

Learning from Mistakes

Gwen Aspen: In this episode of Bootstrappers, Jeremy and I are going to talk about what we learned from running a property management company for 16 years, starting it, selling it, learn from our mistakes. That's on this episode of Bootstrappers.

Announcer: This is the Bootstrappers show for property management powered by Anequim, a podcast where we have real conversations with industry experts that you can apply to your life and business.

Gwen Aspen: Welcome to Bootstrappers, where we talk about topics that are important to real estate and property management entrepreneurs. I'm your host, Gwen Aspen, here with my spouse, Jeremy.

Jeremy Aspen: Hey.

Gwen Aspen: And on today's episode, we're going to tell you about what we've learned after 16 years of being in property management, from starting a company from scratch to selling it so that you do not have to make the same mistakes we've made and you can make money faster.

Jeremy Aspen: Mistakes she's made. Bootstrappers is powered by Anequim. Go to Anequim.net right now to download our free e-book about processes and procedures. Having excellent processes and procedures is a requirement for your business to grow and flourish. Get the quick and dirty guide to creating an amazing documentation at Anequim.net now.

Gwen Aspen: Ok, so taking us back down memory lane when Jeremy and I first started our business, we both had good corporate, good paying corporate jobs and then we just decided that one of us was going to have to quit one of those so that we could, I don't know

Jeremy Aspen: I think it was, actually, you decided because you moved to Omaha before I did.

Gwen Aspen: Well, you said you wanted to, and I thought that meant we were doing it. So I was like, Oh, I got a new job and I'm moving to Omaha. And he was like, What? And I was like, Well, we talked about it. So I just went and did it because I thought talking about it and say we were going to do it, meant that we're doing it.

Jeremy Aspen: And it was a good gig. I gave up a pretty damn good gig.

Gwen Aspen: So, yeah, he had a good gig. But our dream of owning our own business and working for ourselves was more important than the money at the time. And so one of the ways that we were able to do this is that and we've talked about this in prior shows, but I made the money to live off of as a pharma rep while Jeremy quit his good paying job and started the business. But another thing that happened once and then then you started making money. Then I quit my job to have the kids when we were in spots where we had like no money, I mean, no disposable income because we had rental properties and we were building equity, but we got a mortgage on our house. Do you want to tell everybody how that mortgage went?

Jeremy Aspen: Yeah, because it makes me look smart. So it's actually it's already done in Australia, and it's a kind of mortgage. One, it's a line of credit, really. And what happens is, any income that you have goes into this account and you try to do that at the front, at the front end of a month so that it reduces your average daily balance and then at the end of the month, you pay your bills. So what that does is it makes it so that your cost of the money of borrowing, the money goes way down, especially the more income you've got like so for instance, I had twenty one units, apartments or something or anyway, units. So I took all of the rents from my portfolio and put them into my personal account. So it brought it brought the average daily balance down to, I mean by tens of thousands of dollars every single month. And just the savings from that, from not paying interest during that two and a half three-week period made all the difference in the world. I think we-

Gwen Aspen: It helped us pay off our house faster.

Jeremy Aspen: We paid our house off in a couple of years and then we paid off all of our other houses a couple of years after that.

Gwen Aspen: So the rub is here's the rub if you are bad at saving money or living frugally, this can go the wrong way.

Jeremy Aspen: And it can go exactly, as good as it can be for you. It can be exactly as bad for you, like if you don't manage it, it can destroy you. And which I think is why it's not even legal in the United States. I was I worked it out. It was

Gwen Aspen: It was illegal. Don't say that we did. We did something.

Jeremy Aspen: Well, it's not. It's not. It's not a Fannie Mae. Whatever backed kind of. You have to have a line of credit and make it work like that.

Gwen Aspen: So you could get it if you have a relationship with a banker, which is what we did. That's how we asked for this loan. They designed it specifically for us and here's why we wanted. It is like when you're living off very little money, any kind of emergency, like a car accident, the car breaking or a appliance going out can be really bad, also medical bills for us at the time. We're our medical insurance thing wasn't the best and so it was stressful. And so having this line of credit fixes that so I would advocate that was one of the best things that we ever did.

