

## **Create Your Own Cash Flow Generator!**

### **Article 4 of 6**

**by Doug Ottersberg, ACM, MHM**

As a new investor, I was told there were many things I must learn and many disciplines that I must master to become wealthy. Two of the most important concepts I learned, while simple to comprehend, are also the hardest to master for many investors. After having spent the last dozen or so years utilizing them, I can say whole heartedly that all investors would be wise to incorporate them into their own philosophy:

1. Get something working FOR you, other than YOU;
2. Some part of each days work should benefit you in the future

I was told that when I mastered these two concepts, not only would I become wealthy, I would become something that most people only dream of: financially independent! Now that's what I wanted to hear! How about you?

Smart investors have many tools at their disposal with which to take advantage of opportunities as they arise. One of the tools that I found to be especially useful in order to utilize the two concepts I had learned was the manufactured home market, as well as manufactured home communities. No matter where you live, what your area of specialization, and despite what you, your friends, the media, and the public at large may think about this particular housing product, there are six excellent reasons you should consider investing in the manufactured home market.

### **Six Reasons to Invest in Manufactured Homes**

1. Affordable Housing in High Demand
2. Niche Market
3. Lower Entry Cost
4. Excellent Cash Generation
5. Fantastic Returns
6. Grow Your Own Customers

#### **"The Ticket"**

At the time I learned these two concepts, (let's call them "the ticket" because the initials of "the keys to financial independence are "tktfi," which looks like the word ticket. Ok, *sort* of!), I was self employed. Though I made "ok" money and lived comfortably, I realized that I was not in possession of "the ticket" and I had to do something about it! I became a man on a mission!

After reading vast numbers of books and after many hours of seminars and workshops, I found that investing basically boiled down to activities that produced two kinds of cash flow, which reminded me of peanut butter. Yes, peanut butter! (I know, my mind works in mysterious ways!)

Some investors spend a lot of time pursuing investments using the “buy and sell” strategy, which produces “chunks” of cash. I call this “chunky” cash flow, like chunky peanut butter. While this is a great way to generate income, and I believe everyone should include some “chunky” in their investment diet, the diet must be looked at carefully. If we want “the ticket”, we must ask ourselves:

1. Does this investment get something other than me working for me? Unless you get to the point where you have someone else doing the work for you, you still must work to produce the next chunk. Also, if you don't put the *money* to work, (it's a “something” isn't it?) you must continue to work producing chunks. With the anemic rates offered by institutions (banks and such) it takes a lot of really big chunks in order to earn enough income to be financially independent.

2. Will some part of today's work be of benefit to me in the future? Most people get a chunk of cash and they spend it, then they need to create another chunk, and the cycle repeats. Through my studies, I also came to realize that some investors' activities produced streams of income that “smoothed out” their cash flow between the chunks. This smooth cash flow completes our peanut butter analogy—smooth and chunky!

In order to produce the smooth cash flow, these investors had to make sure that whatever work they did today would continue to be of benefit to them in the years to come. They needed to be sure that the fruits of their efforts would continue to work so they wouldn't have to if they chose not to!

I came to realize I needed a two part investment plan. I needed to learn strategies that would produce chunky cash flow. I also discovered that most smooth cash flow is produced utilizing the strategies of buy and hold, or buy and control, so I would need to learn those as well if I wanted “the ticket.”

After investigation, I found that investing in manufactured homes was just the thing to obtain “the ticket!” I explained in Article 3 how a typical manufactured home

investment program works. Whether we sell for cash or on terms and get a down payment, we produce our chunky cash flow which we use to cover our overhead and for reinvestment. In our area, down payments of \$3,000 to \$4,000 are average. With the national average salary somewhere around \$40,000 a year as of this writing, just *one* deal per month will produce about as much income as someone working a full time job brings in after taxes.

Great, so we get some chunky cash. What about our smooth cash flow? And, does it satisfy the criteria to get "the ticket?" It sure does! When I buy and sell a manufactured home, not only do I produce some chunky cash flow, when I finance the sale, I have just created an investment that works for me for as long as the term of the note. And believe me, those payments coming in every month start to add up quickly. After awhile, it's not difficult to create a spread on the cash flow coming in from a portfolio of notes (the difference between what you are collecting and what you are paying out to your investors) of \$10,000 per month or more. In addition, the work done to create that investment doesn't have to be repeated for that particular investment, so it will be of benefit to me in the future, on average seven to ten years. Of course, like everything, the work doesn't just stop when the deal is done. It's work to *maintain* the smooth cash flow, however it's work that the cash flow can pay someone else to do if we want! (And believe me, I want!)

Of the many benefits offered by investing in manufactured homes, their ability to produce awesome cash flow has become legendary among those investors that are "in the know." You like it smooth, you've got it! You like it chunky, you've got it! In fact, the nickname "cash cow" has pretty much been stuck on anything to do with this business. I never thought I would be a rancher!

Anyone that desires to create great cash flow for their investment program would do well to make manufactured home investing a part of their program.

In the next article, I will take a look at the fantastic returns provided by investing in manufactured homes.

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