

Mailbox Money: Generating Passive Income for Retirement

Host: Josh Cantwell

Guest: Michael Neill

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Josh Cantwell: So, hey everybody, Josh Cantwell here CEO at Strategic Real Estate Coach and Freeland Ventures. Welcome back to another episode of Strategic Real Estate Coach podcast. I'm really excited to be with you. I am here today with my good friend, Mike Neil from Texas and today we're just going to kind of talk about Mike's journey in real estate. Just in the last couple years I met Mike was the summer of 2015, I believe 2014 and Mike's been with me for the last, four going on almost four or five years now and it's had a great journey in real estate from kind of just getting started in investing to actively investing now to focusing more on just being passive, enjoying his family and his ranch and his kids and grandkids and so on I want to welcome Mike Neil on the call. Hey Mike, what's going on? How are you?

Michael Neill: I'm doing good. Doing good.

Josh Cantwell: So, Mike, your background was kind of a chief of a firehouse and being in firefighting, you also owned a FedEx business and a number of FedEx trucks doing deliveries every day. So just kind of set the table for us, give us a little bit of an idea, more of your background and kind of how things led up to your retirement and lend to real estate. What did you do before we met?

Michael Neill: Well, I can't tell you everything I did before we met, but I spent 30 years in the fire service and I retired as an assistant chief of the fire department that was in charge of all the emergency operations, hiring, firing protocols, all the, all the good stuff, all the day to day operation. And so, my oldest son came to me and he worked at a bank, hated it, absolutely hated it and wanted to do something different and he found out about the FedEx brand business. And neither one of us knew that that was FedEx experience, all the contractors. And so, he had talked to a friend of his who owned FedEx ground and wanting to sell what he

had, but it was an Abilene, which was about four hours away from here. And, and he didn't have any money. So, he came to me and asked me if I would loan him the money to do that, well, last thing I want to do is him to take my grandkids and move four hours away.

Michael Neill: We pursued some stuff locally here in the Dallas Fort Worth area. And the more I looked into it, the more interested I got. So, I decided you know what, I've spent 30 years walking into burning buildings, it's time for me to do something different. So, so he and I, he and I retired from the fire department and I bought a trucking route and went to work and within the, within about 16 months we've become the largest contractors in the Dallas Fort Worth area. And so, we did that until 2013 when I realized what was happening with that industry. It was changing and it got to the point where we really couldn't make any money. And so, we sold out for a lot more what it was actually worth. And I was fat, dumb and happy, bubba I was going to enjoy my life, you know, you know, everything was good. And uh, and so Jeff called me and he said, hey, what are you doing Tuesday afternoon?

Michael Neill: I said I'm retired son you know what I'm doing, I'm doing what I want to do. And he convinced me, he had heard one of your advertisements on the radio, he convinced me to go with him and I said, okay. Well we kind of liked what we heard and so, so we, we went the next step and the more we listened to more, we enjoyed it and in that time period, my banker had called me and he said we need to go to lunch. So, I went to lunch with the president, vice president bank, and he said, look, we really like having all this money in the bank but we can't pay you what it's worth. He said you need to do something with it. And they suggested that we got into flipping houses. And so, it all kind of came together all at once. I guess it was destiny, I don't know what you call that, but anyway who knows.

Michael Neill: But anyway, so Jeff, I decided to do that. Well, you know, you know more than anybody that you're not going to make money right off the bat. And I didn't need any money. I was good and Jeff had a family to feed. So Jeff wound up getting a job and kind of wound up with me doing the, doing the house flip, and then, you know, I became, I became more and more involved in, in what you're doing, what you're teaching and things, and went through the coaching class and became a member of the Masterminds and guess I was one of the original members fire, remember when started the Masterminds. And so, you know, I learned an awful lot. You taught me so much about, about it. I was so confused the first time we sat down and started talking because everybody's, everybody's talking with initial single and I was like what does all that mean.

Michael Neill: That means nothing to me. Acronyms and you know I don't understand all that stuff. So anyway, it was fun. I mean, I really truly enjoyed the classes and everybody that, that within your organization and stuff. And so, we just kind of did that. And I got very active, usually had two or three houses going at the time. I didn't know. I didn't go and try to do five a month or anything like that.

