ANNA MYERS – HOW TO LOSE MONEY BY SURVIVING HURRICANE KATRINA

Podcast Title: **How To Lose Money**

Podcast Host: **Paul Moore and Josh Thomas**

Full Transcript:

Announcer: Welcome to the most important podcast of your financial future. Today, we're going to teach you how to lose money. Pay attention because these are the most valuable lessons you'll ever learn about creating wealth. Let's get started.

Paul: Little Richard ran off with Dr. Hudson's Medicine Show selling snake oil at carnivals. He later washed dishes in a bus station in Macon, Georgia. Little Richard became the architect of rock and roll, with his hit songs, Good Golly Miss Molly, Tutti Frutti, Long Tall Sally, and Lucille, and starred in Down and Out in Beverly Hills.

Hi, everyone. I am Paul Moore.

Josh: And I'm Josh Thomas and I'm constantly wondering, Paul, where was Big Richard in all this?

Paul: I know! I didn't know who that was. Maybe it was his dad?

Josh: Maybe so. How to Lose Money is a podcast where we discuss defining moments of success through distinctive stories of failure with business owners, investors, and entrepreneurs.

Paul: Yeah. Today our guest is Anna Myers, who is going to tell us how to lose money by surviving Hurricane Katrina. Hey, Anna!

Anna: Hello!

Josh: Hey, glad to have you here and maybe by the end of this podcast, my tongue won't be so tied anymore. Every failure story we encounter follows a predictable pattern and because of this, we've developed a marker system with flags that helps keep everyone on track as to where we are.

A quick overview, the green flag is our initial part of the story, the red flag is the first sign of trouble, the black flag is the point of no return, where everything is dead. The white flag signifies total surrender and the moment we walk away.

Paul, tell us a little bit about our guest today.

Paul: Anna Myers is the Vice President of Grocapitus, teaches underwriting for MultifamilyU, and cohosts a real estate investor Meetup in the San Francisco Bay Area with an extensive background as a programmer and systems architect in the tech industry. She uses these skills to evaluate multifamily deals, identify key investment markets, and implement systems and processes to acquire and manage multifamily assets.

Anna has partnered with Neal Bawa to purchase 500 units of apartment projects in 2018 and the team is on track to add another 300 units in the first few months of 2019.

Anna, great to have you on board. How did you go from systems and technology to investing in commercial real estate? How did you make that transition?

Anna: Well, it's actually not that far of a reach, because I was born into a family in Southern California that was founded on commercial real estate. My grandfather was a commercial real estate maverick in LA and he actually moved to LA when he was a young adult and he didn't have much money, but he started flipping houses in the '40s and built his way up. He was quite the entrepreneur and he built his way up so that he acquired a large portfolio and started building shopping malls.

He died when I was pretty young and he was in his mid-sixties, but he left quite a portfolio and had a commercial real estate office. My father is an architect, my uncles all ran the business with all my cousins. That's the foundation that I had, is the kind of fabric of my life.

When the computer industry came around, that was when I was a very young adult and my dad, being an architect said, "I know you're a great problemsolver and I think you'd be really good at this." I started taking programming classes and turned out I was good at it.

But I learned over time that technology, unless you own a business as a technologist, doesn't scale anywhere nearly as well as real estate. I have gone back to real estate and using my tech skills and they blend really well. So, the way I currently approach real estate is as a data scientist. I'm applying my data science background to real estate. I use that to find markets and acquire real estate.

Paul: Okay, great.

Josh: That's excellent. I want to learn more about that here in a minute, but let's get into the story. We're at the green flag. Tell us how this story begins. Where are we in time and where are you in your career?

Anna: Sure. We are in, let's see…we are in 2004 first. We're starting out 2004—no, 2005. We're at the end of 2005 and my grandfather, again, in his trust had set up a part of his trust that was going to be for the grandchildren. Me, being the youngest grandchild, I was part of this. When this property sold, in their wisdom they had set it up so that it was identified—even though it was a shopping mall that was operational, it was identified that it was like just in disaster or needed to be replaced. It had to be replaced completely. The developer that bought it, bought it and it was still functional, but by declaring it this way, we were able to get a 1033 declaration versus a 1031.

