Andrew Giancola's Journey: Pickleball Facilities and Automated Finance

[This transcript was generated by artificial intelligence. Timestamps are not 100% accurate depending on the platform used for listening].

Dave [00:00:33]:

All right, folks, here we go. All right, folks, welcome to Investing for Beginners podcast. Today we have a really fun episode for you. We have a very special guest. We have Andrew Giancola from the Personal Finance podcast. And if you have not heard his show, you need to listen to his show. He brings a lot of energy and a ton of information, and it's one of my new favorite shows that I've been listening to and really, really enjoy it. So, Andrew, thank you for joining us today.

Dave [00:00:58]:

Side note, folks, we have two andrews on the show today, so I may or may not screw up. So just bear with me, please.

Andrew G [00:01:04]:

Dave, Andrew, thank you so much for having me on. I'm so excited to be here.

Dave [00:01:08]:

That's awesome. So, Andrew, if you wouldn't mind giving us maybe some of your, like, how did you get into what, what prompted you to do what you're doing now and get interested in money?

Andrew G [00:01:20]:

So I was the weird teenager that was actually interested in money from a very early age where I would start to read money books. I would get money magazine that would come to my house and I would go and pour through that thing. And even when I was in high school, I was even interested in personal finance. And I'd be in computer class, like on personal finance websites. Some of them don't even exist anymore. So I was just that weird teenager that was really interested in this stuff and really interested in how to make money. So that's kind of where it started for me, was just kind of being super interested in this stuff and reading as much as I possibly could. And then I started to get interested in investing and started investing as a teenager.

Andrew G [00:01:55]:

And one of the things that I did early on was I would invest in things like penny stocks, for example. And there's a story where I saw a newsletter and I saw a penny stock that they were talking about, and I put all of my net worth into that penny stock and lost all my money in 24 hours. And it was one of those things where that was the moment in time for me when I started to invest, where I said, hey, I can figure out how this actually works. Obviously, what I just did was the wrong way to invest, and so I need to learn this stuff. So I started to learn as much as I possibly could on investing. And that's kind of where it started. And then my background is in finance. So I worked in corporate finance for a very long period of time.

Andrew G [00:02:28]:

And then when I left corporate finance, we started a real estate company, and we were investing in real estate, and then from there, started the personal finance podcast. And that's kind of where it all kind of grew and went from there. So I have been really interested in personal finance for a long period of time, and now I just love teaching people about it.

Andrew [00:02:45]:

Maybe we could start there for a second. Do you have, as part of the personal finance podcast, is there a plan or a program or a framework that you like to hammer home for listeners?

Andrew G [00:02:59]:

There's a bunch of different ones that we have, but the biggest one that we really, really talk through, and I think it's the most important thing for a lot of people with their finances, is that you need to automate everything. So one of my favorite frameworks is kind of going through automation. We call it money on autopilot, but it is one of the things that I think you definitely have to do, because you can remove your willpower from the equation. And really, if you automate correctly, it can remove budgets from your equation, it can remove having to utilize your willpower to invest your money. And I think it is one of those things that really can change your life if you really learn how to automate overall. So we look at it as you start off automating your spending and your savings, and you automate your bills, and you go through and automate your investments, and you go step by step through that process.

Andrew [00:03:41]:

Was there something that triggered that for you? Have you always been interested in that since the money magazine days, or how did that look like for you?

Andrew G [00:03:49]:

So, for us, when it came to automation, when I first graduated from college, I really very quickly learned that I was not making much money. I was an entry level job, so I was making $30,000 per year. So I realized that really, I wasn't getting by, but I also wasn't tracking my spending. So I started with Ynab, and I started to track my spending and my money that way. And very early on, realized that this is kind of a tedious task, and it is one of those things that definitely have to do, but it's something that I did not love doing. So I would have a line by line, and a budget is what I call it, or a zero based budget. And I had this for over the course of five to seven years. But over time, as my life got busier, I realized I just wasn't being as consistent as I wanted to be.

Andrew G [00:04:31]:

So instead, I tried to figure out a way, how can I kind of remove this from my life? And the way that I did that was through automation. And automation kind of helped me still budget my money, but I don't have to be looking at spreadsheets, and I don't have to look at all these different things. Instead, I can just automate everything, and everything happens without me even having to lift a finger. So that's kind of where it started. I thought that it was kind of a tedious task. And most people, if we put budgeting in our show title, for example, guys, it is one of the worst performing episodes we ever have. So, it is one thing, I know a lot of people hate this stuff. And so if you can just learn how to budget with automation, I think it is so much more powerful because you're not looking at spreadsheets.

Andrew G [00:05:09]:

Now, if you love spreadsheets, some of you listening, I'm sure love spreadsheets, and you love being in the nitty gritty, then that all more power to you, because that is the most optimized way to do this thing. But if you want to really remove some of these things out of your life and just go live your life and live your best life, then I love this process.

Dave [00:05:26]:

So I'm curious, what kind of tools do you use to do this, the automation thing? I think that's fascinating.

Andrew G [00:05:32]:

So I use a number of different tools. Now, there's some great ones out there where you can go through, and for example, if you want to automate your net worth, you can use empower, but one of which is I look through and try to figure out, hey, how can I save my money in different areas that I don't have to worry about at all. So, like, I use Ally bank for my high yield savings account, and this has been a game changer for me because they have these things called savings buckets. So instead of having to put something in a budget, instead I can save for car repairs, I can save for my emergency fund, I can save for house repairs, or if I want to save up for a big vacation, I can do this all automatically. I don't even have to think about it. It just automatically goes into each category. And so this is one of the bigger things for me, is the savings goals overall. Another tool I utilize is something like rocket money, which is free, or you can pay like $4 a month, and that'll just tell you your subscriptions.

