DAVID GREENE is the host of the BiggerPockets Podcast and a real estate investor with more than ten years of experience. He has bought, rehabbed, and managed more than 50 single-family rental properties, and he owns shares in three large multifamily apartment complexes. He runs the top-producing David Greene Team with Keller Williams and also owns "The One Brokerage," an award-winning mortgage company with a nationwide presence. David is the author of five books—which have sold half a million copies combined. David loves basketball, Batman, being an uncle, and helping people achieve total financial freedom through real estate investing.

Tired of trying to budget and grind your way to financial freedom, without ever feeling closer to it?

"*Pillars of Wealth* is a masterfully crafted, comprehensive guide that unveils the secrets to attaining true financial freedom. This book is a roadmap for those who aspire to build lasting wealth and create a secure future."

— David Osborn, *New York Times* best-selling author

"David Greene's *Pillars of Wealth* is a to-the-point, information-packed manual that reinforces the old-school traits that lead to success. It's the path I followed to build wealth."

— Scott Trench, CEO and President of BiggerPockets, best-selling author of *Set for Life*

Inside this book, you will:

- Unlock your earning potential to MAKE MORE MONEY each year
- Learn to SAVE YOUR MONEY and stop excessive spending with an effective budget
- Discover how to INVEST YOUR MONEY through proven real estate strategies
- Learn to PROTECT YOUR MONEY through embracing tactful and legal tax savings
- BECOME WEALTHY by replacing your job with investments and true financial freedom

US $24.99/CAN $32.50
Business/Economics

ISBN: 978-1-960178-02-2
90000
9 781960 178022

Pillars of Wealth DAVID GREENE

DAVID GREENE

Host of the World's #1 Real Estate Podcast, The BiggerPockets Podcast, and 5X Best-Selling Author

Pillars of Wealth

How to MAKE, SAVE & INVEST Your Money to Achieve Financial Freedom

BiggerPockets® PUBLISHING

"No one has taught me more about building wealth than David Greene."

— Brandon Turner, best-selling author of *The Book on Rental Property Investing*

Building wealth isn't complicated—but it's also not easy. Abandon the get-rich-quick-schemes and take the guesswork out of financial freedom with a strategy perfected by countless self-made millionaires.

If you're looking for a blue-collar blueprint for financial freedom, *Pillars of Wealth* provides a holistic approach to systematically make more money and watch it grow over time. In this book, seasoned investor DAVID GREENE reveals how he built a multimillion-dollar net worth from the ground up.

Whether you're drowning in debt, swimming in cash, or floating in assets, David's approach will revitalize your wealth-building strategy. You'll learn how to unlock your earning potential, adopt new budgeting systems, start your own business, and invest for constant growth so you can build the financially free life of your dreams.

PILLARS OF WEALTH

Pillars of Wealth

How to MAKE, SAVE, & INVEST Your Money to Achieve Financial Freedom

DAVID GREENE

BiggerPockets® PUBLISHING
Denver, Colorado

Pillars of Wealth: How to Make, Save, and Invest Your Money to Achieve Financial Freedom
David Greene

Published by BiggerPockets Publishing LLC, Denver, CO

Publisher's Cataloging-in-Publication Data
Names: Greene, David, author.
Title: Pillars of wealth : how to make , save , and invest your money to achieve financial freedom / David Greene.
Description: Includes bibliographical references. | Denver, CO: BiggerPockets Publishing, LLC, 2023.
Identifiers: LCCN: 2023936542 | ISBN: 9781960178022 (hardcover) | 9781960178039 (ebook)
Subjects: LCSH Finance, Personal. | Investments. | BISAC BUSINESS & ECONOMICS / Real Estate / General | BUSINESS & ECONOMICS / Personal Finance / Investing | BUSINESS & ECONOMICS / Personal Finance / Money Management | BUSINESS & ECONOMICS / Personal Finance / Budgeting
Classification: LCC HG179 .G74 2023 | DDC 332.024--dc23

Printed on recycled paper in the United States of America
10 9 8 7 6 5 4 3 2 1

Chapter 1

THE GOAL

A cord of three strands is not easily broken.
—ECCLESIASTES 4:12

Why Work to Build Wealth through Real Estate?

You're reading this book because you want to build your wealth. Maybe you don't have any. Maybe you had some and lost it. Maybe you have some but want more. Does it really matter why?

According to *Forbes*, it does.