With a 1033, instead of the money being held by a qualified intermediary, we were able to hold the money ourselves and we had two years to replace the property, to replace the value. That's a huge benefit compared to your normal 1031.

The problem was, we were at the key part of the real estate market where the market was driving up, up, up. Do you remember what was happening in 2005, 2006? It was crazy out there. We had to finish our purchases to fulfill the 1033 by December 31, 2007.

I was working and busy with family and this type of stuff. I live in California, so at that time in California, things were crazy. There were no good deals to be had in California, so looking for investments, one of the investments I looked at was in Diamondhead, Mississippi.

How do I get to Diamondhead, Mississippi?

Josh: How do you get to Diamondhead, Mississippi from California and did you actually go there and were you in shock? Mississippi is like the opposite of California.

Anna: All good questions.

Josh: No offense to anybody from Mississippi. It's a lovely place, but it's definitely not California.

Anna: And the first answer to the question you asked is, no, I didn't go there. I didn't go there at all. But my oldest brother, who is also an architect, like my dad, was in the Katrina area working as a forensic architect at that time as a secondary opinion for the insurance companies to evaluate the disasters that happened and to confirm—to go to court and confirm what was going on there so that homeowners could get their money and the insurance would go through.

While he was there, there was an area that all of the contractors would stay because it was elevated, and it was this beautiful community called Diamondhead. It was like a golf community. He was also looking for investments because he was a grandchild as well. He said, "This is a great community." All of these people coming to rebuild this area, they got nowhere else to live. They have to live here. There's no place else. So, he was buying an investment property. He already had a property manager lined up and being that he's got all this experience in construction and architect, he said, "Hey, I found this other house, I can go and look at it for you." I felt like that was—I love and trust my brother, so I felt pretty good about that decision.

That's where things started. They all looked good. It was a single-family house that I was going to be making very good rent on. Again, the rents were high because so many of the houses had been destroyed around there, the rents were very good, as you can imagine. Again, this was again, a resort community. Nice house, near the golf course, couldn't go wrong, right?

Paul: Couldn't go wrong. As you get into this, what was the first red flag that came up and how long did it take before that happened?

Anna: The first red flag that happened was in closing. There was a change to the insurance. When the closing is happening, all the money and everything is all set up, but then all of a sudden, insurance comes in and they said, "We have a new policy that it is required to have wind and hail insurance. This is a fallout of the whole Katrina episode and this is a new requirement." It added on a very significant portion to the numbers.

Now, back then, I didn't know how to analyze deals like I do now. I was very novice at all of this, even though my family was in real estate, I have to say, they didn't train me to the extent that I should have been trained to handle this. I'll just say that straight out.

Josh: What percentage, roughly, did this add?

Anna: Oh, my goodness. I think that, looking back, I think the initial, it was going to add about $600 a month, which was going to be a huge amount.

Josh: Wow.

Anna: Yeah. A big number, right? That's a big number. So, I've always been a nice person and I think that in real estate, I've learned you can't always be nice. So, here's the first red flag. I was being too nice because I said, "I'm already in this deal. I've already got some money down on this deal, I don't want to walk away from this because of this insurance because these people that I'm buying from, they've already got a house, they're moving, it's going to be a big inconvenience to them." Then the current owner says, "I'll pay half of the insurance," because he wants to get to his new house.

I said, "Well, that seems like it will work."

Josh: Seems like a good deal and seems like you're a really, really nice person.

Anna: Exactly.

Josh: I got to come back to this. $600 a month.

Anna: $600 a month and that was for the first year. It went up after that.

Josh: For hail and wind insurance.

Anna: Hail and wind, and that's on top of the normal insurance that's like your fire and that type of thing. $600 for a single-family house.

Josh: Wow. Just out of curiosity—

Anna: Then it went up to $900 a month.

Josh: The typical hazard insurance in that area, what was that going for?

Anna: This is a long time ago, Josh, you're really digging in on me here. I think it was a pretty normal—again, this was a nice house. It was like a three-bedroom/two-bath house. I'm going to say it was probably $225, 300 at the most. This was driving me up to almost $1,000. The rent was—back then, I think when I first acquired it, it was like $2,400 is what I could get for rent, because it was a nice house and in Diamondhead, Mississippi, those are pretty good numbers, right?

