paid for interest, the security that's gonna be offered, any repayment terms for any capital that comes into the business.

It's gonna also then have provisions for when the business dissolves. You always wanna conduct the post-mortem before the death. You wanna sign this contract, and for as long as you're friends, you never see it again.

But the day where something happens to the partnership, a deal, one of you, then you have to get it out and understand what is the solution to deal with whatever the position or problem you've been presenting with is. And that'll be things like in the case of death, in the case of somebody who wants to sell, in the case of being approached for an offer, in the case that somebody wants to exit, you'll have things like drag and tag, you'll have things like, you might have things like Mexican shootout, all of these sort of considerations around how you would exit. And then finally, phase three would be, or the third part would be basically your authorized dealings, your prescribed matters, restrictions and reserved considerations around what can you do, what can't you do, who's authorized to do what, how many people have to sign for a bank withdrawal of 5,000 pounds, what authorizations required to take on debt, et cetera, et cetera.

That would be your shareholders agreement. And then what you have is your structure. So what structure are you gonna go for with your high net worth individual?

And I'll share with you what I did with mine, but what you might do is a joint venture agreement. You might do a broker agreement. You might do a management agreement.

You might do a sourcing contract. There's a million different ways you can do it. The most important thing is to understand what you're trying to achieve and then have a savvy solicitor that can essentially do that for you.

Once you've got that, you can then build a structure around it. And this might be using a limited company. It might be using a series of limited companies.

It might be using holding companies and then local companies. You might use SPVs. It depends what you're gonna do.

All of that's gonna come down to basically get some specialist advice from somebody who's done it, somebody like me or somebody that you know that's got a similar structure to get their sort of practitioner's strategic advice. And then you wanna have legal advice and tax advice on the best structure. And that'll be down to you, the agreement, your investor, your estate and your arrangement.

And how that's gonna work. And that's the sixth step. So the first is proof of concept, do some deals, prove you can do it, put your head on the block, make some money.

The second is tell everyone what you're doing, profile, posting deals, sharing numbers, making things available online. The third is then increasing your reach, going out to networking events, online webinars, events, social media, engaging, communicating, networking, increase the reach of people who know what you're doing. That will then attract leads and bring people into the business.

If you've not already listened to the... When we talk about the advanced levels of this and about why you wanna level up, if you've not listened to the Living Off The Steam podcast, where it talks about increasing the reach, doing higher value deals, and then going for lower risk, lower return, you'd often find your high net worth investors like me in this space. That's episode number 96, if you're not listening to it, Living Off The Steam.

You're gonna go out there, find those people who want lower risk, low return. As they start to come to you, step four is explore the objectives. What do they actually want?

Get them to share that with you, then you share the same. If there's a deal to be done, step five is to then negotiate, find a genuine win-win-win deal where they win, you win, and the deals are gonna work. And then finally is your SHA, your shareholder's agreement, your structure, and your contract.

Get some legal advice and tax advice, get the structure in place. The model that I use, putting this blueprint into place, with this blueprint, I've done millions of pounds of deals, and I use these six steps to structure a 20 million pound joint venture using exactly the blueprint I've shared with you. The model that I did, so this is probably not gonna be what you go for, but it might provide some insight and inspiration, is I knew that I was bringing the deal to the table and the consultancy.

So basically, all the way from sourcing it to managing it, that's my job. So basically, my team and I would do everything to source the deal, develop it, finance it, or not finance it, and develop it, refinance it, tenant it, manage it. That's basically what I'm bringing to the table.

And I'm not bringing anything else. I'm not bringing any finance. And from their side, they're expected to bring the finance, but then again, nothing else.

They don't need to do anything else. And the deal that I did was we started a limited company within our shareholders agreement and a limited company. The limited company was then owned 50-50 by our holding companies.

Now this is starting to talk more advanced about group structures and holding companies. Listen to any of the financial podcast episodes that we've done to understand how the holding company structure works. Two holding companies owned shares in the development company, the joint venture company.

And then what we did was we had an investment company to the side that held the capital. And then SPVs, special purchase vehicles underneath, which bought the properties. And then what happened was the deal for the finance would, I would source it, they would finance it.