Jeremy Aspen: It really was, yeah, next to marrying you.

Gwen Aspen: And so and I do want to say another thing as we read this book that kind of changed our lives because it's really hard to have a have to like six figure jobs and then go to living off of like

Jeremy Aspen: Five hundred dollars a month.

Gwen Aspen: It's a little bit of a blow. And so you have to mentally be prepared to live that fruit frugally after not doing it. So we read this book that literally changed

the way we thought of money called Spent Sex Evolution Consumer Behavior by Jeffrey Miller, who's an evolutionary psychologist. And what we learned from that is that your friends and family are going to stay your friends and family no matter how much money you spend. And like the Peacock Feather, things like having a nice car, having nice jewelry, nice bags, whatever is really for people that don't even love or care about you. So having that kind of burned into our brains gave us the confidence to live off like nothing. When I when I talk about this, like we ate food like it was Taco Bell, so we'd buy whole food products and we were like, Today it's spaghetti, tomorrow it's casserole. Now it's stir fry and it was like the same ingredients. Now it's pizza made our own laundry detergent. For Christmas. Everybody got baked bread because I didn't have money for presents like we lived incredibly frugally

Jeremy Aspen: Yeah, we kept in our budget and we went to extreme lengths to make sure we stay in the budget because at that time, every time we spent a dollar, we borrowed money, essentially. And that's why it was such pressure, because every time you spent one dollar, we started paying interest on it because the alternative was, you know, that it would stay and reduce your balance.

Gwen Aspen: But the point is, if you're going to start your own business, it's going to suck for your whole family for like at least a year, maybe two years. And so my advice to anyone starting a business is you're probably not going to make any money from that business for 18 months. So live frugally. Do what you can, believe in the vision everybody in the family has to believe in the vision. I will say, if you had started making money after 18 months with the hardships we were under, I probably would have been like, Wrap it up. Let's get this thing done. Yes, like a loser. Go get a job. So I think because also our families, I mean, they kind of believed in us. But I think people who are used to having steady jobs are like skeptical about the whole entrepreneurial of them. Ok, so we had business partners at the beginning. Would you do business partners again and do you have any words of advice about business partners?

Jeremy Aspen: I would. I mean, the big one there is trust them, and I do think that somebody has to have over 51 percent of the of control.

Gwen Aspen: That is a good that's a very good lesson. 50. Talk a little bit more about it.

Jeremy Aspen: Well, so then you have controlling interest. And that's important because if there is a

Gwen Aspen: You need to have a tie breaker

Jeremy Aspen: You need to have a tie breaker and it's better if there's one tie breaker or if there's one person that can break the tie and then you work with the other team, the rest of the ownership to really make sure everyone's on the same page. I mean, it's not say that you just get to do anything you want, either. If you've got partners, you've got partners and you've got treated as such. But very regularly. I mean, once a year, there might be a big issue where you just have to. You just have to be able to make a decision.

Gwen Aspen: And we have on this podcast and in our personal lives have talked to so many people with partner issues. I mean, yeah, it does make it hard, but we needed partners because we asked our initial employees to basically work for nothing the first two years. And so then the carrot was, well, you'll own part of the company after two years of service. And so it helped us get off the ground. Right? Ok. Any other comments on that? He's like, OK, I'm done talking about this. Ok, we did. Also, another thing that we did is we lived next to our 11 unit complex when we first got married. Would you do that again? No. Ok, why

Jeremy Aspen: Because, Molly was always stoned and had problems with like, the heater's is not working

Gwen Aspen: Like always come to our house at all hours of the night

Jeremy Aspen: Oh, Molly you're stoned and your mom's stoned. What do you guys do? And then, you know, Dolly, sweet woman, she had mental issues and it was, I think, a ward of the state of some sort. Her dog died and it was buried under some newspapers and in the apartment.

Gwen Aspen: But we were always like, emotionally invested in everybody's lives and also like when someone didn't pay rent and we started the. The eviction process, they egged our house,

Jeremy Aspen: That (...). I know there was, yeah, I remember that one.