Andrew G [00:06:19]:

I just went through this process with my subscriptions specifically, and embarrassingly, I just canceled $200 worth of subscriptions a couple of months ago. So it's one of those things where these tools are really helpful overall to kind of notify you when things are going on. And then I only spend like five minutes a month on my finances, and I've progressed more so with automation than I did when I was tracking it line by line every single month.

Andrew [00:06:42]:

Even the pros need tools.

Andrew G [00:06:44]:

Exactly.

Andrew [00:06:45]:

Need tools.

Andrew G [00:06:46]:

It's super important. And obviously, when you're investing, you can use stuff like empower or personal use be personal capital where you can kind of watch your investments if you want to. But I don't look at my investments as much as I used to back in the day. So a lot of times I just automate it into the brokerage accounts or the Roth IRA, or obviously my solo 401K. Those types of things are where I just automate that as well, so I don't even have to think about it. It's just investing those dollars.

Andrew [00:07:09]:

So is that what happened once you automated, you kind of reduce a lot of this stress?

Andrew G [00:07:15]:

100%. And that was kind of my goal, was to reduce that stress, that anxiety overall, because I was honestly beating myself up just for not making sure that my budget was perfect every single month and making sure that everything was aligned and optimized. And if you're interested in things like financial independence or optimization or anything like that, you can really beat yourself up about this stuff. So optimization actually removed that out of the equation and allowed me to just actually sit back and relax. And that's why we kind of call it on autopilot, because you really don't have to do that much stuff. And then quarterly, I have a little checklist that I go through to make sure everything's actually working properly and it's automating in the right way. But outside of that, there's really not much that I do throughout the year, and I don't have to think about it. And it's all because technology has advanced and there's automation available for everybody.

Andrew [00:08:00]:

That's cool. So maybe we can rewind and kind of go back to that. I think a lot of investors start to say panic, but they really want to find the most optimal way. What's the best optimization I can do to make the most returns in the shortest amount of time? Obviously, that's the thing everybody's chasing. But you mentioned, I mean, it's a pretty big chasm between doing a penny stock that evaporated overnight to having automated and sounds like a very structured, and you obviously feel like it's optimized. So how did you get from one extreme to the other? What did that look like, especially in the beginning, for investors who might relate to this idea of not knowing which way to go?

Andrew G [00:08:53]:

So when I started, like I said, I had the penny stock first, and then I started to kind of read more and more. And some of the biggest books I read early on were just things on personal finance, like the millionaire next door, which led me to other things, like Rich dad, poor dad, and then diving more into investing books. So I started to dive into a lot of your listeners probably love Warren Buffett and Charlie Munger. I read everything I could get my hands on from them. And that's where a lot of my lessons came into play, where I started to buy individual stocks. And I would dive into different ten ks, those different types of things. I would spend so much time, I was trying to be the next Charlie and Warren, which when you're young, you think you could do something like that. And so I would read all the time and try to dive into each of these stocks.

Andrew G [00:09:31]:

I would listen to all these different podcasts and try to go through the day to day of understanding what each of these stocks mean and the business and everything behind them. And so I started as an individual stock investor, just buying blue chip stocks and trying to find some great companies. And so that's where I started, where I realized, hey, I'm going to buy and hold these companies. And over time, I was surprised that I would make more money. And some mistakes that I made along those way, along the way was that I would buy a company. It would go up for a little while. And as a young investor, I thought, hey, I got a profit here, let me sell it. And so I would sell that company, and then that company would skyrocket even higher after I sell it every single time.

Andrew G [00:10:07]:

That seems like what it happens for me. And so I quickly realized that maybe I don't make the best decisions when it comes to individual stocks for me personally. So what I ended up doing was, even though I was doing all this research and I was spending all this time, then I started to look even further, and I found index funds and ETFs and index funds. If you're noticing a theme with me here, is I'm trying to simplify my finances as much as possible, but still get the optimal performance. And so index funds and ETFs kind of match that criteria for me and allowed me to kind of dollar cost, average into them every single month and get that 7% to 10% rate of return. Historically, it's been 10%. We don't know what it's going to be in the future if you invest in something like an S and P 500, for example. But just to get those average rate of returns, which for me beat out a lot of those professional investors, those mutual fund investors, those mutual fund managers out there.

Andrew G [00:10:58]:

And that's all I really wanted to do, is just get the average rate of return, because if you look at that over a very long period of time, you can become extremely wealthy with average rates of return.

Andrew [00:11:06]:

Don't have time to search the whole stock market. Tired of waiting through endless information. Instead, get my trusted stock picks@valuespotlight.com.

Dave [00:11:18]:

Yeah, so I guess to kind of continue on that path, what does the portfolio for you look like now? And how do you automate that?

Andrew G [00:11:29]:

So the biggest way that I automate it overall, if we're just talking about my stock portfolio, I look at a, I have a solo four hundred and one k now where for the longest time we just had a traditional four hundred and one k. Now I have a solo four hundred and one k, and then I have a Roth IRA, an HSA and a taxable brokerage account. So the order that I actually look at these are, I look at the Roth IRA and the HSA as the most important. And the reason for that is the Roth IRA. The money goes in and you pay taxes on that money. It's already in your paycheck. Then the money grows tax free, and you can pull the money out tax free. And that tax free growth is so incredibly powerful over time.

