**TBP 273 Dont Go Bust Edited\_Transcription**

[Daniel Hill] (0:00 - 12:10)

Here is my one biggest tip for business, property, investment, and wealth creation that all of you need to listen to, but none of you will actually take note of. The number one tip is don't go bust. Over the last 20 years, I have seen the biggest of names come and go because with a raising tide that lifts all ships and a booming market that's with you, as soon as the wind changes and the market turns, the tide goes out and we can see who is actually wearing swim shorts.

In this podcast, I'm going to take you through the don't go bust blueprint to share with you the mistakes that I've seen others make over the last 20 years. Don't go bust blueprint is the only one podcast you cannot afford to miss. And when you understand how this works in theory, make sure you put it into place in practice.

The don't go bust blueprint, success and failure are both very predictable. Welcome to the blueprint podcast. In these episodes, I'm going to share with you my life's work boiled down into simple blueprints that I use to build a 10 million pound portfolio and retire with financial independence at the age of 35.

You can listen to these podcasts in any order and I guarantee you that when you execute them in practice, you will see that success and failure are both very predictable. Let's get into the next blueprint. At the end of last year, I spent a weekend at Sherwood Forest with all of our board members on property entrepreneur, doing our strategy weekend and looking at the opportunities for 2025.

And one of the biggest things that I talked about was understanding how markets move. And whilst when a market is with you, how it can actually turn very quickly. And the biggest thing here is you do not want to go bust.

It is so much hard work to build a business is even more hard work to build it correctly and actually making money. But the sad thing is by the time you actually get there, you're going to see a market move, a correction, a recession. And whilst this could be a fantastic thing for you, if you're in the right position and you're well capitalized, in many cases, this is the end of the game.

And over the last 20 years, I've seen some of the biggest names go bust. And this is what we want you to avoid. So this is the don't go bust blueprint.

And the main thing to acknowledge here is that we play in property and investment and business, which is a high risk game. And for those of you that haven't had a downturn or a lockdown or recession or a pandemic, trust me, even though the market is with you at the minute, one day in the coming weeks, months, years, you're going to wake up and the world is going to have metaphorically ended. Every week at the minute, I'll wake up, I'll sit down to read the paper and I'll open my app on my phone to read the news.

And I've gone through a period of the last six months or so expecting something bad to be reported. One of the big lenders has gone down. There's been a big international conflict announced.

A degree of war has impacted a supply chain or something. We're just in one of those places where it's really volatile. And having been through three recessions and not only survived, but been able to thrive in each, this is the biggest lesson that has allowed me to still be here 20 years later, where many of the biggest names have gone down with the market.

The analogy that I want you to think about here is when people say about skating on thin ice, but really how resilient you are and how protected you are as a business is based on how thick the ice is that you're skating on. And if you're standing or skating on ice, you want it to be as thick as possible. Now, if you have a significant portfolio with a low bank gear, and let's say you've got a 10 million pound portfolio, it's geared at 50%.

You've got 10 million pounds of asset, 5 million pounds of debt. You've got a couple hundred thousand pounds a year income, and you've got half a million pound or a million pound cash around you. At a broad sense, that would be a no live projects.

That would be quite a wealthy, quite a solid, quite a secure place to be. Loads of cash, loads of assets, low gear in, no highly exposed projects. That ice you're standing on is pretty thick.

And that was me in the pandemic. I had the best part of 2 million pound cash around me, which meant all of my businesses, as soon as lockdown happened, I didn't have to lay anyone off. I didn't have to panic.

I could sit there, think, watch. And then when the market turned, I could actually go out and capitalise. Put me in a good position.

My ice was really thick. Whereas other industries and sectors like the restaurant sector, when lockdown was announced, the average working capital to the money in a bank for a restaurant was 15 days. So after 15 days, they couldn't afford to even turn the lights on.

That is very thin ice. You're constantly living hand to mouth. You're holding your breath.

You're on very thin ice. As soon as the market moves or the storm turns, that ice just crashes. And trust me, that water is freezing cold.

We all need to have thick ice. And what you'll find is it's about having a balance. Because if I sit around with loads of assets, low gearing, loads of cash and don't do any deals, don't take any risks, not only is it boring, bit dry, it's probably not capitalising on the resources you've got.

Equally, if I had geared all the way up and I was on bridging finance and geared up to the eyeballs, 75% loan to value on everything, hardly any cash around me, chasing around, trying to pay bills on a Friday, that would be incredibly thin ice. Because if I have two big developments on and there's no cash in the bank, and one lender falls over, or one lease operator that's going to take a lease falls through, or one survey happens and it gets downvalued, or a bank goes bust, or a lender doesn't allow you to draw down the funds, all of these things, what you want to make sure is that when the wind turns, the dominoes don't tumble. And this is what it's really about.

