



NO FEAR NO FAIL

**How to Overcome The 'Analysis
Paralysis' Of Decision-Making in
Real Estate Investing**

by Cathy Crowe

Real estate investing takes time to learn, but many people don't ever invest due to analysis paralysis. It is okay to take time to create a strategy, save money and find properties, but once you are ready you need to pull the trigger. Once you buy the first house it all gets much easier. How can you overcome fear and analysis paralysis? So as real estate investors—people faced with choices every day: locations, financing, partners, properties, tenants, managers, fixtures, contractors, deals, offers, companies, strategies—how do we overcome paralysis analysis and stop ourselves from missing out on opportunities?

What is analysis paralysis in real estate?

Analysis paralysis is when a real estate investor or an aspiring real estate investor cannot buy a house, because they over-analyze everything. They run the numbers over and over until they convince themselves the property is a bad deal or someone else buys the property before they make a decision. I like math and I love figuring the returns I make on my rental properties, but I make decisions very quickly. Once I see a house that is a great deal and meets my criteria I make an offer in less than an hour.

How do you overcome analysis paralysis?

Analysis paralysis is caused by fear. Fear of failing, fear of losing money and fear of making a mistake. Many people live their lives through fear, but people should not fear failing. I think it is much worse to have never tried and not know if you could succeed than to try something and not succeed. There are a few things you can do to convince yourself to overcome your fears and analysis paralysis.

Is overanalyzing killing your real estate investment business?

There's nothing wrong with trying to be careful. Believe us, we believe in looking at the numbers, carefully weighing the data, and making good, evidence-based decisions. It's only smart to go in objectively.

Analysis paralysis that can psyche out the best of us. It can cause you to lose out on deals, delay good decisions, and miss out on great opportunities. As they say: you miss 100% of the shots you never take.

What is the worst thing that could happen?

One thing I always consider when making a big decision about life or real estate is “what is the worst thing that could happen if I do this?” In most cases we believe things will be much worse in our heads than they will be in reality. Actually, in most cases we don’t even think clearly about what will happen if things go wrong, we just don’t want to fail.

In almost every instance of the worst case scenario, you will lose some money or time if things go wrong. Losing money is not a horrible thing, because if you made money to invest once, you can do it again. If you write a contract on a house and you end up not buying the house, you will probably only lose your earnest money if that. If you end up buying the house and you have to sell or something goes wrong, you won’t lose the entire cost of the house. You might lose your entire investment, but chances are you won’t lose anything if you did your homework and got a good deal.

What happens if you make mistakes and lose time?

When you lose time from mistakes or bad situations are you missing out on that much? For one thing if you are stuck in analysis paralysis you are gaining nothing by doing nothing and losing time anyway. When you take action and make mistakes you are learning. Every mistake is a chance to learn and a chance to make more money in the future. You aren’t losing time when you make mistakes, you are gaining experience and learning.



To overcome analysis paralysis give yourself strict guidelines for buying

If you still cannot make yourself buy a property, follow these steps:

- **Write out the perfect property investment.** How much cash flow or profit it would make you, how much it would cost, how much cash you would have to put into it and where it is located.
- **Now write out specifics on the type of deal you are looking for.** The price, the neighborhood, the condition and the most you would pay for the property based on the amount of repairs needed.
- **If you see a good deal come up for sale, buy it if it meets your guidelines you created.** You have already figured it is a good deal and will make you money. You don't have to do anymore thinking, buy the house.
- **The ability to delegate.** Buyers need to build a team of trustworthy advisors like a good real estate agent, attorneys, and accountants. The inability to trust those people will lead to analysis paralysis. I see it all the time. I will say this, trust but verify; after all it is YOUR money, not your agents and certainly not your accountants. But delegation to your support people should be routine.
- **Set deadlines for yourself.** Sometimes, there are already deadlines in place for us, but sometimes, there aren't. We let opportunities pass us by because we aren't locked into a hard deadline. Make a deadline. Force yourself into making a decision and create accountability for yourself.
- **Limit the information you receive...and need.** Information overload is a huge source of analysis paralysis. You don't need all of the information. Limit your intake. Maybe it's as simple as closing a few tabs in your web browser at one time. Maybe it's practicing focusing on one task at a time, or being more present in your conversations with other people. Remember: you don't have to do everything at once. Also remember that you don't need as much information as you think you do to make most decisions. If you keep waiting for "all the information" and every detail to make every decision, you'll never make any decision. What details really matter?

To overcome analysis paralysis give yourself strict guidelines for buying (cont.)