Josh: Is it on the coast or near the coast?

Anna: It's near the coast, but it's up, it's elevated. It's a community that's up on the hill, so there's no flooding. That's the other thing to understand. This didn't even make any sense to have this additional insurance added to it because there was no way this community was going to have flooding. It's up on a hillside. The entire community, not just my house. The whole place was up high.

Josh: Well, for clarification, it was wind and hail insurance, not flooding.

Anna: Yeah, well, I agree, but one of the major components was the flooding component.

Josh: Right.

Anna: Flooding was—there was no way there was going to be flooding. It became—it just was pretty ludicrous to have that added on. It did go up the following year.

Josh: $600 a month for wind and hail insurance. You weren't ready for that. You did strike a deal with the owner where he's paying half of it.

Anna: He paid half for the first year.

Josh: Okay. You go ahead and move forward with the deal, the red flags aside. Take us to the moment there's a black flag coming up where you wake up one day and you look at something and you realize this is not sustainable, it's not going to work. What happened?

Anna: So, what happened is that the insurance did go up. The first year it was okay, my rents were okay, but then the insurance went up another $300. Now it’s $900 a month and at the same time, what started happening is this was not just affecting me, but it was affecting the whole community.

Now, I want to qualify that my brother did buy a house there, but he got grandfathered in. When he bought, was like a month before me and he didn’t have to have this clause for the entire time he owed, but I did, and many, many people in the community also did.

So, what happened to the community is that people couldn’t afford their mortgage and their insurance. It was untenable. So, the rents in the community started really changing. You couldn’t drive the rents up because there started to be a lot of vacancy. People couldn’t afford the high rents and then people that were actually living there couldn’t afford to live there. They tried to sell their house, but they couldn’t sell their house because the people buying the houses couldn’t afford to buy the house and pay the insurance that was required.

It was kind of this spinning that was going on in this area and there started to be more and more vacancy. Then for the units that were vacant, people were just like giving them for really cheap rent, which drove my rents down. And then eventually, I was like $800 out of pocket every month just to pay my expenses.

Paul: Just to pay for wind and hail insurance.

Anna: Just to pay for wind and hail insurance in an area that’s never going to flood. The community was just going down, down, down. At some point, what I had to decide, because that was also the point where the entire nation was being impacted and I had to make a choice between my primary house and this other house because we were struggling just to keep our primary in place. My husband’s job, he had lost his job. He wasn’t working. I was carrying the load of everything.

You all remember how that time was, it was very touch. I had to make the call to go and do a short sale on that property. I chose to save my primary house and do the short sale on the property.

Josh: That’s a good call. It’s always better to save your house than somebody else’s, when you have to make a choice. And so, the white flag here. You end up with a short sale?

Anna: Yes.

Josh: And do you ultimately sell the property?

Anna: We ultimately got through the short sale. The banks didn't make it easy, but at the same time, we did get through it. It definitely had an impact on my credit score for a long time, seven years to be exact. I finally have rebounded from that. But yes, we went through the short sale. I guess I can now say having gone through that, it was this big scary thing to go through, but at least I didn't foreclose. I didn't end up foreclosing, so I feel good about that, that I was able to find a buyer and even though it was a short sale in terms of the bank, I felt like I did my best in that situation to fulfill my end of the bargain to the best of my ability. That meant something to me, too, that even though it was a bad situation, a situation I never want to be in, I did my best to make sure that everybody came through it in the best possible light.

Josh: That's important and it's very difficult to do when you're faced with impossible odds. Just one last question here: In the process of purchasing this property, the insurance premiums, the out-of-pocket expenses and the short sale, what was your total loss on this?

Anna: Oh, gosh, good question, Josh. I would say the house was about 230…yeah, I don't know that I did the math on all of this beforehand to drive this home, but I'd say I probably lost—between all of the lost rents, the damages done to the house by attenable tenants that I had to put in there to try to keep something going and then they damaged the house, I probably lost about $80,000, I would say.

Josh: Wow.

Anna: Yeah. And then not being able—but I think one of the things that's a little bit more on the priceless is that by having it hurt my credit score, it held me back from continuing to invest. It held my portfolio back.