Andrew G [00:12:02]:

If you max out your Roth IRA over the course of 30 years, you can have over a million dollars in that account, and about $800,000 is going to be tax free money. So I love the Roth IRA for that reason. Then you can look at something like an HSA, and an HSA stands for a health savings account. But I utilize this as a retirement account. I call it the super retirement account, because money can go in tax free. You can invest those dollars and they can grow tax free, and you can pull the money out tax free as long as you have a qualified medical expense. Now, if you get to the age of 65 and you have not spent all of that money, it just turns into a traditional IRA, basically. And so you can utilize that money in retirement as well.

Andrew G [00:12:39]:

But your health care costs will also probably rise, so you'll have more medical expenses there. But the cool thing about these qualified medical expenses is that there is no time horizon. The IRS has no time horizon on when you can, so you can break your ankle, for example, when you're 22, and you can pull money out when you're 59 for that 22 year old, that broken ankle when you were 22. So that is the first two that I look at. Then I go to my solo four hundred and one k and try to max that out every single year. And then I go to my taxable brokerage after that. And there's one big thing about a taxable brokerage that I think a lot of investors need to kind of think through and it is extremely flexible. So sure, you're actually paying less taxes than you would on your income.

Andrew G [00:13:19]:

But in addition is one of the most flexible things, especially if you're listening to this podcast and you want to be financially independent, you have this thing that can help you bridge that gap where it's extremely flexible. And if you have all this wealth built up, for example, you can pay for your kids college with it. If you don't go with a 529 plan, there's so many cool things that you can do with a taxable brokerage account. And I've even utilized liquidated parts of my taxable brokerage account to buy physical businesses. So this is one thing where it is a really cool account to make sure that you have. And I love to be diversified in those tax buckets.

Dave [00:13:49]:

Okay. So you just segued, I think, the perfect segue to talk about these physical businesses. You mentioned that off the air. I think it'd be really interesting to hear how you started down that path and what that looks like for you.

Andrew G [00:14:02]:

So I got bit by the physical business bug when I started to kind of look and kind of run the numbers on some of these things. And for me, originally, the way I got into this was I saw there was a large portion of the baby boomer population that was about to retire. And this is a massive opportunity for a lot of people because they own the majority of businesses in the US currently. And so a lot of them don't even know that they could sell these businesses from things like plumbing companies to electric companies. A lot of them are boring to other types of companies. And so I started on the hunt to try to find some of these companies. And so I went through all these different industries and it's kind of like looking into a stock, honestly, you're looking at pnls, you're looking at balance sheets. And as you progress with these companies, it's pretty cool to kind of unfold and see what their profit and loss statements are showing and how profitable they actually are.

Andrew G [00:14:48]:

And you can kind of dive through. And the stock training, going through ten ks, things like that actually significantly helped me when it came to going through this process. So that's one cool thing for individual stock investors as you are building a skill that you can utilize in the real world outside of just your stock investments, which is really, really cool. So as you progressed through this, I started to go through different industries and figure out what I liked. I was starting to look at some laundromats, which I would almost argue is more of like a real estate deal than it would be just a typical business buy. And then I was also looking through boring companies like plumbing and electrical. But what I landed on was a very different type of business from boring overall. And what we did was we ended up buying indoor pickleball facility.

Andrew G [00:15:29]:

So if you've ever played pickleball before, it's the fastest growing sport in the country right now. About 35 million Americans play Pickleball. And there's a pickleball facility down the street that opened up in April, and the owner just opened it up because he wanted to teach his kids about business. And it was some of his teenage son's idea. And very quickly this business kind of exploded and became way more than he could handle or what he expected it would become. And so we were actually looking at opening our own pickleball facility because we play, and by we, I say myself and my father, who was retired, and he was trying to figure out some sort of activity to do. And so we went in 50 50 on this facility together, and we structured it in a really cool way as well, which I can talk about. But we eventually talked to him and went through this process with the owner, and he said, listen, I'm really stressed out.

Andrew G [00:16:18]:

This is a lot of work for me, and I want to figure out a way that we can kind of work together. So we ended up working out a deal, and it's been a really cool process thus far. We've only owned it since October, so we've had it a couple of months, but it's been one of those things that it was a really fun process to go through this.

Dave [00:16:35]:

So what is the structure? I'd be curious.

Andrew G [00:16:38]:

Sure. So the way that we structured it was we had initially a down payment, and the down payment was just a small percentage, about 10% of the entire purchase price. And the way that we structured it was this is the cool thing about physical businesses is we did seller financing. So instead of going through a traditional bank, we went through the seller and said, hey, we'll put this money down. And then in addition, what we want to do is structure this creatively. My biggest personal fear was that pickleball was either a fad or they're going to build a bunch of different courts around it. And so I wanted to protect that downside. So for me specifically, all we have on this is we have a personal guarantee in year one, and so we make the payments in year one, and it ends up being a larger portion of our revenue.

Andrew G [00:17:19]:

It's probably around 30% of our revenue is what the payments are. But then after year one, which is still profitable, but after year one, what we have structured is it's going to be 50% of the net profits. So it's going to be a 50 50 split of net profits until he's paid off. So basically, if the facility is doing poorly, he shares in that downside. If this facility is doing well, he shares in that upside. And so we also kept him on as a 20% owner because he has a lot of expertise, even though he's only been open since April. And that has been tremendously helpful overall. And so we structured it in a way where I was worried about the downside, and I was worried about, is this fad, are they going to build the courts around there? But now it is something where we are protected from that downside because of that.

Andrew G [00:18:02]:

And he's happy to still be involved because he can share in the upside as well. If we try to expand, which our goal is to maybe expand into a couple of locations, that's super cool.

Andrew [00:18:12]:

It's like a convertible bond, but a little more like another level to it. So how does operations look for something like this?

