



# Transformation before information

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**Transformation comes before information, and information comes before tactics.  
«The mind is everything. What you think, you become.» – Buddha.**



Real estate is the most powerful way to accumulate wealth. More people have become millionaires through real estate than any other means. We know how to find the property, create a plan for improving the cashflow, negotiate the deal, and manage the asset. Your passive investment provides you with the opportunity to earn an income without the nine to five. We create a unique business strategy that fits your financial and investment goals. Get the financial freedom you need to do more of what you love. **We are Red Pill Kapital, with a K.**



Mark Twain said it best:  
"Learn from the mistakes of others. You won't live long enough to make them all yourself."

Essentially, there are two major systems that affect your mindset – your wealth operating system and your health operating system – and they're interdependent. **Wealth and health are closely linked**, and I'll explain why.

## The wealth operating system

The wealth operating system is essentially how you interpret the concept of being wealthy. We need to start with a self-assessment. You have to know where you are so you know where you're going. You need about 30 minutes of uninterrupted time to complete this wealth operating system self-assessment. Don't look at the questions until you have the time to complete it in one sitting.

- You need about 30 minutes.
- Each question is a form of a sentence completion.
- You fill in the blank with whatever word or expression flashes first into your mind.
- Don't filter, don't edit, don't think too hard. Write whatever comes into your mind first.
- The questions are not right. The answers are not right. The answers are not wrong. They're meant to stimulate thought.
- The questions are repeated to force deeper introspection. The answers get more raw as you ask the question each time of yourself.

## The questions are:



- “Money is ...” and that’s asked about six times.
- “Rich people are ...”
- “When it comes to money, I’m ...”
- “Growing up, my family dealt with money by ...”
- “When I was a kid, whenever my family talked about rich people, they said ...”
- “Growing up, when I watched people deal with money or finance, I observed ...”
- “When I look back, the most dramatic and emotional experience I ever had about money was ...”

## Scoring

You review each question you listed, all the way through the 31 questions, for each of your answers, to determine if your answer was either positive, negative, or neutral. Essentially, if you gave a positive answer about money, about wealth, or about rich people, then that was positive. If you gave a negative association – for example, money is the root of all evil, or, growing up, my family dealt with money by keeping secrets or never talking about it -- those would be negative associations. If it was a neutral association – money is green, money is printed, money is a coin – that would be a neutral association. You want to rank each of your answers as a positive, a negative, or a neutral answer.

Once you've determined whether each one is **positive, negative, or neutral**, you fill them into the scoring formula. Each positive gets you a plus two, each negative gets you a minus two, and each neutral is a zero. You generate a total score out of those 31 questions, and you get a total score number.



When you tabulate up your total score, you're going to get a number. It's going to be greater than negative 50 or it's going to be greater than positive 50, or some variation thereof.



#### **+26 to >+50 Total Score:**

If you're between 26 and greater than 50 positive, you have a pretty good wealth operating system. It's one of your greatest financial strengths. It provides you with a strong foundation to build your future wealth. Your real opportunity will come when you have specific financial skills to take advantage of your extremely prosperous wealth operating system.

#### **0 to +25 Total Score:**

If you were zero to 25 positive, you have an above average wealth operating system. It's in an area where a little bit of focused work will help, and it'll generate a large financial return by just a few tactics and a few changes in mindset, but you're well on your way.

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### **-25 to -1 Total Score:**

If you were negative one to negative 25, you have a challenge – you have a significant challenge. It's going to make it very difficult to maintain and enjoy and share wealth in a healthy way. You're going to have problems and you need to make a change. There's a leverage point that you can create, which is going to have maximum effect for you. You're the person that's going to have the maximum benefit by changing your mindset.

### **-26 to >-50 Total Score:**

If you were minus 26 to greater than minus 50, you have a huge problem. You have a massive financial challenge that you have to face and you need to focus in on mindset first, and you need to stay there. The tactics in the world are not going to make a difference until you figure out your mindset. I would put down the rest of this course and I would reformat myself, and work on my mindset and work on my wealth operating system first. I'd work on my health operating system first, but there's no point in doing all of the tactics and learning all of the things that we're going to go through if you're between minus 26 and greater than minus 50. Your primary focus should be on awakening your brain and understanding what your dysfunction is with wealth and how we need to get you through that part.

If you're minus 26 to minus 50 or greater, negative, please reach out to me, email me, and we need to have a chat.