- **Talk it out.** Keeping everything in your head can turn into an endless cycle of back and forth. Talk it out. Even if the other person isn't a professional who can offer you real advice, just the act of talking out loud can help organize your thoughts. Organize important decisions. Try to make big decisions early in the day rather than later. Each day, prioritize what needs to get done, what decisions need to be made, and what's actually important. What decisions matter, and what factors are actually important in making those decisions? If you're having trouble deciding what's important and what isn't, just ask yourself: How much will this impact my investments a year from now? What's the worst thing that can happen? (Hint: it's usually never as bad as we think!)
- **Keep your goals clear.** Why are you making these decisions in the first place? What are they accomplishing for your real estate goals? Decisions become easier when you have a constant, clear vision for yourself and your investment goals. Keep those goals at the front of your mind. They'll help guide you.
- **Accept risk.** Analysis paralysis often springs up from a fear of being wrong. A fear of messing up. In real estate investment, there's always risk. We're going to make mistakes. We're going to be wrong sometimes. Calculated risk is part of the game. The sooner we accept that and let go of the need to be right and perfect all the time, the sooner we can take action and make progress. Remember, being wrong, making mistakes—these are not failures. These are opportunities to grow and learn, and to become better, stronger, greater real estate investors than we were when we started.



Secrets to Overcoming Fears About Investing In Real Estate

Fear can be a powerful motivator. It can also hold us back from being all that we can be. Achieving anything when we're afraid of moving forward is no easy feat: but making decisions and moving ahead in spite of our fears is often necessary for success!

When it comes to investing in real estate, you will have moments where you'll be afraid. Whether it's risk or uncertainty, fear can make it incredibly difficult for you to know when to take the plunge and when to hold back.

Overcoming fear is harder for some than others—especially if you're prone to anxiety or worry. But when it comes to your investments, you can't afford to be fearful. You can only afford to be smart. Here's how you can begin to overcome the fears that are holding you back from financial freedom.

Learn What You Can. Oftentimes, we're fearful because we don't know. We don't have all of the information. Fear often stems from a lack of information, and if we don't understand, we're afraid. In many cases, the best way to dissolve fear is with understanding.

Sit down, organize all of the information you have, and try to fill in the gaps where you don't. Remember what they told us in elementary school: knowledge is power! If you have knowledge, you'll be able to make informed, solid decisions that are rooted in facts, not fear. **That said, analysis paralysis is real. Learn how you can avoid letting information overload prevent your investment from coming to a screeching halt!**

Reject Micromanagement Fearful people are the best at micromanaging.

They don't know how to let go. They enjoy controlling the little details and knowing what's going on every second of the day. If you don't think you're a micromanager, think back to the last time you felt fearful about something in your real estate investment career. How nitpicky did you get? How many people did you pester?

When we're unsure, yes, ask question. Get details. Be thorough and do your due diligence. But there's a line that crosses over into obsessive micromanagement that will just drive you insane! It will make you more neurotic. Don't let that happen.

Secrets to Overcoming Fears About Investing In Real Estate (cont.)

Build a Network of Support One of the best ways to combat fear is with people. Fear grows in isolation, when we're left alone to spin our wheels in our own thoughts. A network of support, whether it's friends and family or other professionals (though ideally, it's a combination of both!), will help give you a space to work out your fears, receive advice, and find emotional support. We need other people in our lives. Making financial decision is difficult, and knowing you have support behind you goes a tremendous way in moving forward.

Have Contingencies Safety net. Safety net. *Safety net.* One of the surest ways to guard against fear is to prepare for the future. Don't put all of your eggs in one basket. Play it smart. And don't make decisions that you won't be able to recover from if something doesn't work out! Do you have the cushion you need to recover if this decision doesn't work out? Can you bounce back? What's your plan B? While you don't necessarily need to labor over a plan for every single possible outcome, you do need to plan and prepare. Have a safety net and contingencies in place so that you don't need to be afraid of the future, no matter what the outcome is. If you can handle whatever life throws at you, you have nothing to fear.

Learn to Recognize Red Flags If you don't know what you're looking for, it's a lot harder to discern rational fear from the irrational. If, on the other hand, you know exactly what is cause for alarm, you'll know what fears are founded. You'll know exactly when you need to walk away, and when you just have the jitters.

Learn to recognize when there are real red flags about a property, a deal, or a partnership. If you know what warning signs there are, you will be able to avoid bad situations. Investing in real estate is thrilling and incredibly, incredibly rewarding! If you do your due diligence and plan well, you don't need to be afraid of what's to come. Play it smart and let yourself be excited about the future.