Andrew G [00:18:22]:

So far, operations on our end? The big part is, and this is what was helpful with my dad kind of being retired, is I put in more cash because I knew he'd kind of be there day to day. So what we did was we have him in there day to day as he's retired. And so he's kind of running the operations currently. The goal is, and we just had one of the employees that we kind of noticed is really an overperformer. We brought him up as going to be like the GM, essentially, and then we'll probably get a couple of other managers as well. But right now they're kind of running the day to day. I'm on the back end running scheduling. I'm running finances, all those different types of things, but he's kind of running the day to day operations.

Andrew G [00:19:00]:

And the hardest part with this business is basically on a class. We run it based on classes. Instead of trying to compete with public courts where you're just kind of having open player memberships, we have classes in place so that we can kind of build our own little moat, for example, where we have classes where you can learn to get better or you can play within leagues or those types of things. So we have things where we try to create a reason for you to come instead of you just trying to come there and play for four or 5 hours, because that's not a profitable way to do it for us either. So from an operation standpoint, that's the biggest puzzle to solve, is how do you kind of market that properly? And then in addition, you have employees, and we have about 20 employees that work at the facility. And so that's always difficult in these businesses. So learning how to manage these employees and train them properly and create sops and all those different things are going to be the main factor. So when it comes to sops or standard operating procedures, one big thing that we're doing is we're creating the typed sops, but we're also doing things on video as well, so they can watch a video if they're more visual.

Andrew G [00:19:59]:

And that seems to be really helpful overall to kind of show them how these systems work and how these procedures should go.

Andrew [00:20:06]:

All right, two questions maybe kind of related. Are you super passionate about pickleball? And then do you feel like your personal work experiences have kind of come together to help you with this?

Andrew G [00:20:19]:

So initially, my dad had been playing pickleball for three or four years, and I thought it was the stupidest looking game in the world. It looked like a giant ping pong court or a mini tennis court. And it was one of those things where I thought I would never play it. And so in December, it's only been a year. December of last year is when I started playing and immediately got hooked. And I told my friends about it, and they're all ex college basketball players and football players, and they're all like, I'm not going to play. That looks stupid now. They are all hooked.

Andrew G [00:20:45]:

And so we have just a giant group of people that started playing, and there was even, we'll go to the courts and there's 30, 40 people. And when you go to the courts, there's already 100 people waiting in my area. So it is a really high demand, and I've honestly started playing and fell in love with it and become passionate about it. I'm less passionate than my dad is, but I'm still passionate about it. And I think that, to answer the second part of your question, I think that a lot of the work experiences that I have had have been extremely helpful overall in kind of learning how to manage a business like this. If I did this ten years ago, it'd be a much different experience where my stress levels would be extremely high. I'd probably be just panicking all the time, but I've kind of learned to calm down and just handle each problem as it comes. It has definitely brought more problems onto my life, and it's not like an easy thing to do whatsoever, but it is one of those things that it's extremely rewarding, and it's kind of fun to solve these puzzles.

Andrew [00:21:34]:

Now, do you think it'd be as fun if you didn't like pickleball?

Andrew G [00:21:39]:

I think it would be. So the previous owner doesn't play at all, and he loves kind of unlocking and solving these problems. He's our minority partner now. And so I think it's just kind of solving the business problems. Honestly, since I've owned it, I've played maybe one time because I've been so busy trying to solve some of these little problems. And so I think it's kind of fun just to kind of try to unlock these things and go through that process. For example, if I bought something that was maybe an ice cream shop, but it was profitable and it had some of these similar problems, I think I'd be okay with it overall, even though I'm not like a huge ice cream enthusiast.

Andrew [00:22:13]:

That's super interesting, and I'm sorry if I missed this, but what prompted you to look at this as an investment choice as far as physical businesses?

Andrew G [00:22:25]:

So once I started to kind of see the data of the opportunity that could arise based on the amount of baby boomers that were going to retire and had and own these businesses, because it's over 50% of them, they own 50% of the small businesses in the country right now. Then I realized very quickly that, hey, I was investing in real estate, and I could invest the same amount of money into these businesses and have a way higher return. Sure, my workload or the return on hassle is going to be much higher, as Nick Majulli would say. But at the same time, if I'm okay with that return on hassle, then it's going to be something where it's going to be worthwhile overall. So I figured based on the numbers, that I could cash flow much higher than I could in real estate. And so that's where I was much more interested in doing. So now it is much easier just to buy an index fund or an ETF for sure, because you could just keep buying them and sit back and relax. But this kind of helped me diversify my income streams overall, and then just, it was more comfortable for me, actually to do this.

Andrew [00:23:22]:

Yeah, I mean, I love it. Coming from a guy who also enjoys the return on hassle, it's cool to see you doing it, but kind of in your own way, because I don't feel like I hear this talked about much.

Andrew G [00:23:33]:

And it's one of those things where originally we had on our show, we had Cody Sanchez a while ago. It was a couple of years ago, like before. Now she's massive. But we had her originally a couple of years ago, and she was telling me off air, she's like, I own all these different companies, and she has them rolled up in a holding company from laundromats to do all these different, just weird different companies, podcast production companies. And she was talking through it, and I'm like, these numbers are just making sense. And so I kind of went in there, and if it's worth that return on hassle, then I can definitely make this happen. So I figured, hey, I'm going to try it and see if it works and then see if we can go from there. We were close on a number of different businesses, including, like, car washes, for example, we had a car wash where we were going to close the next day, and I found out a bunch of new information that the previous owner was holding from me.