I'm just, I'm retired. I don't have to do things like that, but I to try to keep busy and so we do that. We wound up with some rental property, and still flipping houses and things. And so now I'm kind of at a point where I'm not quit so interested in doing all that anymore. Uh, I have, I have been what I consider to be fairly successful doing this and now I'm reaping the benefits of it.

Michael Neill:

I kind of went from being an active investor, now to a passive investor and now I just sit back and wait for my statement to come and see how much money I've made this quarter. So, there you go. Exactly. Exactly. So, uh, so yeah, it's been, it's been great for me, you know, I know everybody kind of looks at things differently and everybody has a different passion for things and a different activity level. And, you know, maybe if I was 25 years younger, I might have a different activity level, but I'm 67 years old and my activity levels just not what it used to be, you know, and you know, needs, make a different to, you know. I mean people have different needs and I've done fairly well with my life so I don't have the same needs everybody else. But you know, I still got a couple rental houses and we just, we, you know, we've, we were trying to sell off most of the stuff so we can just kind of get in a motor home and go when we want to and don't have to worry about calling the plumber to get something fixed so.

Josh Cantwell:

That's great Mike. I appreciate that. And Mike, you know, there's a lot of different people that come to us for coaching and training and different things and you know, our focus is really on that kind of 40 to 45-year-old all the way up to about 70, 75 years old are the guys who are already, you know, have had some success whether it's in the corporate world. Whether it's, you know, in medical, whatever that might be. And what we're seeing is, you know, a lot of these different guys we work with, a lot of them Mike, you've met and you know, they're making a nice income. They're really building their, you know, whether it's they're place in the corporate world, they're rising up the ladder they're good sales or they're a teacher but they have a fairly decent lifestyle.

Josh Cantwell:

But the thing is the lifestyle seems to creep up. But then they got kids and the kids have needs right and high school and college and all these different kinds of things. And like wow, a lot of our audience and a lot of the people that we talked to, they're not really looking at real estate. Like the traditional, what you hear from other programs like no money down. You can, you know, you can wholesale houses for quick cash and a lot of our students do that. But you know, my passion is really in, it's an asset. It's in big flips. It's in the rental properties. Apartment buildings are private equity fund. It's in owning assets because we all got into real estate. What? For passive income. Right. So, Mike, just talk a little bit about that for maybe guys who are maybe let's just say five or 10 years younger than you who are either retiring or thinking about retirement. What was on your mind of why you still thought like, maybe I should just do this real estate thing to either juice up my retirement, increase my sense of security, maybe increase your return in your retirement funds, or doing some active flipping. What was on your mind that you thought, hey, maybe I'd like to do

some of this real estate stuff in addition to the other things that you had already accomplished?

Michael Neill: Well I think a couple of things really. One of them was to stay a little bit active. I've always been very active, you know, and everybody thinks fireman just sit around the fire station, do nothing, you know, close to being true. So, I needed to. I felt like I needed to stay active, but I also wanted to increase my income as far as for my retirement because we had done fairly well with, with our RIA's. And my number two son is a financial advisor so we just kind of taken our IRA's and said here and take care of it and if you lose everything or moving in with you. And so, you know, we never paid attention to it. I've got the quarterly statements, I put them into file and ever even opened them up, didn't even look at them. And when you and I got together, we got to talking about the kind of return that you can get off of the return investment. And so, at that point I went back and started looking at those and come to find out I was making zero point zero, zero percent interest for the lack of, four years. And we're talking about a, we're talking about a considerable amount of money that I was making absolutely nothing on.

Josh Cantwell: And so, your son really wanted you to move back in with them.

Michael Neill: Apparently, he sure wasn't taking care of our money. So, at that point I saw the, I saw the opportunity to you know, get a return on my investment really. And based on what I learned from you and your formula and stuff. I felt like it was as safe as an investment as I could make. You know, my granddad always told me he did very well in the stock market and things like that. People would call him to say, how come you do so well? And he said, because I pay attention to what's going on around me, you know, I pay attention to the world. And that's kind of as kind of a philosophy I've taken in and based on what I was seeing going on in your organization and, and what was going on in the world, it made more sense to me to invest my money into real estate and flipping houses because everything was short term.