> Anyone who wants to get rich needs to know why they want to get rich. The "why" is often more important than the "how." After all, it is the "why" that will determine whether a person's motivations really are strong enough to drive them for the years and decades it might take to get rich.[1]

As I mentioned earlier, we all have our own motives for wanting to become wealthy. Some motives are noble, like having the time to do charity work and the money to help those who matter to us. Some

1 Rainer Zitelmann, "Scientific Study: Luxury Is Not What Motivates Rich People to Become Rich," *Forbes*, June 8, 2020, https://www.forbes.com/sites/rainerzitelmann/2020/06/08/scientific-study-luxury-is-not-what-motivates-rich-people-to-become-rich/.

are self-centered, like wanting to feel important over others. Your motives matter. They are your fuel, and not all fuel burns the same way or at the same rate.

This same *Forbes* article listed results from the author's book, *The Wealth Elite: A Groundbreaking Study of the Psychology of the Super Rich*:

> In-depth interviews were conducted with forty-five superrich individuals, most of whom were self-made entrepreneurs with a net worth of $33 million to $1 billion. On a scale from 0 to 10, the interviewees were asked to explain what they associate with "money."
>
> 1. Security, namely that "I won't have any financial problems unless I make a massive mistake"
> 2. Freedom and independence
> 3. The opportunity to use money for new things, to invest
> 4. Being able to afford the finer things in life
> 5. Having money is personal confirmation that you got a lot of things right
> 6. With a large amount of money, and despite the envy the wealthy are sometimes confronted with, you receive greater recognition and have the opportunity to meet interesting people
>
> In first place, by a wide margin, the interviewees rated "freedom and independence" as the aspect they most strongly associate with money. Only five interviewees selected a value below 7 for this aspect. …Thus, it is the desire for freedom and independence, not the pursuit of luxury goods, that is the most important motivation for most rich people to become rich .[2]

Positive motivations like the freedom and independence to do what you want with your life are much stronger than negative ones, like seeking the approval of others.

2 Rainer Zitelmann, "Scientific Study: Luxury Is Not What Motivates Rich People to Become Rich," *Forbes*, June 8, 2020, https://www.forbes.com/sites/rainerzitelmann/2020/06/08/scientific-study-luxury-is-not-what-motivates-rich-people-to-become-rich/.

The right motivation also make sense outside of a discussion about wealth. It is what drove leaders like the Scottish knight Sir William Wallace, Revolutionary War hero George Washington, and religious prophets like Jesus and Muhammad. Even fictional characters like Maximus in the movie *Gladiator* (or any comic book superhero, for that matter) are motivated by positive reasons.

There are four foundational reasons to create wealth: freedom, purpose, security, and passion/fun. Focusing on these reasons will help provide you the right motivation to build wealth through real estate. On the other hand, if you want to make money only to impress others, you'll lose your drive—and the money will stop flowing because you've stopped being motivated. It's simply better to accumulate wealth for the right foundational reasons.

Freedom

Freedom is the most important reason; it comes in many forms and shows its value in many ways. Some people say that money is the root of all evil, but this misunderstanding comes from a misquoted Bible verse: "For the love of money is the root of all evil."[3] It means that loving money more than people causes pain and grief.

What if you seek wealth not for itself but as a value that brings you freedom?

There is the freedom from pain; specifically the pain that comes with poverty. Money helps you and your loved ones escape into better living situations. (I'll talk about this more later in Security.)

There's also the freedom from feeling stuck, like being able to leave a job you don't like, or worse, a job you despise or that is physically exhausting. Working a job that doesn't use your talents, abilities, and passions is a terrible way to live, especially when you have stress, anxiety, and discontentment in the workplace and in life.

The freedom to spend your time where and how you wish requires wealth. Being able to travel, work from remote locations, and have a well-balanced life are blessings. I would be miserable if I were forced back into working in an office or working for others. My abilities to speak, teach, write, and analyze properties are perfect for real estate, and I don't have to be in an office to do this. The teams I lead and

3 1 Timothy 6:10 (NIV)

relationships I build are much more fulfilling than simply clocking in and out every day. Financial independence motivates me to do the type of work I love.

Purpose

A strong sense of purpose, such as the ability to change your life or someone else's, is important when you're working toward financial independence. Because money is energy, it's one of the easiest and most flexible ways to impact the lives of those around you. From the Greater Good Science Center at the University of California, Berkeley: "Studies have uncovered evidence that humans are biologically wired for generosity. Acting generously activates the same reward pathway that is activated by sex and food, a correlation that may help to explain why giving and helping feel good."[4]

It is impossible to pay attention to someone else's needs when you feel like you're drowning in your own problems. As you grow your wealth, you'll find you not only have more means and resources to help others but that you also have more skills and knowledge. Why do I say this? Because those who accumulate wealth often are excellent problem solvers or have the desire to bring value to others. It's common to find the most successful folks guiding others and teaching them how to guide others in turn. This cycle helps many people in the beginning of their real estate journey toward wealth, and then they help others follow their journeys.