## A way of thinking



You need to retake the same test in about three months and see if your numbers change. I suggest you view money as nothing more than a tool. There's nothing magical about money. Money is completely just a vehicle or a tool. It's something that you can leverage. What is valuable is time, and you can use money to leverage other people's time. You can buy people's time to give you the freedom to enjoy your life. They will appreciate it, and you will appreciate it. The reality is money is nothing more than a tool. It's a form of value that you can use to leverage time, and time is the most valuable resource we have in the world.

## The health operating system

You can have all the money in the world, but if you lack health, you have nothing. Let me tell you something: Howard Hughes was one of the wealthiest people in the world when he was alive, but he had a miserable experience. He was isolated. He had a horrible health dysfunction and he was an absolutely miserable human being because he lacked health, and he lacked health because of social isolation and a whole host of other factors. We don't really have enough time and this is not the right format to discuss individual health status issues. **But right now, we have a massive epidemic of metabolic inflammation and only about 12.2 percent of the US population is healthy at this point. That means the vast majority of the population – 78 to 88 percent – is unhealthy, and that's a major issue.**



Now, when I look at health, I look at muscle mass. I think that muscle mass is the primary determinant. It's the primary marker of impending organism decline. As you lose your muscle, the organism is dying.



Sleep is the primary driver for brain health. If you don't have sleep, you don't have brain health.



Food is our largest macro medicine that we ingest daily. People don't give enough credit to food and the information it carries. It's far beyond calories – it's the instruction set for your body.



When we accept media messaging about health or food or any of the things that we consume, we have to recognize that that media messaging is there to drive a specific profit motive for a specific industry, and our governmental forces may be responding to that specific industry. Media messaging can be very detrimental to our health and to our wealth.



We're in the midst of a malnutrition crisis. The malnutrition of excess metabolic inflammation drives all disease.



I don't care what we have, but the inflammatory process and our metabolism drives all disease.



I've given you a couple pieces of information: What is metabolic syndrome and some simple prevention tools and recommendations. I'm going to leave this for you to review on your own. If somebody has a very specific question, please feel free to reach out to me. I'd be happy to chat and go through some health operating system tweaks, but these are the bare minimums.

# What is METABOLIC SYNDROME?

► It is a **CLUSTER OF RISK FACTORS** that can increase your risk of having:



HEART ATTACK



STROKE



TYPE 2 DIABETES

## KNOW YOUR NUMBERS

People with metabolic syndrome have **AT LEAST 3 OF THE FOLLOWING:**

- Obesity**: Waist Circumference: 40+ inches for men, 35+ inches for women
- HIGH Triglycerides**: Greater than or equal to 150 mg/dL
- LOW HDL or "Good" Cholesterol**: Less than 40 mg/dL for men, 50 mg/dL for women
- HIGH Fasting Blood Glucose**: Greater than or equal to 100 mg/dL
- HIGH Blood Pressure**: Greater than or equal to 130 mmHg/85 mmHg

# How to PREVENT it

► The best ways to **PREVENT - EVEN REVERSE** - metabolic syndrome:

- Lose weight**: 
- Commit to a regular exercise program**:  
- Eat better:** 
  - Eat fewer simple carbohydrates
  - Increase fiber
  - Consume healthy fats
- Affects 1 OUT OF 3 adults in the U.S.**
- Becomes much more COMMON AS WE AGE. Nearly HALF OF THE ADULTS 60+ years old have it.**
- 85% OF PEOPLE WITH DIABETES have it.**
- It's closely linked to OBESITY.**

You should only eat when you're really hungry. You should get about 30 minutes of physical exercise per day. You should eat real food. Avoid all processed foods, avoid sugars, avoid artificial sweeteners, avoid all industrial seed oils. Maintain a healthy weight, build muscle, sleep well, avoid screens, have real friends, and certainly, don't smoke. These are just some simple, healthy lifestyle things, and I think that we give too much lip service to this. There's a lot more to it and I think that if you really want to have a chat, I would be happy to jump on a phone call and discuss your specific health operating system and discuss how we can assist you.

## PREVENTION

A healthy lifestyle prevents the conditions that cause metabolic syndrome:



- Eat only when really hungry, don't snack.



- Get at least 30 minutes of physical activity per day.



- Eat real food and avoid all processed foods.



- Avoid sugars and artificial sweeteners.



- Avoid industrial seed oils.



- Maintain a healthy weight and build muscle.



- Sleep well.



- Avoid screens.



- Have real friends.



- Don't smoke.

