



## How To Generate Enough Passive Income to Pay For Your Life w

Justin Donald

### Transcript

Ryan Moran [00:00:04]

Hey everybody. Welcome to Capitalism.com. I'm Ryan Daniel Moran, and today I'm going to be joined by my friend, Justin Donald. Started as a friend before we ever talked about business, but I've watched his career take off over the last several years as both a trainer and an investor. And in today's episode, we're going to go through his investing philosophy because he lives the type of life that I want.

Ryan Moran [00:00:28]

He wakes up, has a free schedule. He has 3 half days a week that he works. He takes on clients or projects that he likes and casts aside everything else. And I'm craving more of that in my life. And I know that passive income and a good investing strategy is the way to get there, but I wanted to get more of the details from Justin and that's why I invited him on the podcast. But there's one other secret reason why I wanted to have him on.

Ryan Moran [00:00:56]

I've watched his personal brand explode out of nowhere. Just a year ago, he launched a book. It's a great book about passive income investing. And all of a sudden, he has clients offering him \$50K, \$500K, a million dollars to work with them. And I don't think he did anything better or different than me, but I have a suspicion that he just approached it smarter than I did.

Ryan Moran [00:01:20]

So, I wanted to hear about that side of it, too, and that's the final question that I ask him. After you listen to this episode, if you want to grab his book, it's called *The Lifestyle Investor*. You can get it on Amazon. He gives a link where you can get it for free at the end of the interview. But I hope that you use this as an opportunity to reflect on both your investing strategy and the way you're structuring your lifestyle to give you more freedom as an entrepreneur.

Ryan Moran [00:01:43]

Justin, I thought we'd kick this thing off by telling you that your book, *The Lifestyle Investor*, hit me at the perfect time because this 1st or 2nd chapter of your book, you're talking about your average day. And you wake up, go to the gym, spend some time with your daughter and your wife, look at some projects that you like. And I'm craving that right now in my life. I am ...



Ryan Moran [00:02:10]

We are growing at Capitalism.com. I'm looking at new deals for the Fund. I am moving quickly. I'm in the hustle. Right? And there's days that I love it and there's days that I want more days like your average day. So, I mean, my first question to you is, is your average day really as relaxing as you claim it to be?

Justin Donald [00:02:35]

It really depends on the season, quite frankly. I would say that ... I mean, I bookend my weekends pretty well. So, Mondays and Fridays are generally unscheduled so that I can either plan, be creative, spend time with family, friends. Generally Monday is a creative just open day. And then Fridays is a day where I'll get together with friends, I'll do a date day with my wife.

Justin Donald [00:03:01]

So, those days tend to be part of my weekend. And then I'll often cram my real work projects into Tuesday through Thursday. So, on a Tuesday through Thursday right now, I don't like to start work generally before noon. So, I'll just kind of go at it pretty hard noon to 5:00, or noon to 4:30 Tuesday, Wednesday, Thursday. And then that way, I have my morning to myself. I can get quality time with my family, get ...

Ryan Moran [00:03:29]

You work 3 half days a week, essentially?

Justin Donald [00:03:32]

Yeah, pretty much.

Ryan Moran [00:03:33]

Yeah. You're just like my friend, Brooke, working 3 half days, and I'm sitting here going all right, I got something wrong. Right? I have figured out something incorrectly. So, what are you ... As an investor, what are those 5 hours of work? What do they consist of right now?

Justin Donald [00:03:50]

Yeah, so it kind of depends on the season, right? So, am I looking to place capital? Am I looking to kind of curate content for my mastermind, for educational products, for podcasts, that kind of stuff? And so, each season is a little different, but I generally like to dedicate a day to investing, I like to dedicate a day to podcasts and mastermind content, and then I like to dedicate a day that is more strategic or one-on-one with a few of my private clients that I have.

Justin Donald [00:04:26]



So, I kind of chunk stuff together. And then, it's not to say Mondays and Fridays I don't work, it's just that nothing's scheduled so it gives me a lot of flexibility that if I feel in the moment like I'm really inspired, I want to figure this thing out, I'll do some work. I just don't want to have to work. That's my thing is I don't want to get blocked into having to be somewhere, having a whole bunch of back-to-back meetings. That stuff drives me crazy.

Ryan Moran [00:04:53]

So, where I would like to take our focus, then, is I know you have your book, you have your mastermind, you have paid clients, but those are all fairly new, in the last 18 months or so because of the success of your book. But before that, I know your whole life was paid for just with passive income. All right, and our mutual friend, Tom Burns, is exactly the same way. He chooses to work. He just retired as a doctor, but he was working for the last several decades even though he didn't have to. His life was paid for via passive income.

Ryan Moran [00:05:25]

I want to talk to you about the transition because before you were an investor, you were in the corporate world. And then in your book, you kind of jump ahead and talk about now, my day is totally different. I want to talk about that in between period, because there are a lot of entrepreneurs who are making decent incomes, who are ... Had an exit or they're spitting off cash, and they do not feel the freedom that you feel. So, where did that transition begin of you being in the corporate world, probably having a nice 6-figure salary, to making just as much, if not more, now, but passively and now able to build projects that you're actually passionate about?

Justin Donald [00:06:06]

Yeah. The irony of it all is that when ... I look at my life when I was kind of a slave to my job or a slave to my business. That's a season. That's the way I define it in my life. And it's interesting because I felt like in order to get out, I had to basically create passive income that equaled or exceeded my cost of living or my lifestyle.