Security

In Abraham Maslow's hierarchy of needs, only our physiological needs for food and water are more important than our security and safety needs. If you don't feel safe, you can't enjoy life. For example: If you live in a dangerous neighborhood, it's hard to focus on much else than trying to stay safe. Money provides the opportunity to live easier and happier in a more secure area, and opens you up to think about new opportunities.

Wealth provides safety in other ways, like being able to buy health insurance or plenty of food. It allows you to not worry about how to pay

4 Summer Allen, "The Science of Generosity," Greater Good Science Center, May 2018, https://ggsc.berkeley.edu/images/uploads/GGSC-JTF_White_Paper-Generosity-FINAL.pdf.

your utilities or car payments, and especially not worry about paying your rent or mortgage. The constant fear of losing your home plays a significant role in your well-being. Research published in *Social Science & Medicine* found that people over age 50 who fell behind on rent were more likely to experience depression; renters living under the threat of eviction experienced poorer self-reported health outcomes, such as high blood pressure; and people threatened by eviction were more likely to have alcohol dependence.[5] In short, it's difficult to live a healthy, safe life without a strong sense of financial security.

Passion and Fun

Passion is what makes life fun! A 2009 study published in *Psychosomatic Medicine* revealed that those who experienced higher levels of fun and leisure time had a higher quality of life and better physical health.[6] This is why following your passion is important: When you spend your life working a job you don't like, or have no goals in mind, or can't see a light at the end of the tunnel, your quality of life is low.

Wealth also opens doors to activities that are fun. Beach vacations with zip-lining and jet-skiing, overseas trips, and sports like golf or marksmanship are pricey. Fun, but pricey. So is eating at fine restaurants and living in areas with beautiful weather. Those with wealth have opened doors that lead to a better quality of life.

How Wealth Is Measured

"Wealth" can be objectively defined by determining net worth and cash flow. These are simple ways to measure wealth, but what do these terms really mean?

Net Worth

This is the most common way to measure wealth. Your net worth is determined by taking the value of all your assets and subtracting

5 Hugo Vasquez-Vera et al., "The Threat of Home Eviction and Its Effects on Health through the Equity Lens: A Systematic Review," *Social Science & Medicine* 175 (February 1, 2017): 199–208, https://doi.org/10.1016/j.socscimed.2017.01.010.

6 Sarah D. Pressman et al., "Association of Enjoyable Leisure Activities with Psychological and Physical Well-Being." *Psychosomatic Medicine* 71, no. 7 (2009): 725–32. https://doi.org/10.1097/psy.0b013e3181ad7978.

the total amount of your liabilities. This means adding together the value of your assets like real estate, stocks, and capital, and then subtracting the amount of the debts you owe. Assets can be rental properties, your home, your car, your retirement account, and so on. Your debt includes mortgages, your car note, credit card debt, student loan debt, and so on.

The following items are the components of net worth.

- **Asset**. Anything you can sell that has a market value that's easy to measure.
- **Liability**. Debt you owe, often tied to assets used as security for the debt.
- **Equity**. The difference between the market value of your asset and the amount of debt you owe on it.

Example: You have a primary residence worth $250,000, with a mortgage balance of $175,000. That means you have $75,000 of equity in it. This is $75,000 toward your net worth.

Tracking your assets and liabilities on a spreadsheet is simple and extremely useful. The following is an example of a portfolio of real estate:

Asset	Value	Debt
44 Main Street (your home)	$250,000	$175,000
35 Jones Street (rental)	$150,000	$100,000
416 Pine Street (rental)	$75,000	$50,000
22 Fernley Road (rental)	$300,000	$200,000
765 Athens Drive (rental)	$125,000	$75,000
965 Stone Road (rental)	$200,000	$100,000
2017 Toyota Corolla (your car)	$10,000	$5,000
Total	$1,110,000	$705,000

In the above example, we can easily determine that the assets total $1,110,000 and the liabilities total $705,000. This gives a net worth of $405,000 (i.e., subtracting liabilities from assets). Adding the amount of capital you have in the bank would be all that's needed to complete the process. In most cases, it is faster, easier, and more efficient to build equity—that is, increase your net worth—via real estate by exchanging early equity in smaller properties for more equity in bigger deals or more income in different asset classes.