Gwen Aspen: So at anyway, we would recommend not living next to your rentals. Yes.

Jeremy Aspen: Ok, not the name. If anybody's out there thinking about it. Steer clear.

Gwen Aspen: Don't live next to your rentals, OK? When we first started, we didn't have money for health insurance, so we gave our employees flying lessons in lieu of health insurance. Would you do that again?

Jeremy Aspen: Well, I don't know. I don't know that it's fair to say that it was in lieu of health insurance, but it was we couldn't afford, the company could not afford health insurance or really any benefit like that. So, you know, I asked the guys if they were interested in flying airplanes and everybody was like, Yeah, I mean, if you're paying for it. So we had five of us at the time and we were all flying airplanes. It was all employees at the time. Or I think maybe, yeah,

Gwen Aspen: No, it was everybody.

Jeremy Aspen: Yeah, it might have been. So yeah, we all started flying and it was cool. It was at least a good experience, and most of them petered out. Two of us ended up getting our license and actually one of them is, you know, 10 years later, coming back and doing and finishing it up.

Gwen Aspen: Oh, amazing. Ok, so maintenance departments are always controversial and property management. Some people say you should have a maintenance department. Other people say, No, we did one at Wistar Group. Would you have started it earlier?

Jeremy Aspen: No. Yeah, no, we did it right away, I don't..

Gwen Aspen: Think that was a good idea?

Jeremy Aspen: Yeah, I don't think we could have done it in a year.

Gwen Aspen: Why do you think it was good to start it right away?

Jeremy Aspen: Because you have to maintain that control. So there is this one part where people try to have employees that are 10-99 employees don't. That's thinking small for maintenance guys. I mean, there is there is a place for it, no doubt about it, and especially if you're using them as a vendor. But if they're being treated like employees, you just got to you just got a W-2 on.

Gwen Aspen: Ok, OK. So yes, and it did make money.

Jeremy Aspen: Right away, yeah, it it probably made the most money. There is a lot of money in that.

Gwen Aspen: I also think it helps with lawsuit prevention, because you have more control. You can train them on fair housing, anti-sexual harassment, all kinds of things. And you don't have control over your vendors yet. You can still get sued if they misbehave, right?

Jeremy Aspen: Yeah, because otherwise it is incumbent on the company. Actually, technically, I think in Nebraska, it's the owner of the building because there's this agency relationship to train anybody that's going into their property. So a vendor, a plumber and as anybody spent in the industry, very long, it happens all the time that a woman might answer the door naked and you've got to have a policy for that or which is, by the way, get out of there or another one would be if there is not somebody over the age of 18, 18 or older in the house, you just can't go in. The exposure is too great and you've got to come back another day. And those are the things you can train your own staff and make sure that you know, they would

understand that there's a consequence if they don't comply with that policy. So, they do comply with the policy, whereas a vendor may not.

Gwen Aspen: So another thing that set you back from making money right away when we first got our business started. Marriage. No, that helped you start your business, OK, but you went through like three different softwares. Do you remember that?

Jeremy Aspen: Oh yeah.

Gwen Aspen: And you really put a focus on getting the technology right at the beginning, but it did hold you back from initially making money. Would you have done it that way again?

Jeremy Aspen: No. I mean, even to this day, I like that. I experimented with I think there were two of them. One of them had rainbow. I don't remember what one of them was Yardie, one of them was, I don't know. But there were there were three or four. And so the problem with it is you put in all your properties and you run your operation. You get frustrated. It doesn't quite work. So you look for another one. But I did all of that inside of the first year and a half, probably. And so ever since then, ever since I made that right decision, which in our case it was Rent Manager, we were able to just stick with it. All of our policies, procedures, any images we have of screens are very similar to what they were when they were first published because it's always been the same software, that was a big deal.

Gwen Aspen: So it was worth it was worth the headache of going through a few softwares at the front end.

Jeremy Aspen: You bet. And it's what it's mostly what I did for a while

Gwen Aspen: And the beginning of your company was just focused on processes and procedures. Ok. So the other weird thing that I think we did that I don't know if this is common or not, but we got our initial clients by doing mailings and through

friends and family, but then to grow to that next level, you did it through radio show and politics, which is really bizarre, but you want to talk a little bit about that.