Now, if I knew then what I know now, it shouldn't have held my portfolio back because now I'm a big proponent of partnering and teaming up with people. But then, it really did hold me back and I feel like I lost seven years out of my investment development, which was much more painful in the long run in a person's lifetime than $80,000.

Josh: Understandable. Paul, what do you think?

Paul: It reminds me of a time that I actually bought a house. I was completely ignorant. Well, it was yesterday.

Anna: [Laughs]

Paul: No, I'm just kidding. I'm kidding. It was like 25 years ago. I bought a house out of town and I told the seller I would pay the lesser of a certain price. It was $225,000, or the appraisal. In other words, if the appraisal came in lower, like 215, that would be the number. [Laughs] Anybody who knows anything about residential appraisal knows what happened. Lo and behold, the appraisal came in right at 225,500, was exactly the price.

Anna: Yep.

Paul: Of course, later, I ended up—I'll skip the next eight months of pain, including the neighbor threatening to sue because water was draining onto his property and flooding his basement and all that. But a year and a half or two later, decide to sell it. Found out I had overpaid by about 40,000 for it and the appraisal was, you know, how they are.

Very, very painful and I didn't have the short sale, but I tell you, that was a real painful thing. I remember laying on the floor in my bathroom crying, saying, "I'll never do this again!"

I have made mistakes again, that's one of the reasons we have this wonderful show, but that is really painful.

I seem to remember we talked before and you said you had another painful experience during that timeframe. Didn't you have something else with a broker or something, Anna?

Anna: Yeah. I did, yeah. I was really trying to do a lot of things at that time because I was trying to allocate these funds from this 1033. Again, living in California, it was hard to find markets, so I thought at that time, I was looking at Reno. I got connected with somebody, with a broker in Reno, who had this thing that they did, which seemed brilliant. I was kind of trying to turn my money. I said, "I got this money, I'm going to try and turn it so I can buy more property before my time runs out to scale bigger." It sounded like a good idea.

What he did, is it was a method where you bought a plot that had like a farmhouse on it, like an old farmhouse or something. Then you basically scraped the house off, because the house, there was no value in it at all. The land that you bought was at least two acres and then you subdivided that land. He kind of showed you how to subdivide that land and go through the process with the city and get it re-zoned.

Then, once you got it re-zoned, you would sell it to a developer, or you would develop it yourself.

Paul: As residential?

Anna: Yes. They would build like houses on these. What I did, is that land, I think I turned it into six parcels. I did everything he said to do, I followed all the steps. Then when it came time to sell it, he was supposed to be the one who would sell it as well. That was the time the market was turning. Okay?

I had flown in there before and met him and he showed me all these projects he's doing and all that type of thing. He seemed like an upstanding guy and he was referred to by a mortgage broker that I'd worked with quite a few times. I felt like this was a good person. But what I learned is that he was not such a good person.

What happened is, when it came time to sell it, he wasn't able to sell it so well. He's like, "Oh, no, it's taking a while. It's taking a while. But it'll be fine." But then it wasn't happening. He said, "Well, I'll just—what I'll do, because I told you that this was going to work, is I'll buy it from you because I know I can sell it and I know you're on a quick time." Again, remember, I was being a really nice person back then and I wasn't necessarily doing my due diligence that I should have. I was trusting people too much and being that nice person, I said, "Oh, okay, you buy it and buy these six lots from me and then I'll be done with it, great, and then I'll go on and do it." That made sense to me.

However, here's what happened. He said, "Well, I only have so much money. I'm going to give you half the money now," which is basically the money I had originally put into it, was that half money. It didn't expand me at all, and it didn't cover any of my expenses that I had done. He said, "I'll give you half the money now and next week, I'll give you the rest of the money."

Well, guess what? Next week, he never gave me anymore money. He took my lots that I had redone, and it was pretty soon after this, however, that he didn't even have a chance to sell them, he ended up in jail. He ended up in jail because of all the shady deals that he had been doing for all these years with other people that I wasn't aware of.

