Business Partnership Evaluation System
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Tools:

• Personality, Competency & Self-Evaluation Worksheets

You Will Be Able To:

• Decide if a Partnership is the Right Fit For You
• Evaluate and Make Well-Informed Decisions on Candidates for Your Business Partnerships
• Understand and Implement the 10 Steps to a Successful Business Partnership
Introduction

As a real estate investor, you are only as strong as the team with which you surround yourself. The investor who assembles the best teams with the strongest contributing members are always the most successful. It is VITAL that you surround yourself with the right people, as it WILL directly determine your level of success, income and happiness. The decision to go into a real estate investing business with a partner is a big decision. In fact, I believe this is an area in which investors - especially beginning investors, often make quick decisions without giving it the proper strategic thought it demands.

Now don’t misunderstand me here. As a real estate investor, there are many great advantages to partnering, which we will discuss in detail. Partnerships can be the building blocks of a business, especially in the world of real estate investing. Your business can actually flourish tremendously by means of a partnership. I have two fantastic business partners, and collectively we own and operate seven different businesses together. It has been one of the greatest joys of my life to work with two of my closest friends.

However, there are just as many risks, obstacles and complexities that should be taken into consideration before making the decision to go into a business with a partner. Selecting the wrong person as your partner is, in my opinion, the fastest road to disaster.

My goal in creating this system is to help you make the best decision for you and your business. You may find that a partnership is not the right fit for you, and decide to remain the sole entrepreneur in your business. But if the option to partner is on the table, or if you feel that finding an ideal partner would be the best option in achieving your real estate goals - then the FortuneBuilders Business Partnership Evaluation System will equip you and your business with the tools needed to make educated, well-informed decisions on potential candidates for business partnership.
Building a Business Partnership That Lasts

In This Section, You Will Learn:

• Potential pitfalls to avoid when selecting a business partner
• How to create a winning business partnership

Is a Partnership the Right Fit For You?

I like to compare a business partnership with a marriage. Before a couple gets married, more than likely they spend months and sometimes even years dating and getting to know each others’ personalities, dreams and goals. Once the couple is comfortable and ready to emerge into the next phase of their lives together, they make the ultimate decision to get married. If you think about it carefully, the same holds true for business partnerships. In a partnership, it’s equally important not to rush and commit without adequately getting to know your “partner” and weighing all the options. Just like a good marriage, you want your business partnership to last.

Creating a Winning Business Partnership

There are three main reasons you should consider a particular business partner candidate:

1. He or she has ample business experience and a great track record.
   Perhaps the individual has previously formed a business (not necessarily real estate related), and he or she understands the concept of utilizing leverage. Personally, I would rather partner with the individual with business experience, than with someone who is the “top real estate agent” as an example. I know that businessperson would understand how to grow and scale our company, and bring added value to the business.
2. **You feel personal enjoyment working with and just being around him or her.**

Your quality of life is enhanced greatly by working with this individual – it could be a good friend or family member. Based on my experience, working with close friends and family can create great joy and satisfaction in life. Often, when working with friends and family, money and success does not equate to knowing that you all are working toward similar goals and you truly enjoy what you do and whom you work with.

3. **That person pushes and challenges you to be the greatest person you can be.**

This individual is eager to help you grow – both personally and professionally, challenging your ideas and the way you think. This partner would be a positive influence on your business and your life in general.

**Should I have a short term or long term partnership?**

When beginning your search for a partner, it is highly unlikely that you already know very much information about him or her; so it’s important to act wisely and not jump into anything long term right away! Just because two people may immediately “click” and get along great, it doesn’t necessarily mean that they would be compatible as partners. Don’t rely on your “gut” or how great a specific deal sounds.

If you do make the decision to partner with someone on an individual real estate deal, it’s important that you DO NOT start making long-term partnership decisions right away. Should they present you with a short-term deal - but then desire a long-term partnership with you somewhere along the way, don’t just give in on a whim!

You can say something similar to this:

“I’m happy to do this first deal together, but I want you to know that I typically work by myself as an entrepreneur and don’t consider this to be a long-term partnership right away. Let’s see how this first deal goes and if all goes well, perhaps we can do a few more deals as a way to test the waters - then discuss the possibility of additional long-term partnership opportunities in the future…”

A long-term partnership should only be considered when both you and your potential partner have separately been involved in multiple successful transactions and you both have a good track record. It simply isn’t wise to heedlessly jump into a long-term partnership with someone with whom you’ve never done a deal.

**Example Deal Structure for the Short Term Partnership Deal**

Let’s take a glance at the breakdown and structure of an individual real estate deal. This is something that many people really don’t think about, but it’s important to understand your options and alternatives when it comes to your actual time on a specific deal; and of course, this is based on your experience.

The example graph below clearly labels the main aspects of a typical rehab deal. In my experience, it typically takes about 10% of time finding the deal, 10% of time dealing with the general contractor, 10% managing the sale of the property, 20% is spent dealing with funders, and 50% is spent actually managing the project.
Keep in mind, there's no perfect number or set percentage – these are just estimates. I simply wanted to offer you a brief glimpse into how deals are generally structured. The actual percentage of time spent will depend on the type of deal and the circumstances surrounding that deal.

**Reasons Why You Shouldn’t Partner**

In my years of experience in real estate and partnerships, I've found that the two most common reasons people engage in business partnerships is attributable to what I call the “2 F’s” – *Fear and Friendship*. Many inexperienced real estate investors are typically fearful of launching their businesses on their own; and because of their self-doubt, they want someone to assist them, holding their hand and walking them through the business. When a person makes a huge decision based on fear and insecurities, it typically doesn't work out very well for them.

Going into business with a friend can also be especially tricky. Your basis of overall judgment of that person varies greatly from that of your average colleague. There is great chance of your opinion being subconsciously biased, and you may be more susceptible to giving them the benefit of the doubt. You wouldn’t call them “friends” if you didn’t trust them, right?

The reality is that your friendship is an entirely different entity from your business; and as such, it may require you to be even more critical in your assessment of your potential partner who is a friend. You will have to thoroughly reflect on your experiences with this person and determine whether they're impartial and sensible in their everyday operations and negotiation. Have they shown respect for others, regardless of their personal feelings toward these others? How do they deal with conversations that are religious or political in nature?
Nonetheless, putting the “2 F’s” aside, there are other numerous reasons that seem harmless and logical – but are ultimately reasons NOT to partner with a particular individual:

1. They also enjoy real estate
2. General contracting experience
3. Real Estate Agent or Mortgage Broker
4. They have done deals in the past

We’ll go through some of the biggest mistakes that start-ups can make and figure out how to improve your chances of success.