Justin Donald [00:06:33]

And so, in my mind, that was the way to do it. I could be riskier and just walk and figure it out. But to me, it was like, hey, the safer play is, hey, let's just incrementally get more and more passive income and eventually I'll have enough that I can walk and it's pretty easy. What I learned pretty quickly is once I had bought my time back and I bought my freedom, just having that time, the think time, time and space to be able to create and think through, I was able to really manifest opportunities for, I mean, exponentially more income because I had that time because I had clarity, because I had ... I wasn't living in constant reaction.



Ryan Moran [00:07:18]

This resonates with me so strongly right now. It's that idea of when you are in the stress response, when you are in scarcity mode, the only thing that you can think to do is hustle through it, hustle and add more to the plate. It's like, we're behind, add more. We're behind, add more. And there's a fearful energy to that.

Ryan Moran [00:07:37]

But when you have those glimmers of space where the world is not on fire, that is where you can do creative work, good opportunities come your way that you can't see when you're just in the grind of it. So, I'm hearing you say that there was ... The transition was really once you started, then more breakthroughs started to come your way in kind of a compounding rate. Is that correct?

Justin Donald [00:07:59]

Yeah, that's completely correct. Now, what I will say is I'm glad that I did it the way I did it, because I feel like most people aren't going to just take a leap of faith. And so, it's easy for me to help people and kind of coach them along to do what I did, where you take the safe route. Hey, let's build passive income. Let's cover your mortgage, let's cover your bare minimum essential survival income. Let's cover your lifestyle and you can do it kind of in increments.

Justin Donald [00:08:27]

But if I were to go back and do it all over again knowing what I know today, I would just cut the cord immediately because the moment I had time, I was able to create so much more. And it's funny, I got lost in this bubble, this world where I was like, yeah, making good money. Look at what I'm earning compared to the rest of the world. I'm doing pretty well.

Justin Donald [00:08:46]

But my comparison really was ... It was inside of a bubble. So, I was maybe a top income earner in the thing that I was doing. But if that was the ceiling, I feel like I was really selling myself short thinking that, hey, I've got it so good. I don't want to feel like it's ... I've got to be really careful here because I'm very appreciative of everything that I've had, all the lessons, all the career opportunities. So, I'm thankful, but at the same time, it really could hold ...

Justin Donald [00:09:20]

For me, it held me back from my potential because I got comfortable being at the top of a certain bubble where once I got outside that bubble and saw this big wide open world and was



able to connect with so many other people outside that corporate world or that small business, small entrepreneurial world, things just exploded for me.

Ryan Moran [00:09:40]

And I think where you're going with this is that thinking like an investor opened you up to those opportunities. I mean, I would see this even in the ecommerce world. Somebody has a million dollar brand, somebody has a \$5 million brand. And in their world, that's king of the mountain, but it's when we start poking holes ... I have a client right now where for the last ... For the first month of working together, my number one assignment to him was you have to give your wife your phone at 6:00 PM, and she will give it back to you at 8:00 AM.

Ryan Moran [00:10:21]

That's the big breakthrough that I gave this guy, because he needs to create that space in order to have the clarity to grow this business, and then we'll work on taking the profits and investing it into more passive places so now he's got a life again. It's the only way that creative pursuits are going to come his way because I know he's drowning it out. And what I've experienced is when you have that entrepreneur start to look at investments, you start to see just different opportunities that you had blinders on to see before. And that's where I'm hearing you go with this as you made that transition from the corporate world.

Justin Donald [00:10:56]

Yeah, completely. Your eyes are open to opportunities that existed the whole time. You just didn't have the time to see them. I feel like as an entrepreneur, we're in reactionary mode 90% of the time. It's like, oh, put out this fire. This person quit. This person's got an issue. These 2 people are fighting. This client wants us to do a better deal or they're walking to our competitors. It's nonstop.

Justin Donald [00:11:22]

And as entrepreneurs, as individuals that want to level up, I think that one of the only ways, maybe the best way, is to carve out that time and that space where you're not bombarded. You interrupt your interruptions and you create at least a couple hours a week. For me, one of the greatest routines I ever created, and I started this probably close to 10 years ago at this point, is I had something called think time that I learned from Keith Cunningham.

Justin Donald [00:11:55]

And I just put it in my calendar where I turned off all electronics, I went out for a walk, I got outside. I literally got away from the stimulus of everything and just gotten to a place where I could think, I could journal, I could reflect. And some of my best ideas. It's like the comparison



of when you have a great idea when you're in the shower, right? And your brain kind of goes into that theta brainwave, and you're just kind of doing monotonous washing of the body. But then all of a sudden, you have these great ideas and you can't wait to get out. At one point in time, I was making notes in the shower because I just had the best ideas. And so it's ...

Ryan Moran [00:12:30]

Using your kids' crayons to write on the wall. So, Justin, I want to get into the specific vehicles that you use and that you're bringing people, those opportunities in your mastermind. But first I just want to share something that I did to reflect on what you just said is I am ... We're going to talk about passive income and getting there, but if nothing else, entrepreneurs, listen. I just put on my calendar and went to my team and said, look, I'm taking a 3 week sabbatical in April.

Ryan Moran [00:13:02]

In April, I'm taking 3 weeks off. I'm not going to have Slack. I'm not going to have email. I may not even text. But I am taking a true disconnection for 3 weeks. And my original thesis behind that was I have to force myself to kind of reset a bit because I've been too chaotic. But what has happened is that my entire team is saying, okay, how do we make the business run without Ryan? How do we make ... What do we do with our sales processes since Ryan is super in that? What do we do with the content? I guess we're going to have to plan content a little bit ahead further, and we're going to have our marketing plan in place and so-and-so can do it.

