

Nothing quick about getting rich with real estate

A real estate seminar promoter promised to create 1,000 new millionaires, but so far none are in sight. See what happened to his believers.

By [MP Dunleavy](#)

Like a lot of people these days, Marjorie Stark wouldn't mind making a little extra cash -- or even a lot of it. So when she attended an information session for Robert Allen's "Creating Wealth Through Real Estate" seminar in New York, she was more than willing to pay \$2,495 for Allen's intensive three-day course on real estate investment strategies.

Concerned about not having enough to retire on and wanting to pass along some wealth to her kids some day, the 62-year-old New York City educator said to me then: "I am convinced that real estate is the way to go."

I was there that night, too, and I could scarcely resist the mouth-watering idea that those three days could make me rich. As the guy leading the session announced: "We are on a mission to create 1,000 new millionaires in 12 months!"

A year later, Stark isn't any closer to being a millionaire. She hasn't bought any new property nor made any money on real estate -- except for the rental property she owned before and bought "the hard way" (with cash and bank loans). She even admitted that when she saw Robert Allen's newest venture was in vitamin sales, "I thought I was going to puke. I was very disillusioned."

But Stark is undaunted and still believes there are fortunes to be made in real estate. She just enrolled in another seminar at a local college on how to buy distressed and foreclosed properties, she says. "With a full-time job, I'm not sure how I can do it, but, boy, am I itching to go!"

There's something about real estate

Stark is not alone. The [National Association of Realtors](#) doesn't track independent real estate

investment seminars or how many people attend them, but their allure springs eternal like the get-rich hopes of those who sign up for these courses.

The odds of winning are not high. Robert Allen's "1,000 new millionaires" never materialized in the last year, for example. Allen operates what's called The Enlightened Millionaire Institute. Its [Millionaire Hall of Fame Web site](#) lists only 50 millionaires (defined as having generated gains averaging \$2.6 million). A spokesman admits not all of them exclusively used the Allen method of real estate investing. (And, in a disclaimer, the site notes, "No information has been verified or authenticated. Results vary. All successes are subject to one's own knowledge and effort.")

Despite all that, the [Robert Allen Institute](#) still conducts two or three seminars a week in different cities and says it reaches about 1,200 people each month. (That's $1,200 \times \$2,495 = \2.99 million a month, in case you left your calculator home.)

Allen is just one of dozens of artful salesmen who preach fancy financing, "no money down," flipping properties quickly and numerous other strategies to get rich buying and selling real estate.

And the question all this preaching raises is, do these investment techniques, systems and strategies really work? Can they actually make you rich? After all, would people keep trying it if it couldn't be done? Or are hundreds of thousands of people simply seduced by expert sales pitches and swindled out of hundreds and sometimes thousands of dollars?

Weighing the evidence

Like so many things in life, it depends on whom you talk to. Or whose Web site you believe.

John T. Reed is a real estate investment coach himself, based in Alamo, Calif. He's also a self-appointed watchdog for this industry. He keeps [the most exhaustive list I could find](#) of dozens of so-called gurus, along with reviews of their techniques, books and other products.

Although [Reed's Web site](#), where you also can buy his various books for \$29.95, reads a bit like he has a chip -- a very big chip -- on his shoulder, he was recommended by the National Association of Realtors as a serious investigator in the industry. Not that he's against real

estate investment, or some of the reputable folks who teach their own hard-won wisdom. But those have been degraded by "the endless parade of B.S. artists coming into the real-estate-investment-advice field. It is an embarrassment to the good people in the business."

And many people believe his grouching is justified. Norm Bour is the host of "The Real Estate and Finance Hour" on KLSX in Los Angeles, a top talk radio station. He's worked in real estate as a mortgage lender and describes the proliferation of real estate seminars, workshops and scams as "a major pet peeve."

"Case in point: foreclosures," he begins. "Real estate in California has gone berserk in the last few years so people are looking for foreclosures to buy." The idea being you can buy a foreclosure more cheaply than other property and potentially gain a windfall when you sell it.

But, as Bour notes, "You can count on one hand how many actual foreclosure properties there are (for sale). Yet there's no lacking of people who are offering real estate foreclosure lists." One might pay \$35 for a list, but it may be peppered with properties in other states. "It's not fraudulent, but it's certainly deceptive."

The shady gray area

Well-known personalities like Robert Allen or [Carleton Sheets](#), who have extensive marketing organizations, are a little different, Bour says. "They offer some very solid basics, but the number of people who can do what they propose is very small -- because they make it sound so much easier than it is."

That's what Josh Kelinson, a freelance advertising consultant in New York, found when he and two friends tried to follow the Sheets method.