**Partnership Failure:**
**Reasons Why Partnerships Fail**

Over the years, I have been involved in numerous partnership deals. Many times, I’ve had very successful partnerships, but I’ve also had those that have failed. Why did they fail? What was the difference between these partnerships and those that were successful?

My partnership failures happened because I didn’t have the knowledge or receive the proper education, and I wasn’t smart about the partners I chose. Many of these dissolved partnerships could have been prevented if enough time and effort were put forth at the beginning.

Keep in mind that this is not a decision to be taken lightly. The right partner could be the key to your business’ longevity; whereas the wrong partner has the potential to lead to its downfall. We are talking about thousands, hundreds of thousands and even millions of dollars to be won or lost. With such incredible stakes on the line, how do you go about determining a right partner from a wrong partner? Unfortunately, it is not as though these potential partners are walking around with badges or signs identifying their business compatibility with you. Since that is not the case and identifying the right and wrong business partners isn’t that easy, we must do a bit more work to narrow down the field.

Avoid the potential pitfalls and consider the following list of common reasons behind partnerships failing:

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**Remember!**

*NEVER make a partnership decision based on Fear or Friendship!*
### Are You Compatible With Your Partner? Ask yourself these questions:

- Do we have the same motivation, key values and a similar work ethic?
- Do our goals for the future coincide, and if so, are our visions for attaining these goals similar?
- Do our strengths complement one another?
- Are we both able to communicate well, respectfully, and in a comfortable manner?
- Based on your knowledge, do you trust this individual?

<table>
<thead>
<tr>
<th>1. Unequal Roles &amp; Responsibilities</th>
<th>7. Different Attitudes</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Poor Planning</td>
<td>8. Unequal Commitment &amp; Value</td>
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<tr>
<td>3. Lack of Communication</td>
<td>9. Differences in work ethic</td>
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<tr>
<td>5. Personality Conflicts</td>
<td>11. Knowledge &amp; Belief Differences</td>
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<tr>
<td>6. Incompatible Strengths &amp; Weaknesses</td>
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Business Partnership Evaluation System

10 Steps to a Successful Business Partnership

In This Section, You Will Learn:
• How to choose a business partner who will complement your strengths and weaknesses
• Whether or not you’re compatible with your partner
• How to legally protect yourself in your partnership

Step 1: Conduct a Self-Evaluation

The first step to any successful business venture is to conduct an honest self-evaluation in which you assess your own strengths and weaknesses with a critical and impartial eye. Self-evaluations are created to assist you in taking an unbiased look at your development, progress and to help in determining the specific areas of your life and your business that need improvement.

Self-awareness is imperative to becoming a well-rounded person, capable of effectively communicating, reaching personal goals and being a successful leader. Once self-aware, you can have a heightened awareness of others. It is through your self-evaluation that you uncover your personal strengths, weaknesses and overall goals and desires.

However, as beneficial as it is, there is really no sense in conducting a self-assessment if you aren’t completely straightforward. So, how do you truthfully uncover your strengths and weaknesses? First and foremost, you must fight the impulse to embellish your achievements or omit any challenges you may have -- you must be totally honest.

As it pertains to your potential partner, it is equally important to make sure that he/she conducts a thorough self-evaluation as well. In most cases, you will have similar goals paired with offsetting strengths and weaknesses. The benefit of having a partner lies in the fact that they are able to support you in the areas in which you are weak and vice versa; so going through this process will enable you to foresee where potential partnership pitfalls lie, ultimately allowing you to address those issues upfront with an action plan.

As you start to jot down your strengths and weaknesses, remember give an HONEST evaluation of yourself!
My Top 5 Business Strengths:
1
2
3
4
5

My Top 5 Business Weaknesses:
1
2
3
4
5

If you have any hopes of achieving your goals in life, it is crucial that you not only have a working knowledge of your personal capabilities and shortcomings, but that you also select areas in which your strengths are at the forefront – while simultaneously keeping your shortcomings to a minimum. From there, take an optimistic approach in trying things that will improve your strengths. In these areas, you can achieve anything if you commit yourself to it.

Step 2: Complete a Personality Profile

One of the most important aspects of having a successful real estate business partnership is having a better understanding of yourself and your potential business partner. Knowing your dominant personality type will help you understand exactly what you need in a business partner. Your objective here is to uncover two variables: how assertive that individual is, and what his or her natural tendencies are.

Subsequently, understanding your potential partners’ personality type will help you learn how to address and motivate them in the language with which they can identify. This particular way of thinking is called “Emotional Intelligence”. Emotional intelligence is the ability to observe, manage and control your emotions. In other words, it is knowing how to appropriately react to and connect with others regardless of the circumstance. Individuals who are emotionally intelligent have the ability to control their feelings and act calmly and rationally in even the worst of situations.

With regards to personalities, two people with different personality types cannot be approached or addressed in the same manner. The key is learning to understand and communicate with others in a way that speaks to their specific personality. As it relates to partnerships, you should identify skill sets and dominant personality
types that are different than yours -- you want an even balance between the two of you in your business.

Fill out and complete the personality profile on the next page to determine which of the four personality categories fits you the best. The assessment is a useful tool to show where you are now, and provide ideas on how to adapt to future situations. The key thing to keep in mind is that no one personality type outshines the other or is preferable to the other; for we all complement each other in different ways.
## Personality Profile Sheet

On a scale of 1 to 5, please rate yourself using the profile, and then add up your score and look at which category you have the highest number of points.