Jeremy Aspen: Well, yeah. So you know, we had Paul, Vachesky and I, we had a radio show on, I think it was 1290K Car, 1110. I don't remember, but we had a real estate radio show and of course, I represented the property management. He represented the sales side. We'd have conversations about real estate that turned into another, say, another radio show, which was about politics. So we got involved in politics. We knew all about politics, we stayed up on politics, we met people, people started to hear of our name, they started to hear of our companies. And then you start getting deeper involved in politics and that becomes, well, kind

Gwen Aspen: Of became Earned Media is what they call it. So, you know, at first you had to pay for your radio show and then I know no one listens to radio anymore. Sorry, radio people, if you're mad about that. But so this would probably be the equivalent of like social, a huge social media presence. Obviously, politics is still important, but basically you started out with some kind of presence and then you kind of got earned media through that and that really did grow our business. People think that politics is too controversial and maybe now it is, but at the time it wasn't, and we just kind of found our niche and got clients that way, people who thought like you.

Jeremy Aspen: Well, and it also helps because in our industry, property management industry, real estate industry, there are issues that pop up that make the news. And if you have any media training or experience, it really helps when you're in front of a camera or you're on the radio, defending yourself or defending the industry or promoting a, you know, a smoke detector bill or against it. It really helps.

Gwen Aspen: And so because you have that media training, you are always the go to person and that obviously helped us grow our business. Yeah, because you were out in the news proactively

Jeremy Aspen: You can make it so that the the news crews in town, they know that if there's some problem with the building, you're as long as you are not a lying POS and they can trust you, they'll come to you and ask for your opinion because you're reliable.

Gwen Aspen: You're like the easy button. Yeah, OK. So then another thing was that we rebranded, but because at first we took any piece of garbage with the roof on it because we didn't. I mean, we were just hung up our shingle and we're like, Well, today we have a business. And so whoever gave us a building, we were like, Yep, we manage that piece of (...). Yep, you got it. But after we had, I think we waited too long to rebrand, maybe a little bit. We kind of had the reputation of being the piece of garbage rental agency.

Jeremy Aspen: Well, no, I don't. I don't even think that's fair to say. I think that we did have a larger percentage of properties that weren't high end then that the perception was that we had a higher level, a higher percentage of properties that weren't high end. The fact of the matter is that we had already started to change. You know, we'd gotten past that hump. But with that logo, it kind of stuck us into the past. And at some point we had to make a break. We had to make a break for it and decide that we're going to spend, you know, ten or twenty thousand dollars to change the logo, buy new signs and finally, just get brand awareness change.

Gwen Aspen: And what would happen is we honestly were really good at, you know, leasing properties. We had everything down and we would try to sell the service to high end, high end apartments. And they would be like, I don't think you can get the rents I need because of your brand. And I think we just waited too long. We should have rebranded right away because and this is kind of the scarcity mindset versus the abundance mindset. I think there was a little scarcity mindset for us. A little bit like if we rebrand, it won't work. It's very expensive. But once you get to a point where your processes and procedures are down pat and you're running business like a high end company, go for it. That would be my advice also. Ok, so NARPM,

Jeremy Aspen: I would have joined earlier.

Gwen Aspen: We would have joined NARPM earlier, for sure. So one of the things is, you know, in life, whoever you hang out with, that's who you become. And NARPM is the trade organisation for property managers. But for any business person, I would recommend if you're getting into a new industry, join the trade industry, spend the money on it. Hang out with the movers and shakers and the people who really have vision in the industry. It will do more. More for your growth. Spend the money, no, it's hard to go to a conference when you're, you know, barely getting by, when you know you're not even making money with your company. But if you really believe in yourself, go to that conference, spend the money and learn because you'll get better, faster and

Jeremy Aspen: Share your knowledge. Like, make it so that you're not the one that's always going to people to learn stuff. You've got to find at least one thing that you're really good at, because that makes it easier to have good conversations with other people that then whose conversations you can turn into bettering your company.