Michael Neill: You know, it wasn't like I was putting my money out there for 30 years on something and hope that everything worked out fine. And, and you know, you watch economy and you see that, you know, it might not be just blasting away but, everything was going forward, especially in real estate, especially real estate. And so, I just felt like the opportunity was right for me to move everything over and that's what we did. And then you started the fund, you know, we were doing one offs when we first started doing all that and the return on that was great. A lot more paperwork involved in what's involved now I just give you my money and say, hey, go do it.

Michael Neill: So that's worked out really, really great for me. But I think those were the two things I want to say a little bit more active and I'm not a, you know, I mean you've been to my place, you know, I got plenty to do here so I don't have any trouble staying active anymore. But the return on investment really, I think has

been more solid than I could have a really anticipated. I knew the opportunity was there, but it's been very steady, very solid. I've talked to other people who have money and want to invest and, and they're, they're leery and guys, I'm telling you, I've been getting this return for three, four years now and you know, you can't argue with the results. And so that was really, that was my mindset I think for the most part to do that.

Josh Cantwell: Yeah. Just to fill in the gap there a little bit what Mike's talking about is he decided to do some active investing, buying, fixing and flipping and selling, buying, fixing and renting He bought a lake house and does, you know, a short-term rental with that. But was an active investor and then also as a passive investor basically became a private lender a. and because Mike and I have a relationship, we decided that we were. One of the things we do is we make private lender loans, like started buying those private lender loans into his IRA to get a great return. And then we also have a high yield fund, which a lot of you guys have probably heard about, Mike invested in that. So, it was doing both active and passive investing. Matter of fact, Mike I just had a conversation with a guy from Brazil, Brazilian investors.

Josh Cantwell: He's doing really well probably worth five or 10 million bucks. And he kept telling me when we're on the phone, he's like, well, I've got this deal, I've got this cash sitting over here and I've got my own deals over here. You know, why wouldn't I just invest all my own money in my own deals? And I had this very, very important conversation with him, just today Thursday. And it was like Tuesday. And I said, look, you know, I'm a pancreatic cancer survivor. And so, imagine if I had all my eggs and my own deals and my own basket and something crazy happens. Right? So, what I do with my own money is I actively flip properties. I actively buy and sell apartment buildings. I actively invest just like you did Mike. Actively investing and flipping properties and separately do private lending and do passive investing with my cash I have on hand at my retirement accounts just like Mike.

Josh Cantwell: Now people would say, well, can you get a better return if you invest in your own deals? Well, the answer is yes, but then what are you doing? You're mixing passive investing with sweat equity, so it's no longer passive investing, right? And you've essentially put all your eggs in one basket. So, we, I encourage all of my students in mind can all of our Mastermind members to separate that we all got into real estate for what? For passive income. So, I always said you actually get a higher return on your investments by investing passively with your passive money, getting just mailbox money, mailbox money. Then once with your active deals, borrowing from private lender or borrowing from a bank with their active deals, because then when you flip that property, you're essentially getting an infinite return because you're really not using any of your own money. So, I should get a higher return on your capital by lending your money out here and getting mailbox money and then with your active investments using other people's money. So, Mike, I don't know if you want to elaborate on that or what was your thought process because that's you. You kind of did the same thing.

Michael Neill: Oh, you hit the nail on the head right there. That's exactly how I went about everything I did. I did fund one deal out of pocket. I'll never do that again. Josh, I wish I had an explanation for why, but it's just a different feeling it's just a different situation and I just, I was so uncomfortable the entire time I was doing it. I give you my money, I give Mike money, I give everybody my money and I'm good. Okay. But if I spent my own money, I don't mind borrowing the bank's money and going and doing stuff like that, it doesn't bother me a bit, but if I put my money into it, it's just, I don't know why but it's different and I will never do that again. So. So yeah. But really that's, I mean, you hit the nail on the head. That's exactly. That's exactly the way I went about doing everything is, is take my, take the cash I've got on hand and passively invest over here. Let somebody else do all the work, borrow somebody else's money to do my projects. And it is a different mindset. I don't know completely.

Josh Cantwell: Yeah, we encourage everybody. That's my philosophy and it's my opinion. You know, I feel very strongly about it. So, I definitely try to teach that to as many people as I can. They can, they can buy into it or not. But when you do the math on paper, the fact that you mix them together actually reduces your overall return. When you separate them, you've got the security of knowing this passive income is coming in and then over here you've got to actually get higher return using someone else's cash.