Again, I hadn't really done my due diligence. I should have called those people. I went there and saw like all this stuff he was doing. I should have called them and asked for—done a lot more calls on this guy. But he ended up in jail for a long time. I think there was domestic abuse going on as well, so he had multiple charges. I ended up losing—at least I got the money back that I had put into it, my original purchase price. But I didn't get back any of the expenses that I had put into doing the zoning and I certainly didn't get back what I had intended to get back, which was kind of like doubling my money. It was going to be like 1.25 times on top of my money, so all of that I didn't get and having to go to this guy in court and that never happened and lawyers, and never got any of the money back.

Inexperience and not doing due diligence and trusting people too much. You can't trust people so much when you're dealing with these types of deals.

Paul: Right. Right.

Anna: You've got to figure it out and do it the right way.

Paul: Yeah. Anna, we're going to transition to the next segment of our show in a second here, but before we do, I think a lot of our audience probably knows what a 1031 tax deferred exchange is, but not a lot of people know what a 1033 exchange is, and we deal with something called a 721 exchange, that is not as familiar to people. Can you give us a one-minute overview of a 1033 exchange?

Anna: Yeah. I'm trying to remember the word where an area is declared to be like in distress and there's nothing that can be done to that area, it just has to be wiped out. There's terminology that escapes me right now of what that is. When a city declares it this way, then you can get—instead of being a 1031, then you are able to get a 1033. In order for that clarification to come through, you have to lobby it to be—you have to go in there.

Now, my family knew to do this. They knew that before they sold it, they needed it to be declared this way. Because of that, they were able to get the 1033.

Now, the difference between a 1031 and a 1033, with a 1031, you have 45 days to declare the properties that you're moving into and then you have 180 days to close and a qualified intermediary house to hold your money.

With a 1033, you get to hold your money yourself and you have a two-year timeframe to replace those properties. You can still leverage. You can still use loans to leverage up the money and do all of that. It's a huge difference between a 1031 and a 1033.

But I also used a 1031 that was kind of like—because we saved our primary house, we were able to use a 1031 in a very unique way that not a lot of people know about, that kind of made up for those losses in 2007 and 2008. What we did is we had been in that house for 16 years. We move out of that house because all our kids had gone off to college. The house was too big for us. We moved out of that house in the Bay Area and rented and then we rented out that house for two years.

Because we did that, we turned that house into a hybrid investment. It was still our primary home, but it also now was an investment vehicle. Now, after two years of being a rental, we had the people move out and then we sold that house. What we were able to do, because we sold the house and now it's a hybrid investment, as a couple we were able to keep the 500,000 that's under the 121 exclusion, and then we were able to invest the equity above that 500,000, because it was the Bay Area, and we'd had it for a long time, so there was additional equity. That equity was then able to be 1031 into another investment vehicle.

Because we were able to save our house, we were able to leverage quite a bit of wealth out of that primary house, so I definitely—that's kind of like the shining light there of that negative story. Is by saving our primary house, we were able to leverage into this incredible investment vehicle that we have now, which is a duplex in Charleston, South Carolina, that's an Airbnb, as well as again, keep $500,000 tax free out of that house.

Paul: Awesome.

Anna: That's definitely a 1031 strategy that I would recommend people look into because—so the 1033 is great, the 1031 where you convert it to the hybrid vehicle, assuming it's your primary home and you convert it so it's both the 1031 and the 121 exclusion, that's an extremely powerful wealth builder.

Paul: Yeah, that's really powerful. Something else people don't know, and I have a client who did this, and I'm not an attorney and I don't even know anything about the specifics of this law, but a client told me and is doing this, he actually had gone from apartment to apartment to apartment through 1031s. He sold that and he bought a rental home at a lake and the rental home, he's got on a rental program for two years, and he claims—his attorney claims—that one day after that two years, if he decides to move into that as his retirement home, there's no tax penalty or anything. The 1031 was converted after two years to a primary residence.

Anna: That's right.

Paul: Who would've thought?

Anna: Yeah, that's right. That's a great thing to do is just play that 1031 card in multiple ways to understand how you can get into—buy a property like what he did—buy a property as a 1031 and then eventually move into it and make it your primary and then do the reverse thing the other way. It's something that you can leverage to your extreme advantage to avoid paying taxes and that's a huge advantage to all of us to keep what we keep.

Paul: That's awesome.

[Commercial break.]