## The key thing is define your plan

The first step to deciding on a plan is to become clear about what you want from your investments. In other words . . . **what's your dream ★, your end goal?**

If you don't have a dream, if you don't have an end goal, there's no way you're ever going to get there. You would never arrive in a city and decide that you were going to go somewhere, and not even know where you were going to go and start driving, and then hoping that you would get there.

The reality is when we arrive in a city, we usually have a plan. We're going to go somewhere and we have a very specific intention and we usually map that out, and that's what a plan is. A plan is a map to your destination, so your destination is your end goal. Now you may have a lot of journeys and a lot of experiences in your journey, and certainly it will enhance the journey. Sometimes the journey is as beneficial as the goal, but you still have to have a goal. You just can't drive in circles.

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## Why are you doing this and what exactly would you like to create?

- ★ You have to be able to visualize this. Are you doing it because you want to leave a legacy?
- ★ Do you want to travel?
- ★ Do you want to give back to your community?
- ★ Do you want to retire from your day job?
- ★ Do you want to be unencumbered by responsibilities?
- ★ Do you have a personal health concern?
- ★ Are you trying to create passive income or a new stream of income for some other reason?
- ★ You want to buy something?
- ★ You have to pay for tuition?

There's always a reason. The “why” is the most important aspect that you should be concerned about. The how, we're going to teach you, but the “why” you have to come with, and the “why” is determined by your mindset. The “why” is influenced by your health and influenced by your wealth operating system.

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You might be looking for cash flow. You might be looking for equity. You might be looking for tax benefits. You might be wanting all of it.

Maybe you want to replace your day job. Maybe you want to just retire in comfort.

You have to start with the end in mind and then formulate your strategy to arrive at those goals. You have to have a clear vision and know your emotional why.

That's why I made you ask yourself those questions in your wealth operating system over and over and over again. Because each time you ask yourself why, and then you ask yourself why, and then you ask yourself why – by the time you get to the third, fourth, and fifth, why you probably have reached an emotional reason – an emotional underpinning of why – and that is where truth is.

**Your wealth operating system defines your brain's perception, whether there's an opportunity or a threat.**

If you don't perceive the opportunity and/or don't perceive the threat, then there's nothing that your brain is going to do with it. You can drive around all day, driving past buildings, and not realize that those are sources of revenue. They're just buildings to you. But until you recognize that those are sources of revenue, then there's no opportunity and there's no threat. Your wealth operating system has to be tuned keenly to what is around you.

The easiest way to upgrade your wealth operating system is to upload new visual information. The brain accepts visual information as the paradigm of your reality much faster than any other input, much faster than hearing my voice, much faster than reading. Visual information drives the information into your wealth operating system much faster.

Drive around town and picture yourself owning the buildings you see. Who are your tenants? How much rent do they pay? Is your tenant a small business? Is your tenant married with two kids? Is your tenant single? How much revenue do you think you can generate off of this many units?

Can you picture the people on your team that are going to help you? Is there a property manager, a maintenance person you can call any time for a quick repair?

What would you do personally to enhance the appeal of that particular property? Does the property need work? What's the neighborhood like? Does the neighborhood impact the property? Does the property impact the neighborhood?

Can you picture yourself owning the fully paid off property and retiring or having profits to invest in more real estate? Imagine it's not just a building. Imagine that it's a source of revenue.

## Time is your most valuable resource



Like I said, time is our most valuable resource. The thing that we spend our time on is the thing that grows. Time is our most nonrenewable resource. It's unidirectional. Imagine time as the water that flows out of a pipe that you can't turn off. You're watering your garden, but you can't turn off this water, and no matter what you do, it comes out. What you water will grow and what you don't water will die. What you spend your time on watering, or with time, it grows, and what you don't spend your time on dies. All the purposes, all the plans, all the goals, all the intentions must be interpreted in the context of time. If you have the time to grow your brain to achieve success in real estate, then you will.

Now you can leverage time with money, and we'll get into that in another part of these conversations. Whatever you do, **don't let procrastination steal your dreams. Don't try to play catch up.** That never works. It just makes you feel bad, and it'll actually throw you off track more than anything. You need to have solid, good investing habits. That means that you have to understand research, you have to understand networking, you have to have education, and you have to have mentorship. As a real estate owner, the demands of time never go away in real estate. **But remember, as an investor, you can leverage other people's time with your money.**

## Whatever you do, don't panic with the herd

An investor who doesn't plan for the long-term is exactly the person who sells the property at the wrong time because they panic with the herd. If you have a long-term plan, if you have a good wealth operating system and you know where you're going, you're not going to have any issues. But if you panic with the herd, you're going to lose every single time. You have to realize the stock market is a herd mentality. It's a continuous herd mentality.