Michael Neill: I agree. I think it's just. It's just a mental thing. I really do. I think it's just you know this is good over here. There's no doubt in your mind that the passive stuff over there is good that's going to come in and you're secure in that and all that mess. And then you can completely and totally separate, but I think that's where the difference in the mindset comes in. Okay. Because I don't worry about my passive income, I know that's going, mailbox money. I've never heard that before but I like that but it's good. I might steal that from you, that's good. You smarter than you look, that was good. And then it's just I can concentrate on trade on my project and, and it's. And it's totally different because like I said, I'm using the bank's money, I guess. I guess the banks feel secure and in doing it too. So, everybody wins as far as that deal. But yeah, I agree with you a hundred percent.

Josh Cantwell: You know as we kind of round third base. Use a baseball analogy. Kind of head for home, kind of wrap up. I know I wanted to just say, have you talked a little bit about, you just did a big deal, it was really two deals I'd like to hear more about. This one deal you closed just made a big profit check on and then you've got to tell our audience about that deal. How did it go? What'd you do with it? Renting it out and selling it and then profit. Just tell us about that deal.

Michael Neill: My brother in law called me and he had some friends that were looking at a pretty well pretty well run-down lake house they wanted to buy for themselves and fix it up and they didn't, they didn't have any idea about what it was gonna cost or anything like that. So, they knew that's what I did. So, they call me and we went down and looked at it and they didn't like the numbers that I gave him,

you know, what it was going to take to rehab it. And I told him, I said, look, I'm low balling you because I promise you're going to find something else wrong when you get started because this house was built 1999. We wound up buying it in 2016 and it had been vacant except for six months. So, you can imagine the condition of it.

Michael Neill: Doors were kicked in. Windows were broken. The bottom floor flooded, I mean it was, it was a mess. And then so they decided they didn't want to do it. So, I decided, okay, I'll go ahead and jump in here. And I made a, I made a good purchase on it because with being vacant like that, the finance company, desperate to get rid of it. So, we did that, but we wound up going way over budget and taken away too long to get it finished because I don't know if you've ever done any, any work with contractors at lakes, but wow.

Josh Cantwell: If you're about to ask if I've ever gone over budget, I've never gone over budget.

Michael Neill: Yeah right. No that's not what I'm talking about. I'm talking about the work ethic down there because I can't tell you the number of times, I was down there working with them and I turned around and looked and I'm the only one in the house and I'm going and I look out there and they're lined up on the shoreline fishing. So yeah. So, what are all doing? They said man the fish are biting, but. So, I mean that's the mindset down there. So, it took us a whole lot longer to finish that project than it should have. So, when we, when we did finally get it finished, we were, we were way into the season. And so, the real truth is who sold me the property, had told me several times that she felt like I needed to do vacation rental by owner with that and you know, I was kind of leery that. But since we got in so late, I knew we were never going to get it sold during that season. So, we went ahead and did the furnished the house and start renting it out and that worked out so good for us. We made the first year, we didn't get into until May, the first year we made about \$70,000 income on that house. The second year when we had it. Yeah, we had it all seasoned loan, we made a little over \$96,000 income on that house. And so, we had it on the market the entire time, but I shot the price up so high I said, there's no way in the world anybody's ever going to come and pay this price, but boy I was wrong. Because a guy came in and did that.

Michael Neill: He paid my price and that's what I told real girl. I said look, don't even entertain anything less than what I'm asking because I don't have to sell it. And he came in and, you know, so one of those situations, but he's going to do the same thing with it. He bought it for there to use, but he's going to do the vacation rental by owner with it too. And that worked out really well. But that was another of those things, like I was talking about slowing down. That's one of those situations you kind of have to go if you don't hire a manager there locally. And it's about an hour and a half for me, it's where the, where the house is. So, if you don't have a manager there locally, then you got to go down in between guests and make sure that nothing's torn up and everything gets done and fix

the garbage disposal, things like that. So, I was okay, it was settlement, but we netted a little over \$140,000 on that house. So, you know.

Josh Cantwell: That was just one sale, right?

Michael Neill: That was just one sale because. Yeah, because I mean it. I mean we profited for those two years that we owned it a VRBO made all the payments covered all the costs. I didn't, I didn't have any holding costs on it all because of that more than covered it. So yeah, it was, it was, it turned out pretty good deal. So, I was okay with it.