And for the first 12 months, the finance was interest-free. No interest due, all the capital was lent, interest-free. But the point where the development got, or the loan agreement from the investment company to the development company got to one year and one day, it would then pay an interest rate of X percent.

Now that percent was agreed eight years ago. It wouldn't be the same now because base rate was nothing back then. It's now more sizable, depending on when you're listening to this podcast.

But the money went into the development company. We bought the building. And for the first year, it'd be interest-free.

And then at one day and one month, it would then start to charge an interest rate. Now the aim of the game here was obviously to find a property, buy it. And what we would do is buy it in one of the SPVs.

So special purchase vehicle would then agree to buy this site, let's say a million pounds. Investment co would lend to the development co or the group joint venture company. That would then go down to the SPV, million pound down to buy the building.

And then obviously the aim of the game from my point of view was to buy it, get planning on it, refurb it, refinance, be back out within a year, in which case then there would be no interest due on the money that was returned. In most cases, we would get most, if not all of our money back out. If we didn't get all of our money back out, then the money that was left in, let's say a million pound went into the joint venture company, down to the SPV, developed a block of 20 apartments.

And then at the end, there was 200,000 pound left in. The 800,000 would go back up to the JV company, back across to the investment company where it would stay. Until the next deal was ready.

And then the 200,000 pound that was left in the SPV would then be serviced from the rent role, assuming it's built to rent, the rent role of the SPV. And then that would service that debt ongoing for as long as it was in there. And that's the structure that we used.

And off the back of that, we managed to build up using momentum investing, a significant portfolio of built to rent development stock where the money went in, it was built, it was rented, it was refinanced, and then it was repaid. And off the back of that, you can take a small part of say 3 to 5 million, and you can compound it up, assuming you're leaving a small amount in, up to 10, 15, 20, 30 million pounds, whatever it is you're trying to achieve, just based on that strategy, that structure, and finding that high net worth individual, having that joint venture agreement, and allowing you to be your own bank, do high risk deals, make more money, move quickly, and then progress forward with it. For those of you that crack how to do this, I guarantee you, your life will become a lot easier. Dealing with problems when they arise will become much smoother, and you don't experience...

My bank gearing is very, very low, because I do a lot of my developments, my investments with private individuals, high net worth investors, because I personally prefer it. It's probably not always the cheapest, but it's easy. I can do it over WhatsApp.

I can meet for lunch and do deals. I don't have to worry about the bank taking six months to refinance. I don't necessarily have to worry, in many cases, about the risk of buying sites unconditionally.

Most of the money we make is in the cash margin, the risk margin, the planning margin, and that's a lot easier. It's a lot quicker when you've got high net worth investor on board, and then equally, when problems do occur, you're dealing with a pragmatic, savvy, high net worth individual. You're not dealing with bridging finance, brokers, big banks who don't care and might be more challenging, less understanding, slower or more expensive in that scenario.

I hope you've enjoyed this blueprint. Once you put that sixth step into place, I guarantee you, it will allow you to be your own bank. If you're approaching that, use those steps put into practice now and set yourself a target of in the next 12 weeks to start having conversations with those people.

If this seems like a million miles away at the moment, just remember those first three steps. Get your proof of concept, get your track record, build your credibility, raise your profile, and then go out networking. So when the time comes, which may be quicker than you think, you've already got the basics covered and you can step change to find your joint venture partner, get your high net worth investor on board, and be your own bank.

Remember guys, success and failure are both very predictable and moving through the gears from five, six, seven into eight figure deals is a no brainer if you know what you're doing, but you're never going to do that using friends money, family money, going to the bank every time you need to borrow half a million pounds. High net worth investor, joint venture structure will genuinely allow you to be your own bank. I hope you enjoyed this episode of the Official Property Entrepreneur podcast.

If you are not already subscribed, click subscribe now to make sure you never miss an episode again. If you're not already following me on social media, Instagram is propertyentrepreneur underscore, Facebook is Dan Hill. And if you're not already in the Official Property Entrepreneur community on Facebook, there's over eight and a half thousand of us in there now.

Success and failure are both very predictable. I will see you on the next episode.