Andrew G [00:24:17]:

That three brand new of those automatic car washes were about to open within a five mile radius. So I dodged a bullet on that one. So you got to be really careful on this due diligence side because that could have been a huge problem. And the weird thing about that car wash is six months later, it burned down. So it's one of those things where I really dodge a bullet on that. But you got to be careful on some of these and make sure that you understand everything going on and make sure your due diligence period is longer. If you're interested in doing something like.

Speaker B [00:24:40]:

This, what's the best way to get started in the market? Download Andrew's ebook for free@stockmarketpdf.com.

Andrew [00:24:53]:

Yeah, so you mentioned, one of the risks that really got you worried initially was this idea that pickleball could be a fad. We talk all the time on the show about trying to really be honest about what risks are with an investment and really dissecting those and being comfortable making sure you really understand those risk factors. So what did that process look like for you? And how did you come to the conclusion that pickleball, you were comfortable with the pickleball thing?

Andrew G [00:25:23]:

It's still something that's in the back of my head all the time of it being a fat. But I was thinking through this process and as I went through this, I was like, if I can structure this deal in a way that reduces that downside, I think I'm going to be okay. But since I play pickleball, I go to all the courts in the area, and every court you go to, you literally can't play if you're playing outside because there's so many people waiting and they just haven't built enough courts. So then I'm like, well, if they start to build out these courts in the next three to four years, what kind of problems am I going to have? Well, we need to make sure that this business is not competing with those courts and instead is doing a different business model so that we can actually build a rate of return here. So we have leagues, we have different things. Like we have rating systems that you can get if you come into our facility. We have different classes in all these different ways where you can improve as a player. And that's kind of where we focused on because I didn't want to compete with him.

Andrew G [00:26:14]:

So hedging against that downside risk of building more courts was a big one. But like you said, the second one was that fad. So making sure the deal was structured properly where if this is a fad, you can kind of walk away and be able to be okay without having too many scratches.

Dave [00:26:29]:

Yeah, that's awesome. So how do you feel like this is going to, is what you're doing now, is that scalable? Not only just in the pickleball business, but maybe just in the overall investing in physical businesses? Is that something? The return on hassle? I used to run a restaurant and I understand the return on hassle quite well. Is this idea that you're trying to do, is this scalable? And I guess, at what level do you feel like it is scalable?

Andrew G [00:27:02]:

It 100% is. And for us, one of the big things overall is just for this business alone, for example, is that we are the first of its kind in Tampa, Florida. It's super, super hot here. So people like playing indoors with the air conditioning right now, it's a little nicer, but for the most part, it is really hot here and it's not fun to play. So in the summertime, we are like jam packed where you can't even get a court all day long unless you're months ahead. And so one of the things that we want to do is maybe, since we are the first mover, we understand how the business works now, we want to maybe have a couple more locations, but then, in addition, I've seen other locations now across the country they franchise these, and there's a model here that's very simple, that is very teachable, that you could franchise out if you wanted to scale this, or if you just wanted to have the one, two, or three facilities, you could roll it up into something like a personal holding company. And then you can keep repeating this process with different businesses, but you have to have the right management and operations in place in order to achieve that. So it's really, really important to have that right operations in place.

Andrew G [00:27:59]:

Charlie and Warren talk about this all the time. If you have the right manager in place, it is really, really easy. So you can kind of model after them. This is essentially what they did on a massive scale, is they would buy things, obviously, like seize candy, and they would just get good operators in place, and they would have those operators in place and they would sit around and read all day because they had those right operators in that business. So if you can do a really small version of this, and I would love to do this with online businesses as well, then you could really figure out a way to kind of have a lifestyle that you still want, but have a holding company of a bunch of different companies and maybe get a higher rate of return based on that.

Andrew [00:28:33]:

That's cool. Yeah, I love it. It's just capitalism, right? So are you employing leverage in this, or how are you funding this whole thing?

Andrew G [00:28:44]:

Exactly. So we put about 10% down, and then the leverage is the previous owner is holding the note now, so he's actually become the bank. And that's the beautiful thing about these businesses, is you can do seller financing instead of having to go through a traditional bank. And so this is one of my favorite ways to utilize this. We have the personal guarantee for the first year is how we have it structured. And then outside of that, the personal guarantee goes away. And then we're just kind of working in tandem on that 50 50 split. And so that's where it really comes into play.

Andrew G [00:29:13]:

And it's helpful to utilize that leverage because you don't have to have a massive amount of cash in order to buy some of these. Instead, you can go through and be able to utilize leverage.

Andrew [00:29:22]:

Do you think on future properties that would be a similar vehicle that you would use?

Andrew G [00:29:27]:

I think it would be because for us overall, even for that car wash example, we utilized seller financing again, where we had that deal in place and we were getting it for, honestly, that was even a smaller amount down for that deal alone. We were buying a car wash for about $50,000 down, and we were going to be able to acquire a car wash that produces about $20,000 per month. So there's a lot of really cool stuff that you can do here. And seller financing, I think, is one of the best things you can do when it comes to these small businesses where you're working with the seller. And especially if they're looking to retire, this is a win win situation because the seller is looking to retire. They can make a six 7% rate of return on their money if they wanted to. We negotiate lower than that. But if they negotiate to a 6% rate of return, they can have this 6%

rate of return while they're in retirement and you are owning their business and they'reaping the rewards of that return.

Andrew G [00:30:16]:

So it's a win win situation where it could be their retirement income. A lot of these business owners don't have retirement savings, and so this can be really helpful for both sides.

Andrew [00:30:25]:

Do you know how long seller financing has been around?