Ryan Moran [00:13:42]

And all of a sudden, we're building real systems that give me the capacity to be able to go, oh, now I can lead a company. Whereas before, I was just a producer. And that's how I'm hearing you right now, Justin, is you're in the corporate world, you're a producer. You started becoming an investor and buying back time and now you're a creator and a leader.

Ryan Moran [00:14:05]

And so it's not just income. It's also time. You can clear that space in multiple different ways. Where I'm at right now is clearing time. What I want to hear from you next, Justin, is how are you walking your clients and your readers through starting to carve out that space on the balance sheet to have that passive income that starts to replace the expenses on your month to month payroll or expenses?

Justin Donald [00:14:32]

Yeah. And that really, Ryan ... Well, first of all, that summary is great and I think your next point of carving out the space on the balance sheet, creating the space to actually get your money working for you, or creating the systems first for your organization that also by your time back



and can help you put other money to work, to me, I think the whole name of the game is how do you get your money working for you, or how do you get anything else other than your time working for you?

Justin Donald [00:15:04]

Unless you just love what it is that you're doing and it's completely on your schedule. You can work at it 5 hours a week to 50 hours a week, but at your call. And so, for most people, if they're an entrepreneur, they're spending a lot of their hours in the business and it's even hard to kind of create those boundaries, like you had said with one of your other clients. And I think that's imperative because you have to create the boundaries of when work can interrupt you, can interrupt your life, can interrupt the values that you have, or the family values for those that have families or people that they're dating, because otherwise those relationships are going to get crushed.

Justin Donald [00:15:42]

But inside that, those boundaries, you have to be able to have time to make a plan. How do you get your other assets working for you? Do you want to just survive on what your time produces the rest of your life? At one point in time, that's what I did and that's all that I knew. But at a certain point, I just remember working hard, grinding. I mean, I started a company from the ground up and the hours are just intense and I'm glad that I did that.

Justin Donald [00:16:07]

I'm glad for that season. I was able to figure out how to scale a company that took off. We got a series A funding, and the whole 9 yards. It's a very healthy, vibrant business. And I'm glad that I learned work ethic even in a previous business. But I remember specifically one time being in my office at 10:30 on a Friday night when my friends were out at the bars and I remember thinking, gosh, this is ... I'm okay with this right now ...

Ryan Moran [00:16:35]

This ain't freedom.

Justin Donald [00:16:36]

But this isn't and I'm going to build it. So, I'll do this today only because I know it's not going to be like this in the future and I can't have it like this when I have a family.

Ryan Moran [00:16:44]

Yup. So, tell me about the vehicles that you started pursuing to start generating the passive income and freeing up your time again.



Justin Donald [00:16:54]

Yeah. So, there are a lot of ways you can do it. I wouldn't say that there's one size fits all, there's one perfect way to do it. I think a lot of people get lost in the, I've got to pick the perfect way to create passive income. That's not it. The idea is put some money to work and you'll eventually become good at it because when your money is in a deal, you are going to be so much more committed than just the research on the front end.

Justin Donald [00:17:20]

So, for me, it was real estate because I had read a bunch of real estate books, I had some real estate influences in my life. There were people that were kind of modeling it for me. And I just really felt like if they could do it, I could too. If these people can do it and they've got a certain playbook that they use, and if I just follow that playbook, maybe I'm only 75% as good, but that's still moving in the right direction.

Justin Donald [00:17:46]

And that's 75% of my money working for me versus only my time working for me. And I always remember thinking, what if something happens to me? What if something happens to my business and it implodes and income goes away? There's a crazy pandemic, or there's a whatever and business just ceases to exist. That's not good. I really need some capital producing me income. And at a bare minimum, covering my expenses so I don't ever have to foreclose or file for bankruptcy or anything like that. I can always provide for my family. So ...

Ryan Moran [00:18:17]

And that's a very real fear for most entrepreneurs. I don't care how much money you make. I have a friend, 9-figure exit, right? Still worries, right? It's just in us, it's part of us, it's part of what drives us. So, that doesn't go away once you get the exit or once you're cashflow positive. It's there for until you have your life paid for with a basket of assets.

Ryan Moran [00:18:43]

Now, Justin, my brain goes to this strategy. I want my investments to free me up to kill it in business and I want to take my profits from business and put them into real estate syndications where I can have passive income, make 10-14%, and it'd be tax deferred and have upside. But those take often \$250,000 to a million dollar minimums to be able to be involved in those types of opportunities. What do you do in the seasons in which you're not cash rich or with the entrepreneur who just isn't in that season of their career yet?

Justin Donald [00:19:20]





Yeah, that's a great question, Ryan. So, what I would say is, number one, there are always going to be investments that are going to ... If you search, you will find investments that have a lower minimum. One of the things I do for my mastermind is I negotiate preferred terms on every deal that we do. And the first thing I go after is going for a lower minimum because I really try to get everything that I can into that \$50,000 range, sometimes a \$100,000, sometimes down to \$25,000.

Justin Donald [00:19:49]

And so, if you can have syndications and funds where you can get in at that price point, that's really good because most of them, these are like you said, \$250, \$500,000, a million minimums that we can talk down. So, with a group, you can do that. The 2nd thing you can do is you can get involved with other people. You can create an investment vehicle or an LLC where you're all partners and everyone contributes a certain amount, whatever they can contribute, ideally even amounts, but you can have an operating agreement that kind of walks through all the splits based on the capital that people put in. But that's a great way to hit minimums to be able to ...

Ryan Moran [00:20:24]

Just so I'm clear, you're saying that oftentimes one person will put together a package, people will chip in, and they'll meet the minimum that way.