Josh Cantwell: You started with probably getting a much lower return than you wanted. You've kind of corrected that, get lots of mailbox money, double digit returns, you've done some flips, you put that money in your account, you own some rentals, created that passive income. So just kind of two final questions, is there anything that you would've done differently or is there anything that, looking back just four years ago when we first met, is there anything that you would tell your former self four years ago any piece of advice that you'd pass back to yourself that you would do differently or do more of that you wish you did, that you didn't do? Is there anything that you would tell yourself when you're first getting going, that you'd like to pass along to our audience?

Michael Neill: I think the only thing really that I regret doing was funding that project out of pocket. I mean other than that I could not have asked to have a better experience up to this point with dealing with you and dealing with the real estate and things like that. Because I went in blind Josh I did. You know, I mean I've bought and sold houses for me personally, but that's a whole different, whole different situation. But I trusted the system that you put together and I think that made all the difference in the world to. The only time that I ever lost money on anything was when I didn't follow your system seriously. I mean that's the only time and I didn't lose a lot, but.

Josh Cantwell: Why didn't you listen? Why didn't you, why didn't you listen?

Michael Neill: Well, I'm a hard-headed fireman is the best thing I can tell you. What the hell does he know I know how to do this. So, I didn't lose a lot of money, but yea.

Josh Cantwell: That's fantastic. What does the future look like now? Are you?

Michael Neill: The future looks like I'm going to go get on a boat. I'm going to go get on a boat Monday and cruise for a couple of weeks. When I get back, I'm going to get the motor home and go what I want to do. Because I can't grow hay in the wintertime. So, I'm good to go.

Josh Cantwell: That's so great. I'm so happy for you that you want to do that. It's all coming together.

Michael Neill: You know, you and I talked early on about your ultimate goal for guys like me was for us to become passive investors so you know, and here I am. I'm living proof that what you set a goal for me, which I didn't even realize was going on, but you set a goal for me and here I am. I'm their buddy. I'm a passive investor and happy as I can possibly be.

Josh Cantwell: That's great. And I'm happy to Mike. That's awesome. Well, congratulations man. I'm so excited for you and Ronnie. And you know, when I saw that picture of you guys hanging out in Hawaii with all your kids, that was awesome. And sold this house is awesome and it's just, it's great to see the system work, somebody follow the system, believe in it, do it. See it work, happens a lot for us. We're very fortunate. We have a lot of great students, a lot of guys, you know, like Mark Carmona and Jack Patrick and, and all the guys, you know, just an awesome to be around. So. Well that's great. Well Mike listen, thanks for joining us. I've got a couple of resources I just want to pass along to our audience real quick. So, Mike mentioned about investing and then he borrowed money from the bank as you guys have probably figured out by now, we have a private equity fund.

Josh Cantwell: We've got a lending company so if you're looking for funding for your deals, check out our website, Freelandlending.com. If you, Mike has spoken at a number of our different live events, he's not a, you know, a self-proclaimed public speaker but has been very generous to jump up on stage and, and kind of give us testimonial a little bit at some of our events. We've got events that come up once or twice a year. You can check those out FlipandFun.com. The earlier you buy a ticket, the less expensive they are and get closer to the event the more expensive they get. Then finally you know Mike talked about being in a coaching program, so if you're interested in mentorship, being mentored by me and our coaching team like Kyle and Chris and the other guys that you've met on these interviews, you can check that out at JoshCantwellCoaching.com. Again, feel free to call the office if you have any questions. If you enjoyed this interview with Mike, you know, leave us a five-star rating. If you see this in iTunes or if you see this on YouTube, leave us a five-star rating. If you didn't enjoy the interview with Mike, leave us a five-star rating anyway.

Josh Cantwell: And if you have any complaints you can leave them in the comments, I'll make sure Mike gets all your complaints. You know, I feel like guys like Mike, almost like family. We have a good time together and really fun, like no one yet obviously continue to grow the relationship from here, man. So, any kind of parting shots or final words of advice, Mike, Anything else?

Michael Neill: Just keep doing what you're doing. You're changing the world.

Josh Cantwell: I appreciate that a lot. Mike. Thank you so much. Thanks to our audience for being on the call today. Mike, thanks for taking a few minutes to be with us and we'll talk to all of you real soon. Take care.



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