The three pals pooled their resources to master what Sheets preached, which is similar to the Allen method: buying property with no money down (or some other creative financing method) and flipping later on for a profit.

One of his pals took the seminar, another bought the 8-CD set, etc. Thus inspired and determined, they tried to buy a building suitable for five apartments in Massachusetts, not far from where they'd all grown up.

Kelinson says the actual experience of trying to buy an income property proved eye-opening. "We spent a ton -- and I mean a ton -- of time on it. There was the approval process, the paperwork, getting lawyers." It took two to three hours a day, not including weekend travel time and unexpected snafus. "I found it impossible to do with a full-time job."

Ultimately, the project bogged down because of a major zoning problem. The building was in an area zoned for three apartments, and the building had been illegally converted into five apartments. The zoning authorities refused to grant an exception to the rules. Then, the building owner refused to return their deposit. The three were out \$35,000.

Still, Kelinson doesn't feel misled or duped by the Sheets method, and he and his friends are sure they can make it work with their next deal. "There are a lot of other things out there that are scams, but this definitely can be done," he says.

But investing in real estate is not nearly as easy as it looks, he says. "Make sure you have the time to do it," he advises wannabe investors. "If you don't allocate the time, it probably won't work."

We want the system to work so much

And therein lies the fundamental appeal, and ultimate trouble, of get-rich-quick (GRQ) strategies. "It's the jackpot mentality," says psychologist Patricia Farrell, author of "[How to Be Your Own Therapist](#)." Just like the schmo who buys a winning lottery ticket -- every once in a while, someone, somewhere really does use these edgy real estate investment techniques to make millions.

"It's not the principles that are flawed," says Bour. "It's the simplicity and ease that are overstated."

Most of these courses are so seductive, Farrell says, because they operate according to a tried-and-true principle of behavioral psychology called the variable ratio reinforcement schedule. Basically, people (and rats) will persist in doing something, even with little or no return, if they are given the tiniest bit of hope of a coming reward.

So the fact that some people do succeed at “no money down” strategies acts like a financial aphrodisiac for all those watching, waiting, hoping.

So could the Starks and Kelinsons of the world be next? Is it just a matter of reapplying the Robert Allen/Carleton Sheets techniques until they work?

Mark Wilson, one of the millionaires created by the Robert Allen Institute, would say yes. The president of Southeastern Housing Partners in Hickory, N.C., Wilson started investing in real estate in the late 1980s. “We were doing OK, but nothing to write home about.”

Then in 2002, after hearing Robert Allen speak, Wilson paid \$5,000 to join a one-year intensive coaching course. It changed his life, his business and, above all, his cash flow, he says. Although he’d read Allen’s “No Money Down” in college, the seminar focused more on another Allen signature strategy: developing multiple streams of income (from rentals, rehabs, buying foreclosed properties, commercial properties, etc.). Now, Wilson says, he’s about to close a deal that will put his net worth at \$8.5 million.

He believes anyone can make big bucks from real estate if he or she is willing to take action -- not just sit on the sofa listening to tapes.

Before you sign up, count to a million

Of course, Wilson admits that it was easier for him to take the Robert Allen techniques and run with them. He had a lot of experience in real estate already. Most people, Bour points out, don’t have those skills. And few people have the time or the diligence to acquire them. (“Some skill sets you need to have -- and the course can’t teach it to you,” agrees Kelinson.)

Bob Underwood of Stafford, Va., is one person who can testify to the fact that investing in real estate is not for those steeped in fantasy. Underwood bought an e-book from yet another author and teacher by the name of [Joe Crump](#).

Crump, who hails from Indianapolis, teaches a no-money-down technique, but he told me that he does it “legally and ethically.”

Underwood, 43, has a wife and family and a full-time job -- and no time to muck about in real

estate with no return. He paid Crump about \$500 for one-on-one coaching in 2002 and, after a rocky start, has managed to buy three properties in the last two years. He's sold one of them, made about \$10,000, after taxes, in the process and is hoping to rehab and sell another this year.

One deal Underwood did alone, the next was with a partner. He says there's no cookie-cutter method that works. What works, he says, is getting out into the market, investing the time to learn about the business, not neglecting your wife and kids (or day job), learning from your mistakes, making friends and getting advice from others as you move forward. Slowly, steadily and not particularly wealthily.

"Remember, you have to pay capital gains (taxes)" on the profits, he says, "so it's not a lot of money in the end."

But that, of course, isn't what people want to hear. "People are lead to believe that all you need is the right plan and you'll make a million, that if you use *this system* you'll be rewarded," says psychologist Farrell. "They don't realize that the possibility of getting that big reward is so remote."