- 5 – This is definitely me
- 4 – This is most like me
- 3 – This is moderately like me
- 2 – This is moderately NOT like me
- 1 – This is not like me at all

<table>
<thead>
<tr>
<th>Score</th>
<th>Category 1</th>
<th>Score</th>
<th>Category 2</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mathematical</td>
<td>Hard driving</td>
<td></td>
</tr>
<tr>
<td>Analytical</td>
<td></td>
<td>Commanding</td>
<td></td>
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<tr>
<td>Methodical</td>
<td></td>
<td>Fearless</td>
<td></td>
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<tr>
<td>Judgemental</td>
<td></td>
<td>Cynical</td>
<td></td>
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<tr>
<td>Detailed</td>
<td></td>
<td>Courageous</td>
<td></td>
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<tr>
<td>Realist</td>
<td></td>
<td>Authoritative</td>
<td></td>
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<tr>
<td>Conscientious</td>
<td></td>
<td>Bold</td>
<td></td>
</tr>
<tr>
<td>Systems orientated</td>
<td></td>
<td>Competitive</td>
<td></td>
</tr>
<tr>
<td>Non-risk taker</td>
<td></td>
<td>Decisive</td>
<td></td>
</tr>
<tr>
<td>Always on time</td>
<td></td>
<td>Venturesome</td>
<td></td>
</tr>
<tr>
<td>Punctual</td>
<td></td>
<td>Organizer</td>
<td></td>
</tr>
<tr>
<td>Neat freak</td>
<td></td>
<td>Risk Taker</td>
<td></td>
</tr>
<tr>
<td>Slow paced</td>
<td></td>
<td>Bottom line is important</td>
<td></td>
</tr>
<tr>
<td>Prefer security to prestige</td>
<td></td>
<td>Want others to get to the point</td>
<td></td>
</tr>
<tr>
<td>Not overly excited</td>
<td></td>
<td>Organized messy person</td>
<td></td>
</tr>
<tr>
<td>Checking account always balanced</td>
<td></td>
<td>Prestige and status very important</td>
<td></td>
</tr>
<tr>
<td>Clothes hung up at night</td>
<td></td>
<td>Fast to decide</td>
<td></td>
</tr>
<tr>
<td>Think everything through</td>
<td></td>
<td>Love a challenge</td>
<td></td>
</tr>
<tr>
<td>Enjoy being alone</td>
<td></td>
<td>Prefers other to pick up after me</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL POINTS</strong></td>
<td></td>
<td><strong>TOTAL POINTS</strong></td>
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<thead>
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<th>Score</th>
<th>Category 3</th>
<th>Score</th>
<th>Category 4</th>
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<td>Amiable</td>
<td>Expressive</td>
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<td></td>
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<tr>
<td>Passive</td>
<td>Overflowing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unhurried</td>
<td>Talkative</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sensitive</td>
<td>Promoter</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kind</td>
<td>Dreamer</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cooperative</td>
<td>Very social</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Warm</td>
<td>Hospitable</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Patient</td>
<td>Trusting</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Steady</td>
<td>Fun loving</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dependable</td>
<td>Optimistic</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-judgmental</td>
<td>Enthusiastic</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-risk taker</td>
<td>Like to take risks</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Usually on time</td>
<td>Often late</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indecisive</td>
<td>Messy would describe me</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Avoids conflict</td>
<td>Throw my clothers off at night</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Slow to make decisions</td>
<td>Likes excitement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Frequently changes my mind</td>
<td>Friendships are very important</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Value others opinions</td>
<td>Recognition is important</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prefer security to prestige</td>
<td>Not into the details</td>
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Step 3: Determine Your Dominant Personality Category

Now that you've completed your personality profile, it's time to determine in which of the four categories you are most dominant. If you find that you identify with personality traits in multiple categories, don't worry. Truthfully, many of us (myself included) don't fit squarely into one group or another. And that's OK. People have a tendency to change and adapt to various situations - rarely do we spend our entire day in just one category. Nevertheless, personality profiles are very useful in classifying behavior. In doing this, we can become more effective with the other person, and better understand their behavior and leverage strengths.

Let's take some time to talk about each personality type and the meaning of each.

**CATEGORY 1: THE ANALYTICAL**

The Analytical personality types are usually polite but reserved. They are known to be diligent, persistent and cautious. Very fact-oriented individuals, the analytical personality types' concentration is on precision and perfection, paying close attention to the smallest of details. But this quest for perfection can be a weakness if driven too far. Other weaknesses include being withdrawn, solitary, quiet and even brooding at times. Analyticals are not heavy risk-takers. In fact, they may seem hesitant at times to make a decision – which is due to their need to fully evaluate all of the data.

Analyticals are similar to driver personality types in that they show little to no emotion. However, unlike the driver or expressive personalities, analytical personalities are much slower in making their decisions and give them much second thought.

Traits of an Analytical Person
- Highly detail oriented people who like a full presentation from A to Z
- Takes time to decide and can have a difficulty making decisions without ALL the facts
- Can tend to be pessimistic in nature
- Great with data and information and are yet again, driven by FACTS
- Very perceptive, but tend to be highly critical people
- The very best engineers, scientists, and accountants come from this group
- Mistakes are not allowed (Yours or Theirs)
- Security is more important than prestige and status
- Likes order and is more neat, very time conscious
- Business first, then social
10 Steps to a Successful Business Partnership

When communicating with an Analytical person, be sure to:
- Focus on the task
- Be systematic, thorough, deliberate, and precise
- Provide analysis and facts, and use lots of evidence
- Expect to answer many “how” questions and to repeat yourself
- Recognize and acknowledge the need to be accurate and logical
- Do not rush unnecessarily, and allow time for evaluation
- Compliment the accuracy of the completed work.

CATEGORY 2: THE DRIVER

The Driver personality type is strong-willed, direct, forceful and decisive. They are often high achievers unopposed to risk taking. The Driver isn’t one to sugar coat his or her views and tends to be highly persuasive. People falling into this category can be sometimes easily perceived as controlling and even domineering. Like the analyticals, Drivers are very task-oriented and show little to no emotion. Conversely, Drivers make their decisions quickly and forcefully.

Drivers are not troubled by the process of getting tasks accomplished, but rather the task itself and what can be expected as a result of said task. They are fully aware of what it is they want and are afraid to tell no one. With some Drivers, weaknesses also include insensitivity, impatience and little to no time for social formalities and pleasantries. At times, Drivers can come off as harsh and overbearing.