Justin Donald [00:20:32]

That's right. And it depends on the group. Some groups don't like that. Some groups are bound by how many investors there are, and the number of investors, even in an LLC, is going to impact the size of their fund, where other groups, that's totally fine and they're just showing that one group on the cap table, that one entity.

Justin Donald [00:20:53]

So, each group is different, but my experience has been most people just want smart, connected people. So, my big sell to other people is, hey, work with us because we're smart money. You could go get money anywhere, but you have people with unique gifts and talents, with incredible networks that are going to provide value for you, your project, get you future investors if you let them in, so work with us. And virtually every group that I've ever looked to invest with has worked with us and has adjusted terms, even institutional opportunities where generally they say, heck no, it's my way or the highway, most of them have worked with us.

Ryan Moran [00:21:30]

So, I want to know more about these deals that you bring to your mastermind, because obviously you've put yourself in a position where you've written the book on lifestyle investing,



and now you're charging money to be part of a group for your deal flow. So, you've put yourself in a position where you've got to bring great deals in order to satisfy your members and your position in the marketplace. So, what are you looking for when you are comparing deals that you might bring to your network?

Justin Donald [00:21:59]

Yeah. So, one of the things in my book that I outline my ... The lifestyle investor has ... The subtitle is the 10 commandments of cashflow investing for passive income and financial freedom, but it's basically my 10 criteria for investing. And my 3rd commandment is find invisible deals. And these are deals that are just off the beaten path. They're deals that are off-market. They're deals that are likely not even deals except that I or someone else reached out and struck a deal, even though they were not planning to sell anything.

Justin Donald [00:22:31]

Those are the best deals because there's little to no competition. There's ample opportunity to negotiate terms. And it's really just a win-win situation. And so, a lot of these are deals that I want to do myself, anyway. I was already in the process of trying to get exposure to maybe a certain niche sector of investing that I wanted to complete my portfolio. Maybe it's in music royalties and rights, or original content, which we're working on right now with just a really unique deal with a group based out of LA.

Justin Donald [00:23:08]

And so, that is ... They weren't looking for money. This group, they were happy. They were producing good results, but we had one of our mastermind members that said, hey, I've got a relationship here. I'm just talking to them. And have you ever thought about raising money? No, no, we haven't. Well ... And so organically, it just comes up.

Justin Donald [00:23:30]

And so, we just had them present to our mastermind and it was a home run of a deal where they're willing to give us warrants on their business and a debt deal. So, you put money in, you get some sort of preferred return or some sort of cash flow, but you get some warrants on it. You get all your money out of the deal. It's pretty sweet. And we're able to negotiate ... I mean, we're still in the process of finalizing the deal and kind of tweaking the terms, but that would be an example of finding a deal that, I mean, no one else is going to get access to that.

Ryan Moran [00:24:03]

And that's pure network, right? That's pure who you knew and who you met at the right time with the skillset you had.



Justin Donald [00:24:10]

Totally. But everyone has that in their arena. Right? So, one of the things I did when I was living more of the entrepreneur life is I would start investing in companies that I knew that business well, right? So, I started a maintenance company with some friends, a rehab and maintenance company that now does work on behalf of the largest institutional owners of single family homes in the US.

Justin Donald [00:24:39]

And so, because of learning that industry and understanding it, it made it really easy for me to invest in another couple of companies, one specifically in that industry where I just had expertise. And so, I could kind of create a unique deal. It was an off-market type of deal. No one else was pitching anything. And it ended up being one of the best deals I've ever done to date.

Ryan Moran [00:25:03]

Yeah. And that is something that someone else could not have done because they didn't have your eye, didn't have your expertise. Something I've been kicking around is I want to start taking equity stakes in some of the businesses that come from my pipeline, that come from our audience. We have these businesses that are started by entrepreneurs and they have 8-, 9-figure exits, and I just charge for advice, right?

Ryan Moran [00:25:28]

I don't take any stakes in them. And so, what I want to start doing is taking my advisor fee, which is between \$50 and \$100 thousand a year, and a 10% stake in that company. I'll help them raise the capital and I'll help them meet with the agencies they need to know, but I can only do that because of 15 years of entrepreneurial experience. And everybody has that, is what you're saying. Based on your network, you can carve out the unique value that you bring and take passive stakes or active stakes that produce passive income that are unique to everybody else. And that's how you're finding invisible deals. Is that right?

Justin Donald [00:26:06]

Totally. And by the way, let's say that you don't even have industry expertise, but someone else does. I mean, if I found a way for you to make an extra million dollars a year, would you pay a percentage of that as a finder's fee? Of course you would, right? I mean, anyone ... We can reach out into our networks to find out where these opportunities are. I mean, I started years ago when I went to Tony Robbins, he would always say, yeah, I do ... Have these private clients,



and I would charge them this incredible amount, a million dollars a year plus a piece of the upside.

Justin Donald [00:26:38]

And that's what gave me the idea early on. I'm like, oh, I should probably do that, too. And so, that has been a really nice kind of addition, but it's given me a chance to kind of advise over a bunch of companies in different industries and take my knowledge and expertise, though it may not be specifically relevant to that particular industry, it's still relevant to building a business or still relevant to building out teams or recruiting or whatever it might be.

Justin Donald [00:27:05]

So, everyone has this expertise, this unique genius. And if you just market it to the right people, there may be interest. That's one way to find off-market deals. The other way is to just join groups that have that. I think either is great. And I think both are great. I think people should do both.