Why you never fail with the right attitude

People like to use the word failure all the time. I think fail is a horrible word to use, because it means you gave up. No one fails if they don't stop trying. Many of the most successful people in the world made many mistakes, but they never gave up. They did not listen to the people who told them they could not succeed, they worked to prove those people wrong. In fact, I would bet the most successful people make more mistakes than unsuccessful people. The successful are willing to take chances, to take risks and that is how they made it big.

Fear of Failure

If we keep analyzing we eventually will be right, or the deal will be gone and we will not have to fail. Weigh your risks.

In real estate these days, a little knowledge is a dangerous thing. Buyers are out in full force.

But brokers complain that the sheer amount of market data available these days can hinder deals.

Real estate buyers are savvier than I've experienced in the past. But this newfound knowledge "is also handicapping their execution in actually pulling the trigger. We seem to have a lot of buyers in our pipeline, but [getting] deals on the books has been rather frustrating as a real estate broker." But sometimes the amount of information they gather creates a paralysis.

It's as if buyers are studying the market too hard, gathering too much information — sometimes unnecessary information — which causes them to second-guess themselves when it comes time to purchase. They still feel the need to keep researching.

Buyers are complaining about the lack of 'good' inventory, which is causing anxiety. They are unable to locate anything to buy after many months of searching."

Conclusion

Buying real estate is a big deal and it is an awesome investment if you do your homework and buy right. Once you have figured you want to be a real estate investor and you have the means to make it happen, don't let analysis paralysis hold you back. A great deal that you buy is much better than the perfect deal that you will never find.

Defensibility

Some people go through analysis so they can later say, "This is why I did not buy." They are doing the analysis for the wrong reasons. They want to be able to defend their inaction.

Successful people are all about alternatives. "If not this, then what? If you have already decided that you can invest, say \$100,000, what are the other ways that you can do this? What are the alternatives? Any analysis should take this into consideration. There is always an opportunity cost. Look for it, look for alternatives.

Having a reliable, knowledgeable partner in your real estate investments builds confidence!

Let us be that partner for you!



FORMULA FOR BUYING REHAB INVESTMENT PROPERTIES

After Repaired Value x 70% = **A** _____

A - Repairs = **B** _____

B - Assignment Fee - Closing Cost = **C** _____

C = Maximum Allowable Offer



HOW DO YOU FIND A?

A is found by doing comparable sales from MLS, not Zillow or other online sources. You must compare subject property by:

1. Same Subdivision first
 - a. 1-mile radius up to 2 miles
2. Age of Property within 5 years
 - a. Increase by 5 years newer or older
3. Square Footage up to 150 sq. ft. bigger or smaller
 - a. Increase by 100 either way
4. Number of bedrooms needs to be the same
5. Number of bathrooms needs to be the same
6. Number of parking (garage) needs to be the same
7. Lot size consistent with subject
8. Amenities
9. Updated or recent renovation
 - a. Recent roof
 - b. Recent foundation
 - c. Property has been rehabbed recently (1 year)
10. Concession
 - a. Paid buyers closing cost
 - b. Paid for property improvements



HOW DO YOU DETERMINE REPAIRS?

If you do not know how to estimate repairs, then you must have a contractor give you an estimate. There are programs you can buy to walk a property and get a close estimate on what the property renovation will cost.

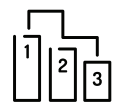
1. If you feel that foundation work is needed, get a foundation company to give you a report with scope of work.
2. If you feel that a roof needs to be replaced, get a roofing company to give you an estimate.

DO NOT GUESS ON REPAIRS. THIS IS SO IMPORTANT AND KEY TO BUYING A PROPERTY RIGHT.



HOW MUCH FOR ASSIGNMENT FEE AND CLOSING COST?

Your fee is up to you what you want to make. But remember not to price yourself out, as the rehabber does the heavy lifting and deserves to make the bulk of the money. Closing cost could include title policy, title closing cost, and insurance.



OTHER FACTORS TO CONSIDER INCLUDE:

Days on Market - Current Competition
Property proximity to schools, shopping, churches, major roadways
Functional obsolescence



WHAT IS IN THE REMAINING 30%?

The remaining 30% must cover:

1. Property taxes during the time of ownership
2. Cost of funds to purchase and rehab
3. Selling cost including closing cost and sales commission
4. Utilities
5. Miscellaneous and unforeseen expenses

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