Traits of a Driver
- Objective-focused. They love to take action
- Know what they want and how to get there!
- Communicate quickly, gets to the point – what’s the bottom line?!
- Can be an “ends justify the means” type of person
- Very courageous, hardworking, high energy does not shy away from conflict
- Drivers are motivated by their ability to WIN
- Quick to make decisions, fast paced and is neatly messy
- Results oriented and needs to control a situation
- Prestige and status are more important than security
- Business first, then social
- Drivers make for great athletes, military personnel, politicians, sales team leaders and CEOs

When communicating with a Driver, be sure to:
- Focus on the task
- Talk about expected results
- Be businesslike and factual
- Provide concise, precise, and organized information
- Don’t waste time or argue details
- Provide options
 CATEGORY 3: THE PEOPLE PLEASER

The People Pleaser is a loyal, dependable and hard worker who will undoubtedly persevere long after others have quit. Cooperative and team players by nature, they are very easy to work with. People Pleasers are sensitive individuals and good listeners who try to avoid conflict. They function best in a calm and stable atmosphere, and actually tend to have calming effect on others around them.

Their weakness lies in their indecisiveness and overall incapability to take risks. Too frequently, People Pleasers have their attention placed on others. They can be passive and find themselves conforming to another’s will. They are too nice and compliant; and as a result, they can be slow and many times unwilling to speak out for themselves. People Pleasers love consistency and cooperation, and react negatively to change and disarray.

Traits of a People Pleaser
- Kind-hearted people who generally avoid conflict
- Can blend into any situation well. They love to “relate” to people
- Can appear wishy-washy and have difficulty with firm decisions
- Highly sensitive and emotional
- Most often loves art, music and poetry
- Make decisions based on feelings
- Can be quiet and soft-spoken
- Security is more important than prestige and status
- Wants protection and peace
- Social first then business
- Often found in a supportive role - they may start off as nurses, secretaries or assistants

When in communication with a People Pleaser, be sure to:
- Be relaxed, agreeable and predictable
- Be logical and systematic
- Create a plan with written guidelines
- Be prepared to answer “why” questions
- Agree clearly and listen often
- Don’t push and don’t rush - maintain the status quo
- Compliment him or her as a team player

 CATEGORY 4: THE SOCIAL BUTTERFLY

The Social Butterfly is an appealing, accepting and verbally skillful personality. They are generally compassionate toward others and can be highly persuasive. These are most definitely relationship-oriented personalities. Other strengths are the Social Butterfly’s diplomacy, zeal and capability to motivate others. They love to be a part of the group and are always ready for something fresh and stimulating.
But on the other side of the coin, they can be impatient and can behave irrationally. They are prone to generalize situations and deliver verbal conflicts. Social Butterflies have a need to be appreciated and acknowledged and love to be in the spotlight. As a result, they share information and life experiences at the drop of a hat. They take pleasure in admiration and recognition of their efforts while they are highly upset by isolation and lack of attention.

Traits of a Social Butterfly
- Natural salesmen or story-tellers
- Warm, enthusiastic and are good motivators and excellent communicators
- Tend to be rebellious and can be competitive
- Hates details and can tend to exaggerate or leave out facts and details
- They make decisions based on what sounds best in that moment
- Can be professional marketers, sales people and even make for great trainers
- Expressive personalities are motivated by fun
- Fast paced, likes excitement and a challenge
- Emotional and can get hurt easy
- Prestige and status are more important than security

When communicating with a Social Butterfly, be sure to:
- Keep your emphasis on developing a relationship
- Try to show the benefits your idea can have on his or her image
- Be enthusiastic, responsive and willing to talk
- Relate to the need to share information, stories and experience
- Remember to be warm and amicable at all times
- Try to reduce his or her direct involvement with details

Step 4: List Your 5 Core Needs For a Business Partner

Now that you have determined your primary real estate focus, strengths and weaknesses and personality traits, you can begin to determine your needs in a business partner. An easy way to determine the functions needed from your potential partner is by evaluating the skill sets you have and determining the specific expertise you need in your partner. It is through this process that you make a wise decision.

Now identify the five main reasons you’re looking for a business partner - whether it be money, knowledge, camaraderie, construction experience, contacts, etc. As I mentioned earlier, often times people seek business partners out of fear or self-doubt. It is your job to dig deeper and figure out why they are fearful. Could it be sales? Construction? Networking? Technology? It is at that point that you will be able to uncover your true needs in a business partner.
Write down your 5 core needs you would like to have in a business partner.

1. _________________________________________________________
2. _________________________________________________________
3. _________________________________________________________
4. _________________________________________________________
5. _________________________________________________________

**Step 5: Rate You & Your Partners’ Personal Competencies**

It’s so important to select a business partner who can add value and growth to your business; so this section was designed to make you think about your business partner’s personal competencies using a rating scale of 1 to 5 (with 5 being the highest). You should objectively fill out each section about your business partner, then go through the same questions and rate yourself as objectively as possible.

After you’re finished, you want to compare the two scores. You want to choose a business partner who score is relatively close to yours or better. That means that they can add value that you may not personally contribute to your business. Likewise, you want to find areas where they may be a potential liability and need improvement. You may even realize after this point that they are not a good fit at all for your business.

Quite often, I’ve found that when coaching our students through this worksheet, they realize there is so much that they really don’t know about their potential business partner. If that is the case, I highly recommend that you begin by partnering solely on individual real estate deals rather than on all your deals. It is relatively easy to part ways on an individual deal - but rather difficult if your entire business is intertwined.

Remember, there is no right or wrong here. If you can’t answer these questions easily, then you definitely need to become better acquainted with your potential partner before you get into business together. Far too many people jump into partnerships based on a gut feeling. Remember, this is like a marriage, so you must really have a working knowledge of your partner just as you would any other aspect of your business.
### Intellectual Competencies

(Rate them on a scale of 1 to 5 with 5 as the best)

<table>
<thead>
<tr>
<th>Competency</th>
<th>Rating Options</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Overall Intelligence</strong>: How would you rate your partner from an overall intelligence level?</td>
<td>1 ✗ 2 ✗ 3 ✗ 4 ✗ 5 ✗</td>
</tr>
<tr>
<td><strong>Traditional Education</strong>: Does your partner have a solid educational background?</td>
<td>1 ✗ 2 ✗ 3 ✗ 4 ✗ 5 ✗</td>
</tr>
<tr>
<td><strong>Traditional Educational Performance</strong>: How did they perform in high school and or college in comparison to their peers?</td>
<td>1 ✗ 2 ✗ 3 ✗ 4 ✗ 5 ✗</td>
</tr>
<tr>
<td><strong>Non-Traditional Education</strong>: Does your partner take a strong interest and value learning and education at the same level in which you do?</td>
<td>1 ✗ 2 ✗ 3 ✗ 4 ✗ 5 ✗</td>
</tr>
<tr>
<td><strong>Real Estate Education</strong>: Has your business partner invested in their real estate education and shown the desire to do so consistently?</td>
<td>1 ✗ 2 ✗ 3 ✗ 4 ✗ 5 ✗</td>
</tr>
<tr>
<td><strong>Decision Making Skills</strong>: Is your partner able to make good decisions in a relatively quick manner? Or do they tend to push decisions off out of fear of making a decision?</td>
<td>1 ✗ 2 ✗ 3 ✗ 4 ✗ 5 ✗</td>
</tr>
<tr>
<td><strong>Decision Making Experience</strong>: Has your business partner ever held a position or been in a business where they had to make a lot of decisions?</td>
<td>1 ✗ 2 ✗ 3 ✗ 4 ✗ 5 ✗</td>
</tr>
</tbody>
</table>