Andrew G [00:30:29]:

So I know in the real estate industry and where I really learned about it was when I would invest in real estate. It's been around for some time at least. I've read books in the 80s, for example, and they've talked about it before. But beyond that, I don't know how long people have got creative about this. And that's kind of what I love about these deals, is that you can get as creative as you want to, as long as you can think about it and you can get a lawyer to write it up in contract, it is going to be one of those things where you can get really creative. And in fact, when we initially did this deal, we went to a lawyer to write up the contract and he didn't understand what we were talking about and didn't want to write it up. So we had to go find another lawyer to actually write it up in this creative way. So it's interesting how you can come up with this, but you can get creative, as creative as you want to, as long as both sides agree.

Andrew [00:31:10]:

And hey, that might be an opportunity for somebody who wants to start a lawyer business, whatever they call it, lawyer firm, to specialize in seller financing.

Andrew G [00:31:19]:

Exactly.

Andrew [00:31:20]:

Do you have thoughts on interest rates at all? And obviously you're more of the operator kind of investor, not necessarily in the whole finance thing as far as looking at interest rates. But do you have thoughts on that?

Andrew G [00:31:39]:

I do. Especially. Are you talking about economically, overall? Yeah.

Andrew [00:31:43]:

The impact to seller financing in particular.

Andrew G [00:31:46]:

For seller financing in particular. So for seller financing, you can negotiate really well. So what I found is that you can get much better terms in seller financing than you would going to traditional bank. So, like, interest rates right now are, what are they, seven to eight, 9%, somewhere in that range. If you went and got a bank loan for a business, it'd be closer than 9% range. And so for us, we've got the rate down to about 5% is where we are now. And then in year two through five, it's going to go down even more. So you can structure these really creatively where maybe you even make it a higher amount in year one so that seller knows, hey, I'm sticking around, I'm not going to leave.

Andrew G [00:32:20]:

And then you reduce that amount every single year so those rates can go down, especially if interest rates are going to drop. But you can negotiate with seller financing specifically, you can negotiate a much lower rate than a bank would actually hold. So it is one of those things where traditionally, I've seen a lot of people talk about like, 5% is kind of the middle ground, where a lot of people are willing to take that. But we've gotten it down to two and a half, 3% on a couple of different folks when we were in negotiations initially. So there's ways that you can do it. And we even had one seller who was willing to do it for 0% interest rate. So there's a lot of pros to this where you can save a lot of money with seller financing as well. And it's not something where you have to really worry about the hoops you have to jump through with the bank.

Andrew [00:33:01]:

I mean, 5% is less than most mortgages today, so I don't know the timeline of when you secured it, but that's an interesting idea.

Andrew G [00:33:10]:

Exactly. And so that's what I love about it, because it's just you can do whatever you can get the other person to agree to. So it's all negotiation and it's all one of those things. Whereas if you're a good negotiator, seller financing would be a great way to go for you, but it also helps them because they're getting cash flow coming in and they're getting that rate of return on it.

Andrew [00:33:29]:

What would be the biggest risks for somebody who's thinking about doing it that way? We're very risk focused on the show, so can't let you get away without talking about some of those. And are there any collateral, personal guarantees or anything like that that goes along with this kind of an idea?

Andrew G [00:33:46]:

The personal guarantee is the biggest thing that you should be focusing on, in my opinion, because of that initially, here's a great example. So initially we were talking through where they wanted a personal guarantee on the entire amount. If this was a fad, I was not okay with that. And so that would been a deal breaker for me. So you have to kind of think through that personal guarantee because I know people who have started their businesses and they have an entire personal guarantee and they lose their house. So you're putting up things that really matter when it comes to your family and your home life. And so you have to make sure that you are focusing on that personal guarantee. And so when you go through this, I would try to either reduce that personal guarantee to a year or less or even zero sometimes, if you can do it.

Andrew G [00:34:26]:

But personal guarantees for me are big, big deal breakers. Outside of that, you want to make sure that the terms are structured properly. So obviously that interest rate needs to be on the lower end if you can get it there. And make sure everything is structured in terms of how you're going to make payments, when you're going to make payments, what's going to happen if you can't make that payment? Those types of things are really important. And so having those in writing and making sure their contract is set up and getting the right attorney that knows what they're doing is really important when it comes to this. So the biggest downside in me personally is because if this fails, what's going to happen? Well, that personal guarantee is going to kick in. So you need to make sure that you are really negotiating that down if you can.

Andrew [00:35:03]:

That's perfect. It's awesome.

Dave [00:35:05]:

Yeah, it is a question that kind of comes to my mind. You were talking earlier about your near death experience with the car wash. I invest in public companies, so I have a good idea of how due diligence works. How would due diligence work in this kind of circumstance? Where do you go to find the information other than the person you're buying it from?

Andrew G [00:35:27]:

This was extremely labor intensive for the car wash. So this is one where it's very different because they're using coins and they're using dollar amounts, and they also are using their own little coins that they manufactured in there. So you have to go in there and kind of make sure these numbers are matching up. So the pickleball facility, we can kind of see. We just pull up their square dashboard, for example, and you can see the transactions coming in. But when it comes to car wash, we got to go in there, and we got to count money. We got to count the coins coming in. We got to make sure that nobody's kind of padding this money coming in.

Andrew G [00:35:56]:

We got to look at their manufactured coins and make sure nobody's just kind of throwing a bunch of coins in the machine. There's a lot of different things you have to do. But then, in addition, it's an automatic car wash, one of the ones that you had, like, the wands where you spray down your car. And with that, there's a lot of complex machinery in there that you got to make sure is actually working in good working order. So between those two things, the due diligence of making sure that they're actually earning the amount that they're saying is really important. So we go there three times a week and go count the money with the owner just to make it more frequent so we could see, how is this pacing? What is this looking like? And we did that for about a month before we even got to the point in time where we could go to the closing table. So that was one thing that really, it takes a long time, if it's something like a coin operated thing. So that's much easier long term, operationally to have something coin operated.