As you can see, net worth is simple to measure, especially with the help of a spreadsheet. Tracking the value of your assets and the amount of debt you owe on each asset is useful when combined with measuring cash flow.

The keys to building your net worth are:

- Buying appreciating assets.
- Exchanging them for better, bigger assets.
- Tracking your equity growth and its relationship to your net worth.
- Focusing on assets that can be easily exchanged or sold. For example, a business that depends on your involvement is difficult to sell and thus not a true asset.
- Considering ten ways to build passive wealth through real estate and how to then capitalize on them (explained in Chapter 12).

Cash Flow

Cash flow is the difference between what you make and what you spend. In real estate terms, it is the difference between the income a property produces and the expenses associated with it. If, at the end of the month, you have income left over after expenses, then you have a positive cash flow. Spreadsheets are useful to track the cash flow of your properties. Let's take the 22 Fernley Road rental property as an example:

Monthly Income/Expense	Amount
Rent	+$2,500
Mortgage	-$1,200
Property Taxes	-$310
Insurance	-$50
Property Management Fee	-$200
Maintenance	-$125
Capital Expenditures	-$125
Total Cash Flow	**$490**

In this example, the rental property produces $2,500 per month, with $2,010 in total expenses for the month. This means a monthly cash flow of $490 for the property, provided all expenses stay the same and you don't increase the rent. With your rental properties, you can add rows to track additional cash flow in, total expenses out, and the final amount accumulated.

Cash flow is an important metric in measuring wealth because it represents a recurring amount that will more or less be the same every month. This money can be saved or invested; with enough cash flow, you can substitute it for your W-2 income and quit the job you don't like. If you like your job, you can use cash flow to cover your living expenses and then save 100 percent of your income. At later stages of the wealth-building cycle, this income can be used to purchase extravagant items like nicer cars, trips, second homes, and jewelry.

Building streams of cash flow allows you to stop trading time for money and exit the rat race, a strategy that will become much clearer later in the book. These streams also allow you to earn more income than is typically possible when trading time for money, and it increases your rate of savings. Many fundamentals of prudent investing can be learned and developed through acquiring cash-flowing assets.

While real estate investing is the best known form of cash flow, you can also acquire it through the purchase of certain equities, investments into funds/syndications, and business opportunities, all of which will be covered in more detail later in the book.

The keys to building cash flow from real estate are:

- Learning to analyze properties from the perspective of the profit (cash flow) they may produce.
- Viewing real estate and other assets as income streams, as opposed to emotional objects.
- Comparing one asset class to another and looking for the highest cash-on-cash (CoC) return with the highest passive income (explained in Passive Income below).
- Learning the fundamentals of being a landlord and property manager in the early stages of your wealth-building journey to keep more of your income.
- Buying assets with income streams likely to grow each year.

Passive Income

Passive income is important to include when determining wealth because it is easy to build a large cash flow—or even net worth—but be handcuffed to the assets that built it. Not all assets are created equal; some will require more of your time, attention, and energy. Oftentimes, assets with the greatest cash flow also require the most work. It doesn't make sense to build your portfolio—the bedrock of your wealth—on a foundation that will prevent you from experiencing the freedom, fun, and security that your wealth is meant to provide.

I use what I call the "headache factor" to evaluate any potential investment opportunity. For instance, owning blue chip stocks is much less of a headache than owning a pool service company that requires your direct involvement and intervention. Even though buying or starting a small business may provide a higher CoC return, it comes at a price. The idea in building wealth is to buy investments, not trade one job for another. The ideal portfolio requires little of your time and attention and performs reliably without your involvement. Earning income through passive assets gives you back your time as you're increasing your wealth, which in turn supports your freedom.

You also get agency over where you must be—earning money through assets and investments doesn't require you to be in any particular location to manage them. This is so different from clocking in to work onsite, or overseeing a business or franchise.

Passive income can be measured by tracking how many hours a week you spend managing your portfolio; as you get older, you want assets that require less of your time and attention. If you find the passive income streams you've built require more than five hours of your time each week, you don't have passive income or a pure form of wealth. Understanding wealth for more than just its net worth or cash flow means you learn to build a portfolio geared toward passive income, not just massive income.