**Section Score:** Your Partner ______ You ______

### Communication / Sales Competencies

(Rate them on a scale of 1 to 5 with 5 as the best)

<table>
<thead>
<tr>
<th>Competency</th>
<th>Rating Options</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Networking Skills</strong>: How would you rate your business partner’s ability to network with other people?</td>
<td>1 ✗ 2 ✗ 3 ✗ 4 ✗ 5 ✗</td>
</tr>
<tr>
<td><strong>Social Skills</strong>: Does your business partner feel comfortable in social situations or are they more of a wallflower?</td>
<td>1 ✗ 2 ✗ 3 ✗ 4 ✗ 5 ✗</td>
</tr>
<tr>
<td><strong>First Impression</strong>: How would you rate your business partner’s ability to make a good first impression on people?</td>
<td>1 ✗ 2 ✗ 3 ✗ 4 ✗ 5 ✗</td>
</tr>
<tr>
<td><strong>Charisma</strong>: Is your business partner charismatic?</td>
<td>1 ✗ 2 ✗ 3 ✗ 4 ✗ 5 ✗</td>
</tr>
<tr>
<td><strong>Influence</strong>: How would you rate your business partner when it comes to their ability to influence others?</td>
<td>1 ✗ 2 ✗ 3 ✗ 4 ✗ 5 ✗</td>
</tr>
<tr>
<td><strong>Sales Experience</strong>: Does your business partner have sales experience?</td>
<td>1 ✗ 2 ✗ 3 ✗ 4 ✗ 5 ✗</td>
</tr>
<tr>
<td><strong>Sales Performance</strong>: In their past, how did they stack up against their peers from a sales standpoint?</td>
<td>1 ✗ 2 ✗ 3 ✗ 4 ✗ 5 ✗</td>
</tr>
<tr>
<td><strong>Objection Handling Skills</strong>: Is your business partner good at handling people’s objections or concerns?</td>
<td>1 ✗ 2 ✗ 3 ✗ 4 ✗ 5 ✗</td>
</tr>
<tr>
<td><strong>Negotiation Skills</strong>: How would you rate your business partner’s negotiation skills?</td>
<td>1 ✗ 2 ✗ 3 ✗ 4 ✗ 5 ✗</td>
</tr>
<tr>
<td><strong>Oral Communication</strong>: Could your business partner stand in front of an audience or your future employees and motivate them to action?</td>
<td>1 ✗ 2 ✗ 3 ✗ 4 ✗ 5 ✗</td>
</tr>
<tr>
<td><strong>Desire to Improve</strong>: How would you rate your business partner’s desire to improve in their communication and sales skills?</td>
<td>1 ✗ 2 ✗ 3 ✗ 4 ✗ 5 ✗</td>
</tr>
</tbody>
</table>

**Section Score:** Your Partner ______ You ______
### Personal Competencies

(Rate them on a scale of 1 to 5 with 5 as the best)

<table>
<thead>
<tr>
<th>Competency</th>
<th>Rating 1</th>
<th>Rating 2</th>
<th>Rating 3</th>
<th>Rating 4</th>
<th>Rating 5</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Self-Awareness</strong>: Is your business partner aware of their strengths and weaknesses or do they live in denial about their faults?</td>
<td>❑ 1</td>
<td>❑ 2</td>
<td>❑ 3</td>
<td>❑ 4</td>
<td>❑ 5</td>
</tr>
<tr>
<td><strong>Integrity</strong>: Does your business partner have a high level of integrity?</td>
<td>❑ 1</td>
<td>❑ 2</td>
<td>❑ 3</td>
<td>❑ 4</td>
<td>❑ 5</td>
</tr>
<tr>
<td><strong>Resourcefulness</strong>: Is your business partner resourceful or do they constantly look to others for direction?</td>
<td>❑ 1</td>
<td>❑ 2</td>
<td>❑ 3</td>
<td>❑ 4</td>
<td>❑ 5</td>
</tr>
<tr>
<td><strong>Drive</strong>: How driven is your business partner to succeed? Or are they type of person who consistently gives up?</td>
<td>❑ 1</td>
<td>❑ 2</td>
<td>❑ 3</td>
<td>❑ 4</td>
<td>❑ 5</td>
</tr>
<tr>
<td><strong>Competitiveness</strong>: How competitive is your business partner? Or do they give up at the first sign of trouble?</td>
<td>❑ 1</td>
<td>❑ 2</td>
<td>❑ 3</td>
<td>❑ 4</td>
<td>❑ 5</td>
</tr>
<tr>
<td><strong>Stress Management</strong>: Does your business partner handle stress well or does it make them crumble?</td>
<td>❑ 1</td>
<td>❑ 2</td>
<td>❑ 3</td>
<td>❑ 4</td>
<td>❑ 5</td>
</tr>
<tr>
<td><strong>Adaptability</strong>: Can your business partner adapt to changes in the market and changes in their life easily?</td>
<td>❑ 1</td>
<td>❑ 2</td>
<td>❑ 3</td>
<td>❑ 4</td>
<td>❑ 5</td>
</tr>
<tr>
<td><strong>Creativity</strong>: How creative is your business partner?</td>
<td>❑ 1</td>
<td>❑ 2</td>
<td>❑ 3</td>
<td>❑ 4</td>
<td>❑ 5</td>
</tr>
<tr>
<td><strong>Analysis Skills</strong>: Is your partner able to diagnose and solve a problem quickly?</td>
<td>❑ 1</td>
<td>❑ 2</td>
<td>❑ 3</td>
<td>❑ 4</td>
<td>❑ 5</td>
</tr>
</tbody>
</table>