When the market's going with you, people get high on their own supply. All the deals are going well, the sale values are strong, the rents are through the roof, the occupancy rate's high, the GDV's record breaking, and everything's fantastic. But when the market turns, it's the complete opposite.

I suppose a good analogy at the minute is like Bitcoin. I went through the last cycle, and I didn't like crypto then, and I don't particularly like crypto now, but I saw it going up and up and up, and there's this bull run, and your mates are talking about it, your family's talking about it, your barber and your taxi driver are talking about it, and it goes up and up and up. But nobody appreciates when the market's going up and everything's good, that things come down.

And even, I was in St. Anton, and all my friends were waking up every morning, wow, I've just made another 10 grand or 50 grand or 100 grand on Bitcoin. And I was like, wow, that's amazing, it's so seductive. And by day five of being locked in a lodge with them, I was logging onto my Revolut account trying to buy Bitcoin, because it's so seductive.

But I just remember it's casino money, it's high risk money. And whilst the market might be with you now, just remember there's a downturn. And Bitcoin at the minute is booming and booming and booming.

But one day you're going to wake up and it's going to go from whatever it's at now, 100, and you're going to wake up and it's going to be 30. Because that's just how the market works. But when it's on its way up, it's very hard to remember that.

And this is where people go bust. If you're listening to this and you think, yeah, but that doesn't apply to me because X, Y, Z, unless the because is your gearing is 30%, not 75%. You've got 5 million pounds around you, not a fiver.

Your portfolio is well diversified and de-risked with multiple lenders, multiple tenants, multiple asset profiles. Unless you fall into that category and you say, that doesn't apply to us. I've seen people with much more expertise, experience than you go down.

And the reason for this is when it goes down, it's normally through no fault of their own. So I knew some of the biggest names that went down in the last turn in the pandemic, went down monumentally for tens of millions, if not in some cases, hundreds of millions of pounds. And the thing that made them go down in most cases was no fault of their own.

It was things that they didn't see coming. It was a black swan. It was something that was out of their control.

One very good friend of mine had a site that went down and they got the plan in. They delivered the build. They went through the pandemic.

They got off just about on time, just about on budget. But a sequence of three things happened at the end of the site, which they could have had no impact in. The buyer pulled out, the occupancy rate was low, the lease terminated.

And then there was an issue with some of the compliance, which was nothing to, like literally there was no fault of their own. A sequence of three things went wrong at the wrong time, or a sequence of three things went wrong consecutively through no fault of their own, but because they didn't have the financial fortress, the moat around their estate, the working capital, the low gearing, because they had five projects all on bridging finance, because all of them were dependent on, you know, getting onto one was dependent on getting off the other and getting off of the one they were on was dependent on the next one coming in. That's a really dangerous place to play. And when the ice is that thin and it cracks, you know, one site falls and the dominoes tumble.

And this is my main message to you really. The aim of the game is don't go bust. And a lot of people think that bigger is better and that you want to roll up and go again and again and again.

And of course, there's a time and a place that I did that back in 2011. I had four projects on the go at one time, two just being bought, two being refurbished, two being refinanced. I had four, I forget how much now, but probably two million pounds rolling facility with Lloyds.

And of course I rolled up and up and up because I didn't really have much at the time. When you don't have much, you've basically got nothing to lose. But the aim of the game is as you go through the gears is to de-risk, to de-leverage, to diversify and just make sure you're aware that there is an asteroid coming.

There is a iceberg around the corner. The market is going to move. The tide is going to turn.

And if you're standing on thick ice when it does, not only will you survive, but you'll be able to capitalise and thrive. The problem is most people are hedging their bets. They're rolling up, they're at the casino, they're playing the Bitcoin curve and they're going up there hoping that every morning they're going to wake and it's on the way up.

And the day they wake up and it's tanked and it's turned and the market moves, the ice crashes, they're into the freezing cold war. And trust me, it is not where you want to be. So that's my feedback.

That's my sentiment is the aim of the game is don't go bust, protect the downside. Make sure you've got plan A, B, C, D on every strategy you do. Make sure you've got cash around you.

Make sure you're using different lenders. Make sure you're using different profiles. Make sure you're using different tenants and just de-risk, de-leverage and diversify as much as you can as you go through the gears.

And that is the secret to success. If you want to make sure you don't go bust. So use this blueprint.

I hope it helps. Best of luck for 2025. And remember success and failure are both very predictable.

I hope you enjoyed this blueprint podcast episode. If you're not already subscribed, sharing these, this is my lifetime's work. And every Tuesday, I'm giving you one blueprint away for free.

These things are unique. They're proven. They've enabled me to build over a 10 million pound portfolio in a few short years.

And over the last 20 years, start, systemize, scale and sell over 40 different companies. If you like them, share them, subscribe, make sure you don't miss a single episode and tune in every Tuesday for a brand new episode. And then follow me daily on Instagram for free content post twice a day, completely free of charge.

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