We're all really time-distorted and consistently overestimate what we can accomplish in six months and consistently underestimate what we can accomplish in 10 years. Ask yourself:



- Where do you want to be in six months, 1 year, 2 years, 5 years, 10 years, 15 years, 20 years, 30 years?
- What's your vision of where you want to be?
- What's your purpose for investing?
- What are your specific goals?

The overlap in these answers is going to give you a priority for your strategy development.





## Revenue models in real estate:

Cashflow    Appreciation    Amortization    Inflation    Taxes

When we look at real estate, there are a couple of different revenue models, and we'll certainly get into these in the tactics section, but I want you to just keep these in mind. There's the revenue generated from **cash flow**, which is from the operations of the real estate. There's the revenue generated from **appreciation** – you buy it at one price, and over time its value improves either by inflation, by demographic changes or essentially if you change its cash flow, change its net operating income. There's a revenue model based on **amortization**, and amortization is an accrual of debt paydown by the tenants who are living there, and they pay down the debt on the note. There's the revenue model of **inflation**, hedging that the real estate will continue to increase in value disproportionately to the general inflation of general goods. Then, there's the concept of **tax** revenue advantaged real estate investing, and these are all tactics we're going to get into. But my point to you is, when you develop your strategy, you're going to want to understand why it is that you want to do this. Is it more cashflow? Is it more appreciation? Is it more amortization? Is it more inflation hedges? Is it more tax hedges?

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## Strategy:

As a strategy, what do you want to achieve by investing in real estate? Are you looking for income today? Are you looking for growth or equity over time? Is it both?

## Caveats:

The key thing in strategy is you never fall in love with a property unless it meets your requirements. Set your requirements before you look at the property. Don't change your requirements based on the property you found. The requirements pre-existed. The property should fit within those requirements, or it's simply not a good fit.

## About risk

There are about eight primary reasons why people lose money in real estate, and I'm certainly going to discuss these in depth in other conversations.

1. They just did faulty analysis.
2. They didn't know how to analyze the property or they didn't do a stress test.
3. They didn't do enough research.
4. They have unmitigated risk. They paid too much for the property or they didn't know that operational know-how, how to succeed in this particular asset class once they owned the property.
5. They put the property ahead of cashflow. They fell in love with a property but didn't understand that it didn't generate enough cashflow to sustain itself long-term.
6. They ignored the demographics of the area or they ignored the demographics of the hyperlocal area.
7. They panic with the herd and sell when they think that things are going to drop out, which is precisely the wrong time to sell. They went into it without enough reserves. You have to have reserves for the down times and that's why you do the stress test.
8. You have to have the reserves when things go bad because otherwise you're going to panic.

## Understand your personal risk tolerance

You have to have a good understanding of your personal risk tolerance. You need to have a discussion with yourself, and probably with your family and any business partners, about your risk tolerance. The perspective that you have about yourself versus what your family has about you versus what your partners have – that discrepancy is where the value of the discussion lies. You need to have a clear understanding of risk tolerance.



- What's your willingness to take risks?
- What's your general attitude toward risk?
- What's your risk capacity?
- What's your financial past capacity to withstand a loss?
- Can you absorb a loss and still achieve your long-term financial goal?
- Do you want to be conservative or aggressive?
- Are you willing to go for a bigger reward at the risk of losing your investment?
- Would you rather have stable investments with predictable income or would you rather have higher risk investments with potentially higher rewards?



I personally specialize in asymmetrical risk. I want a higher reward with a lower risk, and my entire company is specializing in finding asymmetrical situations where other people don't recognize that this thing has a low risk, high reward opportunity. You should write down what you might enjoy investing in – and this is really an exercise in visualization, not an exercise in actual purchase. You should always live where you feel that you want to live, but only invest where it makes money. That's the way to minimize the risk. You want to be very efficient with this tool of money, and that's all money is. It's a tool. You have to realize that you can mitigate your risk with leverage, which is the exact opposite of what a lot of people tell you.

If you need to, reach out to me click through the contact link on [www.redpillkapital.com](http://www.redpillkapital.com). Now that you've done some self-analysis, you may have some questions, so let's talk. Just reach out to me or shoot me an email at [info@redpillkapital.com](mailto:info@redpillkapital.com).

We search for value-added real estate for our passive commercial real estate partners, and we actively manage that investment long-term for a successful exit. We are Red Pill Kapital. Find us at [redpillk.com](http://redpillk.com).