Ryan Moran [00:27:22]

Yes. Agreed. Now, Justin, one of your commandments in your book is get your principal back as quickly as possible. This is something that I have been bad at. Right? I angel invest or I put it into this fund and I hope it goes well. And so, I was hoping that you could speak to how you're thinking about getting your principal back when you're looking at a deal.

Justin Donald [00:27:43]

Yeah. So, it's interesting because what I find is that most entrepreneurs ... And this is a lot of people in general. Most high earning individuals, but specifically entrepreneurs, when they go to invest their money, generally they put the vast majority into their business and whatever's left over goes into the stock market. And so, they've got their money mainly in their business, a little bit in the stock market, but basically everything out of their business is riding on the ups and downs of the stock market. And then, some of them are like, you know what? I want to invest in this company and that company because ...

Ryan Moran [00:28:18]

Or Bitcoin. Or Ethereum.

Justin Donald [00:28:19]

Yeah. There's just this idea that, well, I'm an entrepreneur, therefore I know how to run a good company. So, let me invest in these companies and ...



Ryan Moran [00:28:28]

Yeah. I know what I would do in that company, so I'll invest in that because I'm good at what I do and that's what I would do in that business.

Justin Donald [00:28:36]

That's right. But it's the highest risk investing out there. I mean, your experts in this space will tell you that in order to have inadequate amount of angel investments to get a return, you really have to have about 50. And so, most people aren't investing into 50 different companies, so they're likely going to lose their money. And I remember Naval Ravikant saying ... And he's ... Most people consider him one of the best angel investors.

Justin Donald [00:29:01]

He started AngelList. I remember him saying one time, if you get one angel investment, you're a good angel investor. And if you get 2 in your lifetime, if you get 2, you're incredible. And so, I heard that and I was like, man, the odds are stacked against us. I do not want to be in that. And then I learned later, you know what? I'm okay being in that if it's a small percentage of my portfolio, because those are the home runs, but only if it's passive income that is actually kicking off those dollars to make those risky investments, so that way I'm not losing my principal that's earning me money. I'm just using the cash flow to create hopefully a home run. Who knows? It may not ever work out and I'm okay with that because of the way that I'm coming up with those dollars.

Ryan Moran [00:29:49]

And are those often debt deals then that are spitting back some cash flow and then you're riding the upside?

Justin Donald [00:29:54]

Yeah. So, some of them are debt deals. I like senior secure debt a lot. If you can take ... If you can invest or lend money to a group that will give you a nice interest rate and they will collateralize an asset, for me I'd like to see at least a 2 to 1 collateralization, taking some asset that's worth at least twice the amount, ideally even 3, 4, 5 times the amount of what I'm investing or putting to work.

Justin Donald [00:30:25]

So, if the deal goes bad, I take that asset. That, to me, is the ultimate protection. So, I love investing in debt in that scenario. There's also ... Because of ... Let's say that I invest \$100,000 dollars, but I have a million dollars in pledged collateral. Something goes wrong, I get that



million dollars. That's a great return. Right? But look how lopsided that is for the person borrowing the money. They're going to do everything in their power to not default.

Justin Donald [00:30:59]

So, it's not that I want that to happen, but I want to do a deal where the deal is so good that I like the returns but if they default, it's infinitely better. That is the deal structure for me because there's safety there. The last thing I want to do, Ryan, is I want to lose money. It takes too much work to get money back after you've lost it. You and I have both experienced this, right?

Justin Donald [00:31:24]

Any investor, by the way, is going to experience this. You will lose money. It will likely be some of the best lessons that you've ever learned. It will be horrible in the moment and it will help you make a lot more down the road if you learn the lessons. But yeah, I love debt for that reason. I love strategic operating companies and investments in businesses that are not a straight equity play. A straight equity play, again, is high risk, long timeframe. Most companies don't make it, right? I mean, the vast majority of companies fail. Okay? So, let's say you got this small percentage, 5-10% that actually make it. And how long does it take them to make it? Well, 15 years? And maybe longer ...

Ryan Moran [00:32:05]

This is especially true if we're talking early stage. When you're talking at idea stage, it's very rare that in my fund, for example, we're going to invest in something early stage. I think we have one that we did, but apart from that, it's businesses that are pacing 7-figures, right? Because now you're established, you know there's cash flow and where you can tweak things. But that idea of hitting one home run in your lifetime by just betting on something early stage, I don't like those odds.

Justin Donald [00:32:37]

Yeah. And I do like when there's proof of concept, I like when they're in growth stage, that's good to me, but still, there is a timeline of the unknown of how long it takes to ... Do they ever get acquired? So, that is always in the back of my mind. So, I like kind of negotiating exit plans on a deal. If you haven't sold by this date, we get paid back, or we're able to exit at premium, at whatever the valuation is at that time. We can get a secondary option, something like that.

Ryan Moran [00:33:10]

Yeah. Even this morning, I was thinking about 2 deals that I'm in and trying to calculate, okay, when this matures and there's an exit, what ... How much will there be? I have no idea. I'm completely guessing based on state of the market, the reports they send me, and conjecture. I



have no idea because I didn't negotiate something like that. That's a really good idea of negotiating some sort of liquidity event in the event that they don't have an exit within the timeframe that would make the most sense for you.

Justin Donald [00:33:44]

Yeah. And it's easy for them. They may want to buy back their equity, or it's easy for them probably to, if they're really growing, to get some sort of a credit line to pay that back and then it's low interest. That's a trade-off that people would make all day, every day if their business is in good shape or just taking a portion of it off the table. You don't have to take it all off the table, but you have optionality.