The keys to building passive wealth are:

- Looking for more than just the CoC return; also considering the work, time, and energy involved.
- Understanding that higher risk often comes with a higher return, while options with lower returns may come with less risk.
- Early in your journey when you have less cash flow, focusing on acquiring appreciating assets that may take more of your time

and attention but will increase in value. You can exchange them later for more passive income projects.
- To save money, learning how to be your own property manager. Later you can hire others to manage your assets to make your passive income streams even more passive.
- Learning to master leverage, eventually hiring others to manage your properties, allowing you to focus on higher revenue-generating activities.
- Learning tools like the 1031 like-kind exchange, return on equity, and cash-out refinances to buy passive income streams later in your journey.

These tools will be covered throughout the book in more detail.

The Three Pillars

This book is called *Pillars of Wealth* because financial independence is the result of having these three pillars as your foundation: defense, offense, and investing.

Defense

The first pillar is defense. In this context, I am referring to your ability to save what you've earned, a concept that is simple to understand but difficult to master. Sound defense also will create a hunger for later offense opportunities.

If your goal is to become wealthy, how important is defense? According to a *Forbes* article:

> In the mid-1990s, two American researchers, Thomas J. Stanley and William D. Danko, surprised America with their book, *The Millionaire Next Door*, which quickly became a best-seller. They based their book on interviews they had conducted [with] 1,000 Americans with an average net wealth of $3.7 million.
>
> - 50% of the millionaires had paid $399 or less for the most expensive suit they ever purchased and 75% had never paid more than $599.
> - 50% of the surveyed millionaires had never spent more

than $140 on a pair of shoes and 75% had never spent more than $199.
- 50% of the millionaires had never in their lives spent more than $235 for a wristwatch and 75% had only ever paid less than $1,125.
- 50% of the millionaires never spent more than $29,000 for a motor vehicle and 95% had never spent more than $69,000.[7]

It was clear that those interviewees weren't interested in showing off or spending their wealth foolishly. Yet, the interviewers also found that the average American buyer—not a millionaire—"spent 78 percent of what the typical self-made millionaire did for his or her most expensive motor vehicle." That is not a defensive play.

Those who were interviewed were not motivated by what you might expect. They didn't spend money on glitzy, expensive items just because they could. They played defense with their money. Without defense, you cannot establish any reliable traction. Making more money only to spend it won't benefit you. To guide you on this journey, repeat this mantra: Every dollar you make is yours to keep.

Offense

The second pillar on your journey to wealth is to play offense, which is your ability to earn income. After you've mastered the fundamentals of defense, your next step is to add offense, or earn more income to net you more results. It's not just about saving money (defense), you must first earn it—and keep on earning it (and that's offense). One pillar without the other cannot build wealth.

To build your wealth, you typically acquire capital (that is, money) and then invest it. Pillar II in this book teaches you how to master offense.

Investing

Now for the third pillar: intelligent investing. There are many ways to invest your money, but as Andrew Carnegie said, "Ninety percent of all millionaires become so through owning real estate."

7 Rainer Zitelmann, "Scientific Study: Luxury Is Not What Motivates Rich People to Become Rich," *Forbes*, June 8, 2020, https://www.forbes.com/sites/rainerzitelmann/2020/06/08/scientific-study-luxury-is-not-what-motivates-rich-people-to-become-rich/.

This is how Barbara Corcoran says real estate investing snowballed her wealth:

> Buying real estate has made me rich—mostly through necessity, not by design. I bought my first itty-bitty studio after scraping together a few bucks because I needed to live somewhere anyway. A few years later, the studio doubled in value, giving me enough cash to plunk down 50 percent on a one-bedroom apartment. That soon rolled into a two-bedroom, then a three-bedroom, and finally landed me in my ten-room penthouse on Fifth Avenue in New York City. Buying that tiny studio was the most important decision I made because it got me in the game.[8]

Corcoran has built a real estate empire and is a regular investor on the TV show *Shark Tank*. Some of her simple but powerful facts about real estate are:

- Scrape together enough of a down payment to get started.
- Use loans to buy real estate.
- Real estate appreciates at above average rates compared to other investment options.
- Exchange one property for a bigger and better property.
- Use the idea of a "snowball rolling downhill."
- The longer you hold real estate, the better it performs.[9]

Some people look for "creative" ways to purchase real estate: They borrow money from friends or family, they buy properties directly from sellers with no money down, they even use credit cards or short-term, high-rate loans to get started. While it is possible to start investing in real estate this way, it's certainly not advisable. For one, it's obviously risky. More importantly, those who have built sustainable wealth through real estate have done so using the value principles they developed in the workplace and in life. Making and

8 The Oracles, "Real Estate Is Still the Best Investment You Can Make Today, Millionaires Say—Here's Why," *CNBC*, October 2, 2019, https://www.cnbc.com/2019/10/01/real-estate-is-still-the-best-investment-you-can-make-today-millionaires-say.html.