**Section Score**: Your Partner ______ You ______

### Interpersonal Competencies

(Rate them on a scale of 1 to 5 with 5 as the best)

<table>
<thead>
<tr>
<th>Competency</th>
<th>Rating 1</th>
<th>Rating 2</th>
<th>Rating 3</th>
<th>Rating 4</th>
<th>Rating 5</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Likability</strong>: Is your business partner easy to get along with?</td>
<td>❑ 1</td>
<td>❑ 2</td>
<td>❑ 3</td>
<td>❑ 4</td>
<td>❑ 5</td>
</tr>
<tr>
<td><strong>Listening Skills</strong>: How would you rate your business partner and their overall listening skills? Do they listen or talk over people?</td>
<td>❑ 1</td>
<td>❑ 2</td>
<td>❑ 3</td>
<td>❑ 4</td>
<td>❑ 5</td>
</tr>
<tr>
<td><strong>Customer Focus</strong>: How would you rate your business partner and their desire to build referral relationships from customers?</td>
<td>❑ 1</td>
<td>❑ 2</td>
<td>❑ 3</td>
<td>❑ 4</td>
<td>❑ 5</td>
</tr>
<tr>
<td><strong>Team Player</strong>: Is your business partner a team player?</td>
<td>❑ 1</td>
<td>❑ 2</td>
<td>❑ 3</td>
<td>❑ 4</td>
<td>❑ 5</td>
</tr>
<tr>
<td><strong>Modesty</strong>: How would you rate your business partner's ability to be modest?</td>
<td>❑ 1</td>
<td>❑ 2</td>
<td>❑ 3</td>
<td>❑ 4</td>
<td>❑ 5</td>
</tr>
<tr>
<td><strong>Loyalty</strong>: How would you rate your business partner's loyalty?</td>
<td>❑ 1</td>
<td>❑ 2</td>
<td>❑ 3</td>
<td>❑ 4</td>
<td>❑ 5</td>
</tr>
<tr>
<td><strong>Trustworthiness</strong>: How would you rate your business partner's trustworthiness?</td>
<td>❑ 1</td>
<td>❑ 2</td>
<td>❑ 3</td>
<td>❑ 4</td>
<td>❑ 5</td>
</tr>
<tr>
<td><strong>Independence</strong>: Is your business partner highly independent, or do they rely on others in many areas of their life?</td>
<td>❑ 1</td>
<td>❑ 2</td>
<td>❑ 3</td>
<td>❑ 4</td>
<td>❑ 5</td>
</tr>
</tbody>
</table>

**Section Score**: Your Partner ______ You ______
### Motivational Competencies

(Rate them on a scale of 1 to 5 with 5 as the best)

<table>
<thead>
<tr>
<th>Competency</th>
<th>Question</th>
<th>Rating Options</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Work Ethic</strong></td>
<td>How would you rate your business partner’s work ethic?</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td><strong>Energy</strong></td>
<td>How would you rate your business partner’s daily energy levels?</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td><strong>Passion</strong></td>
<td>Is your business partner passionate about learning and your business?</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td><strong>Ambition</strong></td>
<td>How would you rate your business partner’s ambition levels?</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td><strong>Tenacity</strong></td>
<td>Is your business partner tenacious and willing to do whatever it takes to get things done?</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td><strong>Consistency</strong></td>
<td>Is your business partner consistent or are they constantly starting projects, but never finishing them?</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td><strong>Doer</strong></td>
<td>Is your business partner a doer or are they more of a dreamer?</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td><strong>Goal Setting</strong></td>
<td>Does your business partner have personal and financial goals written down and more importantly have they stuck to them and accomplished them?</td>
<td>1 2 3 4 5</td>
</tr>
</tbody>
</table>

**Section Score:** Your Partner _____  You _____

### Management Competencies

(Rate them on a scale of 1 to 5 with 5 as the best)

<table>
<thead>
<tr>
<th>Competency</th>
<th>Question</th>
<th>Rating Options</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Management Experience</strong></td>
<td>How would you rate your business partner’s management experience from past careers or businesses?</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td><strong>Management Skills</strong></td>
<td>How are your business partner’s management skills?</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td><strong>Persuasion</strong></td>
<td>Is your business partner good at persuading others to get things done?</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td><strong>Motivational Skills</strong></td>
<td>Is your business partner good at getting other people motivated to get things done?</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td><strong>Professionalism</strong></td>
<td>How professional is your business partner in business settings?</td>
<td>1 2 3 4 5</td>
</tr>
</tbody>
</table>

**Section Score:** Your Partner _____  You _____
### Organizational Competencies

(Rate them on a scale of 1 to 5 with 5 as the best)

<table>
<thead>
<tr>
<th>Competency</th>
<th>Rating 1</th>
<th>Rating 2</th>
<th>Rating 3</th>
<th>Rating 4</th>
<th>Rating 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time Management: How would you rate your business partner’s ability to manage their time?</td>
<td>[ ] 1</td>
<td>[ ] 2</td>
<td>[ ] 3</td>
<td>[ ] 4</td>
<td>[ ] 5</td>
</tr>
<tr>
<td>Punctuality: Is your business partner punctual?</td>
<td>[ ] 1</td>
<td>[ ] 2</td>
<td>[ ] 3</td>
<td>[ ] 4</td>
<td>[ ] 5</td>
</tr>
<tr>
<td>Organizational Skills: How organized is your business partner?</td>
<td>[ ] 1</td>
<td>[ ] 2</td>
<td>[ ] 3</td>
<td>[ ] 4</td>
<td>[ ] 5</td>
</tr>
<tr>
<td>Systems Development Skills: How would you rate your business partner’s ability to develop systems within your business?</td>
<td>[ ] 1</td>
<td>[ ] 2</td>
<td>[ ] 3</td>
<td>[ ] 4</td>
<td>[ ] 5</td>
</tr>
<tr>
<td>Systems Implementation Skills: How would you rate your business partner’s ability to implement systems within a business that others can follow?</td>
<td>[ ] 1</td>
<td>[ ] 2</td>
<td>[ ] 3</td>
<td>[ ] 4</td>
<td>[ ] 5</td>
</tr>
</tbody>
</table>