Gwen Aspen: And one of the areas that you found helpful was just being the technology guru.

Jeremy Aspen: Yeah, I mean, processes and procedures. I would give presentations at some of the conferences and that always, you know, has people come up to you, they ask you a little bit more. You tell them what you know, and then you learn a little bit about what they do. You bring everything together and it just makes for that. Learning environment is aside from just being more stimulating. It really does. You know, it's like coming back from a conference with not just like having seen a whole bunch of stuff, but talking to people to know what it is that they actually have done to make things better. It helps you narrow that list of things that you want to do down to the things that you should do first.

Gwen Aspen: Ok, so one of the things that I was really grateful for at the beginning was that you had crisis management experience.

Jeremy Aspen: Well, so I was in I had an airline before I worked for an airline than I owned a little airline. But when I worked for the corporation, there were seven 727's

and DC8's, which are very large airplanes, and they fly into very large airports. And so whenever there was a problem with one of the planes or if there was a crash, we had to be prepared at the local level to be able to work with the press. So they would they would give us pretty regular training on how to handle a crisis and some of those well, some of the advice I can give right now is just develop three basic answers to any question that might come up and make sure that every answer comes back. Now, politicians use the same strategy, but it was nice to learn how to do that so that in the case of an emergency, you know, you know what, you can articulate any of these major points quickly without fumbling sounding dumb. So putting yourself at risk

Gwen Aspen: Let's give an example, because it's kind of funny anyway. So when we first got started, we got this building. We were super excited about it because it was a multi-unit complex. And so, Jeremy..

Jeremy Aspen: Here's what happened. Yeah. All right. So it's day one. We're taking on this property and it's in a rougher part of town and we were going to the owner had said that they wanted to put a lot of money into it and turn it into something. So we went there to go get the keys and the leases from the current property management company. No (...). While I'm there, We get notified that the press is on their way to the property at that very moment. So I'm picking up the keys and now I'm having to pick up on this crisis, which was the place was just a disaster which, you know, we actually knew about. One of the conditions for us taking it on was that we were going to put money into it and turn it around. So I had to, you know

Gwen Aspen: There was literally feces on the walls.

Jeremy Aspen: Well, so we went into one time we went into I was with one of the media guys here who I actually still know, and we walked into one of the one of the rooms and he goes, he goes, well, right there, the feces, that's on the floor. So I look over at him, I'm like, That is not my feces. I didn't put it there. Somebody over there put it there, and they're going to have to clean up. That's not my job. I'm not picking up their poop and we laugh because but you've got to kind of know like what the role is, what you're supposed to do and then just have a couple of answers that you

can say. Like one of them was, the owner is committed to putting money into this property to make this a better part of town,

Gwen Aspen: And we've been hired to improve the situation.

Jeremy Aspen: That's why they hired us and it went over actually really well. So we took a negative, first when it comes to media. The first thing you should do is agree to the interview and then prepare for it because otherwise they put words in your mouth and then you're the one having to defend yourself. And you, frankly, you become the guilty party in the eyes of the public because you're not talking to them. Whatever it is, we know.

Gwen Aspen: So true. That's so true. So you don't talk to them. You are guilty.

Jeremy Aspen: Yeah, you are going to be seen as guilty. And we had a terrible explosion years ago and we, you know, they wanted to have a conversation and my lawyers all said no to not have a conversation with the press, do not talk to anybody, but really, as long as you're willing to go into a presser with the truth, and you know, that might mean that you're a little bit exposed if you did anything wrong or some of your employees did. That's just the way it is. I mean, it's just a quick, you can help get the community behind you. If you're just willing to bring yourself to them to have that conversation.