Speaker: If you spent your life looking for the perfect investment, then look no further. Real estate investor, serial entrepreneur, and cohost of How to Lose Money, Paul Moore, has written his second book on real estate investing. It's called The Perfect Investment: Create enduring wealth from the historic shift to multifamily housing. It's available on Amazon or at his website: WellingsCapital.com.

[Return from break.]

Paul: Anna, we're going to convert—we're going to transition, I should say, to our failing forward segment of our show, which is a time where I'm going to ask you a series of questions. Each one you can answer briefly in a sentence or two. Are you ready?

Anna: Sure.

Paul: All right. Bottom line, why did this failure experience happen to you?

Anna: I picked the wrong market based on not understanding the underlying fundamentals and I was too nice.

Paul: Okay. So, you're mean now?

Anna: I'm much more diligent about my investing and I use numbers and data as my background.

Paul: Right.

Anna: I should've walked away from that deal. I should've walked away from the money down on that deal. I would've lost a lot less money if I had left my deposit and just walked away. You got to know when to walk away.

Paul: Right. Yeah, that's so true.

What's the single most important lesson you learned from this experience?

Anna: Data science is the way I avoid it now. Using market analysis to understand the fundamentals of a market and to make sure it's not so fragile that it could break so easily. The way I look at markets now, I would've looked at that market and said, "It's way too fragile. There's too many things that could go wrong here." Really doing your due diligence on markets and populations and jobs and understanding the real fundamentals of what's going on in the market and not just looking at it and saying what it could be.

Paul: Right. Good.

Anna: There should be jobs coming in. You got to look at the actuals.

Paul: Right. How do you protect yourself from failing in this way again?

Anna: I'm going to go back to data science. Using data, understanding the market trends that are going in, I use a lot of spreadsheets to mash together the data and the data doesn't lie. You've got the numbers that are supporting those trends. I also scale. Instead of relying on a single family, I'm a big proponent of multifamily now. Instead of having one point of failure if you've got a tenant that's leaving, I'm a big proponent of being in multifamily, where I've got a lot more leverage with a lot more units. Again, in the right market, that's critical.

Paul: Right. Anna, who do you turn to when you need help?

Anna: Well, I turn to my mentors. I'm very fortunate to have Neal Bawa as a very strong mentor right now. I think everybody needs mentors. When I go to conferences and I meet people that I really admire, I reach out to them and try to formulate relationships. I think there's room for many mentors in our lives. Right now, I'm fortunate that I can speak out the name of Neal Bawa, but I do have several other people that I rely on as well as mentors in my life.

Paul: Awesome. Last question, Anna. What advice would you give to someone else who finds themselves in a similar position to—well, not you at the closing table, because you already told us you would walk away. But to someone who finds themselves in a similar position to where you were after you got stuck with this house. Is there anything you could do? Could you have fought this insurance regulation? Is there anything else you could do? What would you recommend?

Anna: There was nothing. Yeah, there was nothing I could've done to fight it. The entire community was going out. I think that I could've gotten out sooner. It was just a death spiral for that whole community. By the way, it's never recovered.

I don't know, I think a short sale was the only way out of that, other than a bankruptcy. It was just a very bad situation. The only thing would be getting out sooner or buying sooner, like my brother did, so that he had—he didn't have that requirement. But, at the same time, he never made any money on his house. He finally sold it the other day and really, over time, it just paid for itself. Other than the depreciation that he got for taxes, he never made anything in that community. It just didn't end up being a great community. Yeah.

Paul: Wow. Well, that is a really painful story and so is your other one. I think a lot of people out there can relate to having situations with real estate brokers that have caused them pain. Mine was, of course, with an appraiser, and I can't even blame anybody in that situation except this person sitting on this side of the mic.

Tell us more about what you're doing with Neal Bawa, MultifamilyU, Grocapitus. We'd love to hear more about that.

Anna: Sure. Again, I realized in my career later in real estate that I want to scale, and I want to be part of a team. What I do now is we purchase apartment buildings. We've actually acquired five buildings in the last six months. Almost 900 units in very key markets throughout the United States. None of them in California, by the way.

What we do is, we are data scientists. We apply our knowledge of technology and underlying trends to identify key markets. By doing that, we are going to find markets that have better fundamentals, should the market change, which it will change. Markets always change. We're looking for areas that are going to be great for tenants.