**Section Score: Your Partner _____ You _____**

### Business Competencies

(Rate them on a scale of 1 to 5 with 5 as the best)

<table>
<thead>
<tr>
<th>Competency</th>
<th>Rating 1</th>
<th>Rating 2</th>
<th>Rating 3</th>
<th>Rating 4</th>
<th>Rating 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Experience: Does your business partner have experience running his or her own business?</td>
<td>[ ] 1</td>
<td>[ ] 2</td>
<td>[ ] 3</td>
<td>[ ] 4</td>
<td>[ ] 5</td>
</tr>
<tr>
<td>Business Success: How successful was your business partner in their past endeavors?</td>
<td>[ ] 1</td>
<td>[ ] 2</td>
<td>[ ] 3</td>
<td>[ ] 4</td>
<td>[ ] 5</td>
</tr>
<tr>
<td>Marketing Experience: How would you rate your business partner’s marketing experience or knowledge?</td>
<td>[ ] 1</td>
<td>[ ] 2</td>
<td>[ ] 3</td>
<td>[ ] 4</td>
<td>[ ] 5</td>
</tr>
<tr>
<td>Finance Experience: How would you rate your business partner’s finance experience or knowledge?</td>
<td>[ ] 1</td>
<td>[ ] 2</td>
<td>[ ] 3</td>
<td>[ ] 4</td>
<td>[ ] 5</td>
</tr>
<tr>
<td>Accounting Experience: How would you rate your business partner’s accounting experience or knowledge?</td>
<td>[ ] 1</td>
<td>[ ] 2</td>
<td>[ ] 3</td>
<td>[ ] 4</td>
<td>[ ] 5</td>
</tr>
<tr>
<td>Construction Experience: How would you rate your business partner’s construction experience or knowledge?</td>
<td>[ ] 1</td>
<td>[ ] 2</td>
<td>[ ] 3</td>
<td>[ ] 4</td>
<td>[ ] 5</td>
</tr>
<tr>
<td>Real Estate Experience: How would you rate your business partner’s real estate experience or knowledge?</td>
<td>[ ] 1</td>
<td>[ ] 2</td>
<td>[ ] 3</td>
<td>[ ] 4</td>
<td>[ ] 5</td>
</tr>
<tr>
<td>Business Connections: Does your business partner have a lot of existing business contacts that they can bring to the table?</td>
<td>[ ] 1</td>
<td>[ ] 2</td>
<td>[ ] 3</td>
<td>[ ] 4</td>
<td>[ ] 5</td>
</tr>
</tbody>
</table>

**Section Score: Your Partner _____ You _____**

**TOTAL SCORE FOR ALL SECTIONS:**

Your Partner ________ You __________
Step 6: Discuss Partnership Roles and Responsibilities

Assuming that you were satisfied with the personal competencies of your business partner, your next task is to discuss the roles and responsibilities within the real estate business. Obviously, you and your partner must both be educated about the different areas of the business; this doesn't mean that you can't start allocating responsibilities based on your current skill sets.

As you acquire further knowledge about the business, you may find that these roles change. However, it is always good to discuss these things in the beginning stages, so all are on the same wave length when you get started as an investor.

Use this as a checklist and just place the person's name next to the activity. Clearly, some activities can be divided as well.

<table>
<thead>
<tr>
<th>Name</th>
<th>Activity or Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Marketing:</strong> Who is going to handle marketing campaigns needed to generate leads for sellers and buyers within the business?</td>
</tr>
<tr>
<td></td>
<td><strong>Acquisitions:</strong> Who is going to handle analyzing the deals and negotiating with sellers and agents within the business? How will we purchase the property?</td>
</tr>
<tr>
<td></td>
<td><strong>Short Sale Acquisitions:</strong> Who is going to handle short sale negotiations with banks and agents on deals where the seller is overleveraged?</td>
</tr>
<tr>
<td></td>
<td><strong>Finances:</strong> Who is going to handle raising money and the bookkeeping of the business?</td>
</tr>
<tr>
<td></td>
<td><strong>Construction Management:</strong> Who is going to oversee the contractors on any rehab projects you purchase?</td>
</tr>
<tr>
<td></td>
<td><strong>Property Sales:</strong> Who is going to handle working with the agent or marketing the property for sale?</td>
</tr>
<tr>
<td></td>
<td><strong>Property Management:</strong> Who is going to handle the property management or finding a good property manager for properties you hold for cash flow purposes? Who will be the point person with the manager?</td>
</tr>
<tr>
<td></td>
<td><strong>Business Development:</strong> Who is going to develop and employ the structures within your business allowing you to go from being owned by your business to you owning your business?</td>
</tr>
</tbody>
</table>
Step 7: Discuss Time Commitments

Time availability is key when it comes to business partnerships. Often times if one person has grossly more time to commit, then you may want to divide up ownership percentages based on time commitment. This can change over time, so you need flexibility if your time commitment grows or shrinks.

The best approach is to use the items I’ve listed below as an outline of what you will need to discuss with your business partner.

**Hours Per Week:** Most real estate investors start their businesses on a part-time basis and come to realize that they actually produce a higher income from their real estate business than they do from their full-time job. However, two business partners can have vastly different work ethics, so you really should discuss what type of commitment each of you will make to the business. If one partner has much more time to dedicate than another, you may decide to pay a salary or divide percentages of the business differently.

**Weekend Work:** This is a similar discussion to the previous point. You simply need to understand whether one partner has a greater time commitment to the business than the other. From there, you may want to adjust the percentages or to create a commission that is to be paid on every property sale to the partner who is investing more time.

**Vacations:** The great thing about investing in real estate is the flexibility that it gives you to do what you want in your life. Vacationing with your family is something every real estate investor should do often. The important thing to do when you are working with a partner is to have an open line of communication about how often you plan on vacationing. It is something that must be discussed so the workloads can be shifted during those times.

**Family Commitments:** Family should always come before your business. This is why it is important to discuss current family responsibilities you may have on a weekly basis. Likewise, you want to discuss long term family goals you each have.

**Personal/Extracurricular Commitments:** It’s always important to make time for YOU. Maybe you have extracurricular activities you like to engage in, like CrossFit, volleyball, a book club, scrapbooking, yoga, etc. These personal commitments can be considered a high priority, so make sure to make that known to your business partner.