Andrew G [00:36:41]:

But short term, you really have to do your due diligence before you actually buy the business.

Dave [00:36:46]:

Is there any sort of Keyman risk in getting involved in these kinds of businesses?

Andrew G [00:36:54]:

Keyman risk in what way?

Andrew [00:36:57]:

Like Elon Musk.

Dave [00:36:58]:

Yeah. If you remove this person, if you go into a deal, let's say you go into a deal, and the person that's running the business is really kind of the cult of personality, the person that really is driving the business. And if that person wants to leave, that's really a biggest asset of the business. And so can that impact the negotiations and whether you want to buy the.

Andrew G [00:37:23]:

Company or not, 100%, because especially if they're relying on the relationships that they already have with different distributors, that is why I think it is really important that if you're looking at a business like that you need to make sure that they stay on as a minority partner or they want to be involved for some period of time. And you can kind of factor in a salary into your numbers, because having that person, that key person involved is really important, at least for the first year or two, so that they can kind of show you what's going on, introduce you to their contacts, that type of thing. So I think it's really important. We were looking at one flower shop that was over in Orlando, and they would distribute flowers to Disney, and they had a key person like that where they had all the relationships with Disney, and their entire business was really Disney to kind of manufacture these flowers for their flower shop. So that was one where that person would definitely need to stay on for a much longer period of time in order to get the business working and make sure those relationships were staying. And so what we were thinking was somewhere around five years for that specific instance. So that is one where it could come into play for sure. If it's coin operated, if it's like a laundromat car wash, then it's not that as big of a deal.

Andrew G [00:38:25]:

But if they are the face of the business, then I think you definitely need to consider it for a short period of time so that you can do some sort of transition where both of you are the face and then you can transition the other person out.

Dave [00:38:36]:

I guess my last question kind of along these lines is, where do you source ideas for companies that could be a potential?

Andrew G [00:38:44]:

So a lot of times I will look at, there's a website called Biz buy sell. And the thing about biz buy sell is that there is a lot of people on there. So this is kind of the place where I just go through and then look for ideas. And so the flower shop idea came up. By just looking through what businesses are actually for sale, then I'll take those ideas and say, hey, which businesses in my area actually exist that do this? And then I'll go and call them, because I would much rather have an off market deal than an on market deal. So all of them that I was really looking at, I was trying to find off market. So I would call the owners and talk through that with them, but I would get the ideas from Biz buy sell. And you can go on there right now, and you can see all these different businesses in your area for sale, but it removes that broker from the equation, which sometimes, if you're brand new, maybe you want that broker in the equation.

Andrew G [00:39:29]:

And so it's definitely something that could be beneficial, but you can get these seller financing deals, which is what I really, really want to focus on. You can get them much easier if it's an off market deal. And so that's kind of where I started to source all these and where I found some of the deals early on.

Andrew [00:39:44]:

So we mentioned earlier, capital is limited here. So I'm hoping you're generous with your ideas. Are there any industries or pockets on biz buy sell that you would be like, man, that would be so cool to do, but I might not be able to do it, so maybe somebody out there can. Where would you recommend people to look that looks really exciting for you right now?

Andrew G [00:40:10]:

Some of the ones that I really like, and these are really exciting for me, but they're boring. And overall, you see a lot of Harvard graduates even trying to come out, and they'll leave banking or they'll leave Wall street, and they'll try to roll these up. And they are the boring essentials that people need. So this is plumbing companies, for example. They are extremely profitable. It's amazing how profitable they are. I've seen some that we came across, for example, where they were doing $20 million in revenue and they were doing eight to $9 million in profit a year, and you could buy that business for $2 million down. So it's one of those things where there's a massive, massive amount of profit that you can make based on some of these.

Andrew G [00:40:47]:

So plumbing electrical companies are two really big ones that a lot of people are rolling up now. The competition on those are becoming higher because of that. But I always try to think of what is a recession proof business. Obviously, I bought pickleball. It's not even remotely close to that. But what is a recession proof business that you can have is really what the moat that I want to have overall, because I think it is one of those things that can really help you. So all those essentials are really powerful. The ones I would stay away from are some that aren't as profitable.

Andrew G [00:41:15]:

So plumbing and electrical are really profitable. Lawn care companies are ones that are much less profitable unless they have a bunch of commercial accounts, for example. And so those are ones where initially, I wanted to look at those. I looked at lawn care, I looked at pool routes, those types of things, but they were much less profitable overall than some of those bigger roofing companies and lawn care, roofing companies and plumbing and electrical, those types of things.

Andrew [00:41:37]:

If the memes on Instagram are true at all, then with the capabilities of my generation and the generation to come as far as DIY and all of that, the booming might just be getting started.

Andrew G [00:41:48]:

I 100% agree because I am probably the least handy person in the entire world. And every time I try to fix something, the last thing I try to do is I try to fix plumbing in my bathroom, and I have flooded my entire bathroom. So it's just not something that I am willing to do anymore. And even if I go try to fix something, my wife's like, no, just call somebody, please. So we've gone through that a bunch of different times now where I think our generation, I don't have a single friend that I can think of who is super handy, like how a lot of my father's generation was and his friends and others type of thing. So I definitely think it could be the trend is going up for sure.

Dave [00:42:26]:

That's awesome. So this is newer to your kind of financial journey. Where do you hope that this goes? Do you hope that this becomes half of your investment portfolio? 70%, 20%? Do you have maybe not defined goals, but where do you kind of hope to take this?