Then we're of course doing value-add currently, so it's value-add portfolio and we're actively looking for these properties. We deliver great investment returns to our investors because of our discipline for data science.

For those people that want to learn about how to buy their own buildings, we also have a multifamily education platform that's a portal where you can take bootcamps. The bootcamps are paid, but you can also do our free webinars. We have a ton of content that we put out there. Every day there's webinars out there. Every week we put up three or four more that are live that you can participate in and ask questions.

A tremendous amount of content about how to be an active investor or how to be a passive investor. Whichever way you want to go, and even if you're a passive investor, you really should learn more about what you should be looking for in terms of vetting people.

Those are the things we're doing and then the other thing we're really big on this year, for 2019, is opportunity zones. We are going to have a lot of deals coming up that feature opportunity zones in key markets with ways that we have identified to avoid the perils of opportunity zones, of which there are many. Remember, opportunity zones, you're investing in areas that are economically depressed.

Paul: Right.

Anna: It is a very risky thing to do and we've developed mechanisms and filters on how to make sure that we are providing solutions for those key perils.

Paul: Great, fantastic. That's, as I've told you before this show, I think we have a lot of investors who are very interested in learning more about opportunity zones, so that sounds like something that I'm sure people you're educating are really hungry for. I know it's every conference I go to, somebody is talking about it, people are excited about it.

Anna: Yeah.

Paul: I don't know if people realize, there's a very short window to really take the maximum advantage of this.

Anna: Very short.

Paul: I mean, it's this year and next year, isn't it?

Anna: That's correct. In order to take advantage of the full—there's a deferral aspect and there's a tax forgiveness aspect of the capital gains that you're bringing into the opportunity zone. The maximum tax forgiveness is 15%. In order to get that full 15%, you would need to have your money into the opportunity zone fund by December 31, 2019. If you miss that deadline and you're in at 2020, then you can get 10% as opposed to 15%.

After that, you no longer get the tax forgiveness portion. You only get the tax deferral portion and then of course, the other thing, which is the tax free on the capital gains during the life of the asset.

Paul: So, kicking the can down the road on the deferral is a huge, huge deal.

Anna: It is. That is huge.

Paul: It's still going to be good for years to come, but the very best is this year.

Anna: It is the very best to get the best-best out of it, it is by December 31, 2019, and that's why people are really scrambling to get great deals together and get investor money in.

There's a lot of new people coming out and there's a lot of IPOs like Uber and Airbnb and Lyft. There's a lot of new millionaires coming out there that are going to be looking for places to put their capital gains when they sell some of that stock. That is something that is very unique with opportunity zones as compared to a 1031. That you can bring capital gains from other types of things. That's very unique because you can sell stock, sale of artwork, sale of an antique car, it's not just real estate.

Paul: Right.

Anna: Yes.

Josh: Where can we go to learn more about this and how can our audience get a hold of you?

Anna: Well, the website that you can find all this information, as well as connect with me, is Grocapitus.com. That's G-R-O-C-A-P-I-T-U-S dot com. Many people wonder where that name comes from. It's Latin for "grow capital." It's kind of a mashup of "grow capital" in Latin. Once I say that, they're like, "Oh," and they get it. But there's no W in our name. It's G-R-O-C-A-P-I-T-U-S dot com.

We've got a page there on opportunity zones. There'll be projects coming up there, as well as a way to connect with me. I'm Anna@Grocapitus.com.

Paul: And that's A-N-N-A, right?

Anna: That's right, Paul.

Josh: Very good. We're going to wrap up for today. Thanks very much for sharing your painful stories from the pre-housing crises and walking right into it there.

To our listeners, thank you very much for joining us. If this story has had an impact on you, the best way you can show your appreciation is to write us a detailed review and tell a friend about HowToLoseMoney.com.

To learn more about opportunity zones and Anna Myers, you can go to Grocapitus.com. That's G-R-O-C-A-P-I-T-U-S dot com.

Until next time, remember this: Failure is a fact of life. Whether or not it defines you is a personal choice.

Paul: Thanks, Anna. Goodbye, everybody. We'll see you here next time at How To Lose Money.

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