Justin Donald [00:34:05]

That's what I like to build in is I like optionality. My goal is to get my money back as quickly as I can because every time I get money back, I'm able to then turn it and reinvest it in something else. If I invest \$100,000 dollars in ... Let's just say I put \$100,000 into a 6 month note, maybe it's one year, I get that money back in a year. All right. I get interest during the timeframe so I have cash flow.

Justin Donald [00:34:30]

I will likely negotiate some sort of an equity upside, an equity kicker. So, I get all my money back, I still have equity. And I do that in, let's call it, 6 to 12 months. I got another deal. I invest in ... This one's an operating company. We recently bought and sold a dog training company. I know nothing about dogs, but I saw the trend of everyone during COVID buying dogs. I just knew that we had to buy something that capitalized here and we did.

Justin Donald [00:34:57]

We bought a business, scaled it, it took off, ended up making 3x on our money in a year and a day. It was incredible. But I put \$100,000 dollars into that deal. And I got that ... I set up what's called an accelerated distribution schedule. So, even though I wasn't the vast majority of equity in this deal, because I was very generous with my partner and giving them a ton of equity, I made the majority of the distributions until that \$100,000 was out. So, in about 5 months, I had my \$100,000 dollars out, but I had all my equity and I invested it into the next deal. And ...

Ryan Moran [00:35:37]

So, you structured that so you had less riding on the upside. You gave more of that to your partners, but you had the lowest amount of downside. That's how you structured it to match your 10 commandments.



Justin Donald [00:35:48]

That's right. Well, and I wanted to help my partner get out of the rat race. So, this business that we bought had a salary that the owner was taking \$75,000. And my partner was working a corporate job at \$65,000. So, if I could pull him in to run this business, he gets a \$10,000 pay raise, and I give him a bunch of equity, the guy is going to be forever out of the rat race. He'll never go back to corporate America. And he's a good friend.

Justin Donald [00:36:12]

So, that was just a total win. But you basically have the same dollars that are in 3, 4, 5 different investments, all of which have equity, all of my risk is out of the deal. I'm playing with house money in every one of them. That right there is the velocity of money where you can really exponentially get those dollars working like banks do, where it's in different places at the same time, earning multiple returns.

Ryan Moran [00:36:40]

Now, Justin, what is your relationship with debt and how do you think about it? For example, this is my house. My house is paid off. I bought it at the right time in Austin. It's done really well. It's probably my best investment over the last 5 years, which I don't usually expect, but Austin's been a super hot market and it's on the lake.

Ryan Moran [00:37:02]

And my advisors would say, you need to borrow against this and put it into real estate syndications and to ... And I'm like, I probably should. That might be optimal, but I kind of like having my house paid off. So, how do you think about debt and where does that fit into your overall strategy?

Justin Donald [00:37:22]

Well, there's a safety and security in owning your own home outright. And I get that. And I think that people, investors, entrepreneurs, whoever you are, you've got to get really clear on the concerns, the safety, the security you have in the way that you're investing. So, for me personally, I don't want to own my home outright because this is the cheapest money that we've ever seen in the history of the universe. You know? So, I want to have access to those dollars. I want to get it working somewhere else.

Justin Donald [00:37:58]

If I can get a 2.5% or 2.7%, on a 30 year fixed note, that's incredible. It does not take much work for me to beat that and to arbitrage it with the investments that I'm doing. But I also get that there's this peace of mind that you get when it's like, I can never lose my home. If I screw





everything up and I lose all my money and everything implodes, I've got my home and no one can sue me in Texas and take my home because of homestead and these different laws, which are very nice.

Justin Donald [00:38:35]

So, you always own it, but you can own it with debt and still have that same protection. The interesting thing is ... And by the way, most states don't have this protection, so people can go after it. And the more equity you own in your home, the more likely the bank is going to go out after it. So, that's what a lot of people don't know. They're like, hey, let me pay this down really fast. But let's pretend you're the bank and you have someone default on their mortgage.

Justin Donald [00:39:02]

Are you going after the person that only owns 15%, 20% equity in their home, they keep refining out so they stay kind of at that, let's just call it, 20% equity? Or are you going after the person that has 80% equity in their home? I guarantee you, you are going after whoever owns the most equity because you make the best return. You're going to take that home and you're going to resell it and you're going to get the biggest profit. So, to me, for a lot of people that don't have the protections in place in the state that they're in, it may not make sense to have their home paid off.

Ryan Moran [00:39:41]

So, in my mind, and I'm saying this because I know every entrepreneur who's listening to this is thinking the same thing, there's risk to carrying debt, right? And there's risk to deploying capital. And when you're sitting cozy with either cash in the bank or money equity in your house, or an idle loan sitting at the SBA, that is a nice security blanket, but then you're kind of double risking that by borrowing that money and investing it somewhere, unless you're really confident in your investing thesis.

Ryan Moran [00:40:17]

And that's where I think the difference is between you and even me, because I can tell you what stocks I like right now. I love dividend paying stocks, hold them forever. But when it comes to private invisible deals outside of my fund and my expertise of ecommerce, I don't know. I don't know where I would deploy that. So, what would you say to someone like that?

Justin Donald [00:40:42]

Well, I think there's a lot of pretty safe places that you can put it where you're ... Even a senior secured type of credit fund where you're earning much higher. Let's just say that you're earning 8% or 10% where you're in first position should something go wrong, or you're in an asset class



like mobile home parks that are incredibly secure. They're absolutely booming. Affordable housing is always going to be a thing in the United States. It's always going to be something that people are going to need.