Gwen Aspen: Yeah. And I think so. That was a crisis in the explosion. Somebody died, and I would say my advice with that is, yes, every attorney was like, Do not say anything, don't talk to anybody, don't do anything. I mean. And Jeremy and I looked at each other and we were like, Well, this was done. We're going to have to live with ourselves regardless. I didn't know if at the time we didn't know if we had done something wrong or not. And so we just decided collectively that we were going to just be the people we wanted to be at that moment. And after everything is said and done, if there's a death like an employee dies or whatever, you still have to live with yourself. Right? And just because the lawsuits are over and everything's said and done, you want to be proud of how you acted and how you responded. And so I would just go to that deep place. If you have a crisis and be like, OK, when it comes

down to it, who do I want to be in this situation? And I mean, maybe it's bad. It's a bad legal advice that I'm not a lawyer. But I mean, if you did something wrong, you should pay. And you know, that's how it's going to go anyway. So you might as well just be the person you want to be. Ok, so the other thing I wanted to say is trademark. Oh my God, the CPM trademark thing was a disaster.

Jeremy Aspen: Yeah, yeah, we had CPM in our name back years ago, and

Gwen Aspen: So do your homework on a trademark before you start a business. This costs thousands of dollars. It sucks. It's one of the things that makes it really hard to start a business in America because things are so complicated. But please, dear God, with everything that's holy, please freaking get your trademark and make sure the name that you choose is OK before you get started because it is a mess and a disaster. If you don't.

Jeremy Aspen: How much is it about? It's like five grand or something.

Gwen Aspen: Yeah, when you're starting and you don't have any money, it sucks, but it's totally worth it in the long run. Ok, so the other thing that I wanted to talk about is that we held on to bad employees too long.

Jeremy Aspen: I don't know if we need to talk about that, but it's true. I mean

Gwen Aspen: It is!

Jeremy Aspen: Ok if you if you feel, yeah, there's a couple of things like if you if there's a lot of static in your life and it's all coming from one person, it's worth looking at them to see whether or not they're actually still a good person to have on the team. And also, if you're kind of dovetail off of that, if you're doing your work like normal regular work and it's more complicated than it feels like it should be, it is like readdress it. It doesn't need to be that hard

Gwen Aspen: And it starts with having a good job description. Good KPIs. How are you going to measure this person and then hold people accountable? And then

really, if you're doing those things, if there's clarity in the role, if people are trained and then you're just holding them accountable to what they agreed to, which was the job description, then basically they're firing themselves. But I've heard from many entrepreneurs and we're an entrepreneurs organization that the top thing, especially people who are retired or have sold their company and wish they had made more on the sale. The top regret is I wish I had gotten rid of this person sooner. We would have gotten more done. Ok, so I know this is getting long, but I would have read traction earlier and implemented EOS sooner.

Jeremy Aspen: Definitely. That's the one thing you got to do right now. I think we've said that before, but Jesus, if you're not doing it yet,

Gwen Aspen: Yeah, yeah. Traction, it's just it's like, you don't have to think about it. Just follow the book. It's like your guide to having a successful business. If you can just implement that, you're going to be more successful than ninety nine percent of businesses that don't do it.

Jeremy Aspen: Yeah. Even Matt, our producer, can be just doing it, if he can do it. He's not here to defend himself.

Gwen Aspen: And also, I'll also at the beginning, we always hired people that needed a job like that were our friends.

Jeremy Aspen: Yeah, I did that a couple of times.

Gwen Aspen: But do you regret that or are you?

Jeremy Aspen: I don't know. Not really. I mean, I can't say,

Gwen Aspen: You did it a few times,

Jeremy Aspen: I know,

Gwen Aspen: But you don't regret it.

Jeremy Aspen: No, no. I love them to this day.

Gwen Aspen: Yeah, I mean, I. I agree I'm a little bit more of a hard ass than you are.

Jeremy Aspen: Yeah, I'm sure.

Gwen Aspen: Yeah. But anyway, so those were some of the things any closing lessons that we should remind people of.

Jeremy Aspen: No, just pay attention to what we say.

Gwen Aspen: Ok. Bootstrappers is powered by Anequim. Please go to Anequim dot net and download your book on processes and procedures today. If you want to have a successful business, processes and procedures are the way. Read the quick and dirty guide because why read a 300 page book when you can read a 19 page one and get the same information? Go to Anequim dot net today for that book. That's a wrap. We'll see you next time on Bootstrappers.

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