9 "Barbara Corcoran's Wild Real Estate Tactics You'll Want to Repeat," interview by David Greene and Rob Abasolo, *BiggerPockets Real Estate Podcast*, BiggerPockets, May 9, 2023, www.biggerpockets.com/blog/real-estate-763

saving money to build your first down payment and eventually using that real estate purchase as the financial reserve (the equity), you can use to buy more real estate is the only smart way to grow your real estate portfolio safely, consistently, and over time. Those who use the discipline of earning and saving their own capital have an advantage over those who use other people's money: It means more to them.

The Danger in Skipping the Pillars

The three pillars—defense, offense, and investing—will give you the foundation for building your real estate wealth the right way. Wealth easily gained doesn't last long, as *Reader's Digest* will tell you: "Whether they win $500 million or $1 million, about 70 percent of lotto winners lose or spend all that money in five years or less."[10] Five years is an amazingly short period of time to lose that kind of money. How does it happen? Because most of those who inherit wealth quickly simply aren't prepared to manage it. Those who make their money through fame don't always fare so much better. For example:

- Singer Michael Jackson was over $400 million in debt,[11] and close to foreclosure on his Neverland Ranch at the time of his death.[12]
- Boxer Mike Tyson, who once amassed more than $300 million, later filed for bankruptcy.[13]
- Rapper MC Hammer went from having $30 million to being $13 million in debt.[14]
- Actor Burt Reynolds, by his own estimation, was worth over $60 million, and he lost it all. Reynolds admitted, "I've lost more

---

10 Michelle Crouch, "13 Things Lotto Winners Won't Tell You: Life After Winning the Lottery," *Reader's Digest*, April 27, 2023, https://www.rd.com/list/13-things-lottery-winners/.

11 Jeff Gottlieb, "Michael Jackson Trial: Pop Star Was 'Tapped Out,' Millions in Debt," *Los Angeles Times*, August 12, 2013, https://www.latimes.com/local/lanow/la-xpm-2013-aug-12-la-me-ln-michael-jackson-debt-20130812-story.html.

12 "Michael Jackson Died Deeply in Debt," *Billboard*, June 26, 2009, https://www.billboard.com/music/music-news/michael-jackson-died-deeply-in-debt-268276/.

13 Matt Egan, "Mike Tyson: I Didn't Think I'd Survive My 30s." *CNN Business*, May 24, 2017, https://money.cnn.com/2017/05/24/investing/mike-tyson-bankruptcy/index.html.

14 Kelly Phillips Erb, "IRS to Rapper: It's Hammertime!" *Forbes*, December 8, 2013, https://www.forbes.com/sites/kellyphillipserb/2013/12/08/irs-to-rapper-its-hammertime/.

money than is possible because I just haven't watched it."[15]

Were these people not intelligent enough to manage money? That's a hard argument to make when they all reached the pinnacle of their respective careers. The common thread woven into each story is that they made massive sums of money, but they also led outsized lives and did not properly manage their fortunes. Being a lottery winner, sports star, or performer can mean big bucks and no preparation on how to handle big wealth. When compared to the small business owner who learns strong financial fundamentals to keep their business in business, or the corporate employee who climbs the ladder by taking on more and higher responsibility over time, it's easy to see how quickly money leaves those who have no preparation, let alone preparation for that kind of wealth.

Building your three pillars will not only give you the best chance for success in real estate, but it also will make it difficult for you *not* to succeed.

KEY TAKEAWAYS

- True wealth—the kind that can be sustained over time—from real estate is built on the foundation of three pillars: defense, offense, and investing.
- Sustainable wealth takes time to create.
- Net worth is determined by adding the value of all your assets and subtracting the amount of liabilities.
- Cash flow is defined as the difference between the income a property produces and the expenses associated with it.
- Not all assets are created equal; beware the ones that require too much of your time, attention, and energy.
- Passive income is measured by tracking the numbers of hours you spend each week managing your portfolio.
- Be disciplined to earn and protect your wealth and know how to manage it.

15 Ned Zeman, "Burt Reynolds Isn't Broke, but He's Got a Few Regrets." *Vanity Fair*, November 5, 2015, https://www.vanityfair.com/hollywood/2015/11/burt-reynolds-on-career-bankruptcy-regrets.