Justin Donald [00:41:16]

And so, there are certain things that you can invest in where I feel like it is pretty safe, even if we have just an economic implosion. And so, I think that what you're doing is you're ... It's kind of like the idea, there are 2 different strategies when you're in debt. One strategy is you pay off the highest interest rate credit cards first.

Justin Donald [00:41:40]

The other strategy is you pay off the card with the lowest balance because it creates some positive momentum. I think mathematically, it's better to pay the higher interest rate debt down first, but maybe emotionally to create the habit, it's better to just clear something out and to feel the release of that pressure or that obligation.

Justin Donald [00:42:07]

And so, to me, your home is the same way. And if it truly gives a peace of mind where everything ... You're good no matter what and you can make decisions in your business, in your investing, in your life, in relationships that is going to be more advantageous, then by all means do that. I think that that's great.

Justin Donald [00:42:28]

If you're looking to truly maximize every dollar and get the best return on your money, then I do think it's leveraging it because you can get some pretty creative interest rates. The housing market is just going to continue to go up most likely, at least here in Austin, where every single ... Even if you have an interest only loan, maybe you did a 10 year interest only option, 30 year fixed so it's a small amount to own it, but every single month it's appreciating in value, so you're actually gaining equity on that investment. So, there are a lot of different ways to look at it, but I don't know that one is right or wrong. I think it's more temperament and comfort and kind of where you're going to operate from the best place.

Ryan Moran [00:43:13]

Justin, the way I want to wrap today is by asking you about the business that you've launched in the last 12 to 18 months, because from what I can tell, you're released a book, book did okay, you parlayed that into a multi-million dollar business without having previous authority or a podcast or 100,000 YouTube subscribers. And I watched you do this and was like, heck am I doing wrong? You just seemed to come out of the gate guns a blazing with influence to the



right people and connections. And it seemed like it happened in no time. What the heck happened?

Justin Donald [00:43:51]

You know, it feels a bit surreal, without a doubt. I mean, when I wrote the book, I wasn't sure if there was going to be market demand. What are people going to want? Is this relevant? And it certainly is. I think we've sold somewhere between 50,000 and 60,000 copies of the book now. And it's just, I mean, every month it's going strong.

Justin Donald [00:44:14]

And in addition to that, all the proceeds of the book go to Love Justice International, which is an organization that fights human trafficking in 24 countries, 25 countries around the world. And so, I feel like there's a financial education piece, but there's also this true freedom piece to it with the proceeds. And so, maybe there's something there that is just kind of the perfect storm, it's just the right timing. But I think that people are getting fed up with realizing ...

Ryan Moran [00:44:52]

No, no, no. I want to hear the business strategy behind this. You wrote the book, and then there's ... You have a mastermind that comes out of nowhere. You have authority, and it was like, there had to be a business plan behind this.

Justin Donald [00:45:06]

Well, the business plan was I just saw most people write a book and then they ... And then what they want to do from that book is they want to then do some sort of a course or a gadget, and then they want to do something else. And each thing is a higher ticket and it just keeps growing and growing until you have this top of the pyramid thing.

Justin Donald [00:45:27]

And I was like, well, what if I just flip it upside down? What if, instead of doing all this stuff, I just go right to the top and I say, why don't I just coach people? I've been coaching people in some way, shape, or form for about 20 years. I probably transitioned more into financial coaching about 10, 15 years ago. I've done all kinds of real estate coaching. And at a certain point I was kind of coaching and consulting entrepreneurs on how to scale their business.

Justin Donald [00:45:58]

But I would always find that where I would spend the most time is, what are you doing with the profits? Why do you put all the profits back into your business? Let's siphon off some of these profits and do some passive investing. And so, I just got a lot of joy out of that, and I kind of



got bored of the whole scaling business thing. So, I ditched that about 5 years ago and really just focused on the financial piece of it for entrepreneurs and executives.

Justin Donald [00:46:22]

And so, I figured I had a bunch of people, and when I would do consulting with companies, they pay me \$250,000 to come in and work with them for a year. So, I said, well, why don't I see if I can find a high level executive, a high level entrepreneur, and instead of have their business do this, why don't I just coach them on their finances and then they can just pay me \$250,000?

Justin Donald [00:46:45]

And I wasn't sure if people would be interested, but they were. And the first people I talked to, every one of them was like, oh yeah, I'm in. And then, I was able to help them make some really sizable returns. And so, they just kept renewing. And so, I increased my prices to \$500,000 per year. And then all the way up to a million a year, depending on ...

Ryan Moran [00:47:06] [00:47:06]

One client pays \$500 to a million dollars? [INAUDIBLE 00:47:09] the finances.

Justin Donald [00:47:09]

Yeah. All paid in full for a 1-year contract. And I deconstructed from there the overflow that happened. So, I had a wait list of clients that wanted in. And so, you were talking earlier about some of your 9-figure exit clients. And I mean, this is really my world. This is who I work with on a pretty regular basis where there's so much paralysis. It's like, you had this huge exit, but there's no time to celebrate because now you have to ... All this lifestyle expense, a million to \$2 million a year that they were living on that they've got to figure out how to get it because they're dipping into their money and then there's taxes, and then they get divorced.

Justin Donald [00:47:50]

Then they only have. Inflation. They make bad investments. And then all of a sudden, I've got one person that I worked with that had a 9-figure exit that basically came to me with \$20 million left. And so, we were able to work this individual back to just having an awesome lifestyle on that amount. So, really the idea was, why don't I just start at the top? And then there was so much demand for that coaching, and then there was demand, maybe not at that price point where people said, hey, I want some ... I want your information, but I'm not at that price point.

