Chapter 9

The Wager—Part 1

The way I make money starts with The Wager. When I have all your data and answers to the questions of The Task, you may want to know what I think of everything you just told me. After all, I paid you The Offer Price and I am holding myself out as an investment adviser who has knowledge that can help you grow your wealth.

One way of expressing The Wager is this: if your hourly rate is lower than mine, if you want to know what I think on a professional basis, you must agree to pay me for five hours of my time at my rate. That is The Wager.

If a person makes The Wager, this is the first piece of financial advice that I am going to tell them: when you go to most financial advisory firms, they are going to steer you toward products that are designed to compensate them in very specific ways. These financial products (think mutual funds, exchange traded funds (ETFs), bond funds) are focused almost exclusively on the public securities markets (Wall Street). What financial advisers are unlikely to discuss with you is how you can build wealth through real estate. The reason most wealth advisors do not discuss real estate is because it is more difficult, if not impossible, for them to be paid on real estate that you might invest in. The money that you invest in real estate is invested in a financial product (an asset) that does not generate income (commissions) for them.

With real estate, though, you can get safe, leveraged returns while satisfying a fundamental need that everyone has: the need to lay their head down on a pillow every night. We will tell you how to simultaneously meet this need of yours while achieving leveraged returns and building wealth in the process.

Real Advisers is an investment advisory firm focused on clients who want to invest a greater than average portion of their portfolio in real estate because they understand the power of leveraged returns. Our clients understand how powerful leveraged returns can be, but how risky margin can be in connection with trading in securities. We will talk about many other things during our five hours, but real estate will be the central focus of our conversation with respect to investment matters.

I discuss leveraged returns in Chapter 24 entitled "Real Estate and Leveraged Returns".

One element of The Wager is the hourly rate. My hourly rate with Real Advisers is $1,000 and when you make The Wager, you must agree to pay me five times that amount, $5,000! I know that sounds high. The way that it is paid can be accomplished in different ways, and if you are my friend, of course, I can give you my five hours for free.

Remember, one of the reasons that Real Advisers representatives are paid differently is because we are advising you about real estate in ways that traditional financial advisors either cannot or will not. We have less of an opportunity to make the traditional fees that financial advisers earn because we are steering you toward constructing a portfolio that invests a substantial portion of its assets in real estate. Investing in these types of assets makes it harder for us to get paid, but we believe it is to your economic advantage. Consequently, we created The Wager as a potential Real Advisers revenue stream. As mentioned above, though, there are ways that we can reduce the amount of The Wager, or make it easier to pay over time, or credit all or a portion of it to a trading account for you. The Wager could be invested in an account in your name that Real Advisers will manage for an initial lockup period of three years.

We will explain the necessity for our liquidity restrictions, but it pertains to our projected target returns on your invested funds AND because you, as a client of Real Advisers, will be invested in an illiquid asset class known as "real estate".

I think that we will be incorporating some combination of these options, because in the end, our clients will become our partners and our initial investments in them will be paid back royally.