Andrew G [00:42:48]:

My hope overall is to try to a, for the pickleball short term, is to kind of expand it to a couple of locations. Then my goal is to own a bunch of different businesses, maybe slowly, every five to seven years in that range, is to try to find another one to kind of roll up, and then overall maybe have eight to ten of these things in some sort of portfolio, and then hoping that you could start to sell these off at some point in time as you approach retirement age. So that's kind of a thought process with this. Now, if that doesn't happen, I'm aok because I love my index funds, I love buying real estate. Index funds are, like, probably the majority of where I want a lot of my dollars going. And so I love doing a lot of this stuff. So I'm okay if that does not happen, if I don't find anymore. But I love the thought of just kind of rolling this up.

Andrew G [00:43:29]:

And like I said, I'm the biggest Buffett and Munger fan, so they are my biggest overall kind of inspirations for doing this kind of thing on a very small scale. So it just kind of feels like I'm a know Buffett or Munger in my own little world here. So that's kind of what's fun about it for me. So if I could find some way to do that on a small scale and just kind of sit and be patient and find the right deals, which that's kind of what I want to do?

Dave [00:43:52]:

Yeah, that's cool. So you teased a Christmas tree stand off air. I'd like to hear more about that.

Andrew G [00:44:00]:

So when I first got my first job, I was making $30,000 a year. I had this entry level job, and I realized very quickly, I have an Income Problem. So overall, I'm just getting by. I'm living Paycheck to Paycheck. I didn't have a lot of money to invest, and I learned so much about investing that I wanted to invest as much as I possibly could. So I thought to myself, what can I do? And so this is one of my first Side Hustles, was I opened a Christmas tree stand, and, yes, one of the side of the road Christmas tree stands with the real Live trees. And the idea came from, my wife's Aunt actually does this full time. All she does is she works one month out of the year.

Andrew G [00:44:35]:

She makes about $100,000 a year with two Christmas tree stands. And so I had a mentor in Place that could kind of show me how this Works. And so I went and spoke to her, and we went through the whole process. She gave me her tree distributor, and we started this off, and she even had an extra tent that I rented from her for, like, $5,000.01 of those Giant, massive circus looking tents. So she gave me a really good deal on it, and so we started this. So we set it up on the side of the road, had our tree order come in, and they'll do it on credit. So it came in about $7,000 worth of trees, and we set it up in a different way. I think a lot of tree stands do this now.

Andrew G [00:45:07]:

I haven't been to one in a while, but we set it up in a different way where we tried to make the tree stand look like a forest. So we would put these big stakes in, and then we'd have all the trees actually standing up where you can go and look at them before you buy them, instead of just piling them all in the back. And so we had it in a different way where you could kind of see, hey, where are the holes on this tree? Is this actually nice looking tree? So we tried to differentiate in that way. And then, in addition, we would put together different clippings. So when we clip the trees on the bottom, when we would sell it to people, then we would take those clippings, and we could turn them into wreaths. So we created another revenue stream. And then outside of that, then we took some of this revenue, and we went and bought point settas, and then we'd sell the Poinsettas in there, some of these really large poinsettas. And so this was kind of like my first time actually starting a business and understanding how business works, where you're taking in some of the revenue, you'reinvesting it into some of these other ways that you can make more revenue, and you're doing it in a short period of time where this kind of was my school of hard knocks for business, and it kind of took me through this process of this physical business so I could learn how to increase that revenue.

Andrew G [00:46:03]:

So overall, we did this for a couple of years, and we would make $7,000 a year. We didn't make the 50,000 that she made, but the location really matters of where your tree stand is. And then as we got busier and as I earned more income, then I decided to kind of let it go. But sometimes I wish I still had it now because I could roll it up into a holding company or something like that where you could kind of franchise it. But. But I have a lot of ideas with it, and that was my first foray into business.

Dave [00:46:25]:

I'm going to remember the next time I need to buy a Christmas tree.

Andrew G [00:46:28]:

I'm going to call exactly. I've got some tips for you if you want to keep it alive longer. Half oak, half water in the bottom.

Dave [00:46:36]:

That's awesome.

Andrew [00:46:38]:

Well, Andrew, this has been a ton of fun. You've just laid out the knowledge for the listeners, and so we appreciate that. We appreciate your stories and experiences and you sharing that with us. So where can people listen to more about you and really get down in the nitty gritty of the things that you teach?

Andrew G [00:46:58]:

Absolutely. So our show is on any podcast player, whatever podcast player you're listening on right now. It is the personal finance podcast. We have most boring name in the world, but that is what it's called, is the Personal finance podcast. And we teach you how to build wealth. So we talk about investing to how to manage your money, how to automate your money, like we talked about early in this episode, some of our order of operations that we believe in those types of things. So you can catch that anywhere. You're listening to this podcast right now.

Andrew G [00:47:21]:

And in addition, our website is Mastermoney Dot Co, where we have our newsletter and a bunch of other things there. So that's Mastermoney Co. So if you want to check that out, you can check that out as well. And we're on all the socials at Mastermoneyco well worth checking out.

Dave [00:47:36]:

Lots of great stuff. I'll put all those links in the show notes so everybody can check all that out. And again, I strongly encourage you to go listen to his show. As you can see, he's smart and he brings a lot of energy and it's a lot of fun to listen to. And even though he has the most boring name in the podcasting world, it's not a boring podcast at all. So Andrew, thank you very much for taking time out of your day to join us today. We really appreciate it and everyone, you guys go out there and invest with a margin of safety. Emphasis on the safety.

Dave [00:48:05]:

Have a great week and we'll talk to you all next week.