Justin Donald [00:48:27]



And so, that's where we rolled out the mastermind and we just opened it up to anyone that wanted to join. And it's still a high price point. It's still \$50,000 a year, but my goal was to really just cap it. So, we got to 100, I capped the group, and it's just an unbelievable group. And recently, the founding members were like, hey, open it up. We've got some great people, just bring them in. And we've recently let some more people in, but we've got a 50 plus person wait list for the mastermind at this point.

Ryan Moran [00:48:57]

Wow. Justin, this makes me feel like I've done it all wrong. I've done everything wrong up to this point. I should have gone after just ... I'm now like, oh, we built this profit center and this profit center. Now I'm like, I want to carve out my 10 clients who pay me \$50 to \$100K a year and take 10% of their business. If I had written my book with that entire thesis, I'm going to take 10 people at \$100K and take 10% of their business, I'd have the same life that you have, Justin.

Justin Donald [00:49:25]

Well, the goal, again ... And by the way, I think you've done incredibly well. And just, I mean, what a blessing of a life you've lived and so much more in front of you. But for me, I just didn't want to build another job. And even at times, I can see it creeping in where I could become obsessive. I could ... I know at heart, if I didn't have a family, I could still charge 100 miles an hour, but I fight against that because I know that's not best for me. It's not best for my family.

Justin Donald [00:49:54]

And so, I figure if I'm working with just a smaller percentage of people, but really right fit people. I mean, it's a pretty hard interview and application process to get in. I mean, we take ... I mean, I'm still getting anywhere between 500 and 1000 emails a week on our programs and products right now and we're past a year after the books launch.

Justin Donald [00:50:17]

So, it's kind of just had a mind of its own, but it's really been a blessing to see just so many like-minded people that want to make a change that are willing to go all in. And the network, I've spent all my adult life trying to find the smartest, sharpest people. What mastermind do I join to get access to these people? I've been part of tons of them. I'm still part of Tiger 21. But this group that we've assembled in the lifestyle investor mastermind is by far the most impressive room or group of people I've ever been around.

Ryan Moran [00:50:56]



Well, Justin, so, nobody can pay you because you're full. So, where would be the best place for people to get a taste of your insights on this?

Justin Donald [00:51:05]

Yeah. So, if you want to learn more about the programs that we have, if you go to JustinDonald.com, I've got a bunch of stuff there. I've got a blog, I've got a podcast. So, plenty of free stuff. I've got an online course. I just launched a mobile home park masterclass. I've got a 1-day kind of passive income master class.

Justin Donald [00:51:27]

And then, the mastermind, there's a big section on that with a pretty in-depth application. I mean, we go through some pretty heavy financials and vetting on it, but for anyone that's interested, they could fill that out and they can check that out. And anyone that's interested in the book can go to ... For your audience, they could go to LifestyleInvestorBook.com and I'll give them a free book. They just pay for shipping.

Ryan Moran [00:51:50]

Great to see you, my friend. Thanks for hanging out with us.

Justin Donald [00:51:52]

And real quick, I just want to give a plug to you. I want your audience, your listeners, those who watch you to know how impressive you are. Not only are you a great interviewer, but I have personally watched your journey. I've personally attended your conferences, your capitalism, just everything. I am very impressed with you, what you've built, the people that you associate with, the content that you create.

Justin Donald [00:52:20]

So, just from friend to friend, I mean, we obviously go beyond just kind of the business stuff at this point, but I want your audience to know how impressed I am with you and the value that you are bringing them. And so, if any of them ever get a chance to attend your stuff, they should.

Ryan Moran [00:52:36]

Thanks so much, man. From somebody that started as a friend before we talked about any business, that means a lot to me. Good to see you, my friend.

Justin Donald [00:52:44]

You too.



Chris Van Loan [00:52:45]

And now, a quick word from Greg, one of our members in The One Percent.

Greg Johnson [00:52:50]

My wife and I own a company called The Little Catholic Box. It's a curated quarterly subscription box targeted to Catholic women. I did not expect this business to change my life in the way that it did when we started it. I feel like what I'm doing now is more than just revenue generation. It's actually purpose-fulfillment. The message that Capitalism.com shares, it has really affected this change for me.

Greg Johnson [00:53:25]

So, not just owning the business, but being mentored by this team, this group of people has helped kind of brought me around to a new way of thinking about everything that I do. This is a team that has done this repeatedly with multiple other brands. So, if you want to just accelerate everything, how much is that worth? If you can double your business in 12 months, instead of growing 20%, how much money is that? If you can 10x your business in 3 years instead of going 20% a year, how much are you leaving on the table by doing it the slow and hard way by yourself?

Greg Johnson [00:54:08]

This community has been transformative, not only for our business, but for my personal life as well. And I can't thank Ryan and his team enough for what they have helped me to accomplish so far. It's a lot more fun when you know you have support, you know you have a plan, and you know you have a community to string you along.

Ryan Moran [00:54:30]

If you found value in this podcast and you're ready to go deeper, here are 3 resources where we can help you. 1, you can grab my book, 12 Months to \$1 Million on Audible or Amazon. It has over 1000 reviews and it's the playbook to building a 7-figure business. 2nd, you can join our community of entrepreneurs who are following a plan to build a 1% net worth by building businesses and investing the profits. You can get plugged in at [Capitalism.com/1](https://capitalism.com/1). And 3rd, if you're looking to go deeper and build a 7-figure business that you can sell, you can work closely with us inside the Capitalism Incubator, and you can get on the waiting list and find out what we do over at [capitalism.com/inc](https://capitalism.com/inc). That's [capitalism.com/inc](https://capitalism.com/inc).