**Other Business Commitments:** If either of you currently run or actively invest in other businesses, you need to openly discuss these responsibilities as well as the kind of time obligations you have towards them each week. You can absolutely run a real estate business in your spare time; however, you must be open with your partner about the amount of time you have to dedicate so everyone is on the same page.
Step 8: Discuss Financial Considerations

It’s important that you and your business partner develop a thorough understanding of the financial aspect of your prospective partnership. I have listed a few key essential points to discuss with your business partner.

**Personal Financial Statement**
When evaluating your partner, another important factor is their financial situation. Wouldn’t you like to know all of your partner’s assets, debts and liabilities? If so, then it may be wise to exchange personal financial statements to see the health of your partners’ business and how he or she is managing their finances. You want a partnership with someone who is financially stable. Individuals who think financially smart shouldn’t have an issue with providing a financial statement.

**Credit Rating**
Having good credit is not necessary to get started and become successful in real estate. But, it can be an asset that can be utilized as leverage - and can help you to grow rather quickly. You and your potential business partner should openly discuss each others’ credit and different ways to improve each other’s scores while simultaneously leveraging your credit to grow your business, if applicable.

**Initial Capital Contribution**
You do not need a great deal of capital to get started as a real estate investor. The first few deals you find can be funded using other people’s money, and a percentage of the profits can be invested back into the business for future funding purposes. However, some partners decide to contribute funding to the company for operating costs and educational investments.

**Preferred Return**
We teach our students to raise private money and leverage other people’s money for their real estate deals. However, one partner may end up putting more money into a deal than another. In that case, if all other things are equal, then the partner who contributed capital should be paid a preferred return of 5% to 15% when the deal closes. Everything else should be split based on ownership percentage after that. This is a great way to compensate someone who is taking on more risk in a deal - this is also something to consider when your own money is involved in a deal. Like I said, most of our students leverage other people’s money.

**Financial Review**
How often will you and your partner meet to discuss the financial status of the company and the deals on which you are working?
Profit Distributions
On deals that you complete, how will you handle the profits? Will they remain in the company, or will you distribute them or a percentage of them to yourself personally? Depending on the partners’ current financial positions, you may have one partner who needs money and one who doesn’t, which could cause a problem.

Salary
If one partner is working full time and the other partner is not, will you consider paying a salary to the partner who is contributing more hours to the business?

Outside Deals
Are you planning on doing all of your real estate deals together as a partnership, or will you do any separately? There is no right or wrong decision here; it is just something that needs to be discussed, so there is no misunderstanding later down the road.

Retirement Goals
Real estate investing can be a very profitable business. Therefore, you may reach your financial goals very quickly. Partners often have differing long term goals, and one may want to exit the business at this point while the other may want to continue investing. It is at this point that you need to make sure you and your partner have similar goals.

Risk Tolerance
Obviously, real estate investing is not without risk. You may find that your business partner has a different level of risk tolerance; so you should really discuss what types of risks are acceptable and which one’s aren’t. You will have to learn to exercise your risk muscle to a certain extent, but you never want to have one deal sink your business when one partner wanted to proceed and the other didn’t.

Financial Decision Making Ability
Ultimately, you both want to have the power to make decisions independently without having to consult with each other on every little thing. Still, you may choose a financial threshold on investments, expenditures, etc. that shouldn’t be crossed without a preliminary discussion.

Investment Philosophy
There are many ways to build wealth in real estate. For example, you can wholesale and rehab properties for income that can be earned in the short term. You can also buy and hold real estate for the long term. Likewise, there are different property types you can pursue within these philosophies. Having a blended approach is always recommended, however you want to make sure your partner is of the same mindset.
Step 9: Discuss Growth Considerations

It is extremely important that you have an honest discussion with your partner about how you both will handle growth. A real estate business CAN be profitable without employees - but, a real estate business can be EXTREMELY profitable when you do have employees. It’s really a personal preference that the two of you need to discuss. This section is a list of items to discuss with your business partner.

**Future Office:** You do not need a formal office when you are getting started. In fact, I recommend our students start from a home office until they have completed a pre-determined number of deals. You’ll need to discuss at what point in the future you’d like to acquire an office. I highly recommend buying the office building at that point and renting extra space you don’t use.

**Hiring Employees:** As a coach to many real estate investors, this is one topic in which I see a great deal of disagreement amongst partners. We have students who have many employees and very profitable businesses - but on the other hand, we also have students with very few to no employees and still have very profitable businesses. This is something you must discuss with your partner before you begin any form of hiring, to be certain that you both have the same desire for growth. Some people would rather have the freedom and lifestyle over having a large office full of employees. This is a personal choice that must be discussed as either one can work.

**When to Hire:** Many of our students are ready to hire employees after their first deal, while others prefer to hire after quite a few deals have been completed. This is another detail you both must discuss. You can choose to grow very quickly, or at a slower steadier pace.

**One to Two Year Goals:** Your business partner’s goals concerning growth need to be in alignment with yours. If one partner is trying to take over the world and the other is more conservative, then you need to make sure you balance each others’ short term goals while you are still learning the business and acquiring knowledge.

**Five to Ten Year Goals:** You also need to discuss your long term goals for the business. The great fact is: You own the business, so you can design it for future generations, for your employees to take over, or to sell. There is a tremendous value in the business itself if you have great systems and a great team. This means that you can sell the business itself for a profit and not just the properties owned by the business. You should convene with your business partner at least once a year to review the long term goals each of you has for the business.

**Discovering Your Why:** This is something all investors must think about. There is a reason that you are pursuing real estate investing - a reason other than merely money. It is your higher calling. In fact, most people plan on using real estate to get them closer to their higher calling. Your partnership will be much healthier and more successful if you understand each other’s true motivations.
Step 10: Protect Yourself Through Partnership & Legal Documents

When and if you decide to partner with someone for the long-term, you will undoubtedly want to protect yourself legally. A partnership or operating agreement acts like a blueprint for your business operation. Verbal agreements are never enough should a dispute ever arise in a partnership.

You may share a common vision for the desired destination of your business, but in the grand scheme of things, you may have immensely different ideas about how to actually get there. The partnership agreement may include items such as: who will be responsible for which duties in running the company; details of each partner’s compensation; how to manage your financial gains and losses; and what your obligations to one another are in the ongoing business. A partnership agreement can also function as an instruction manual for dismantling the business if should it end or for continuing the business should one partner want to vacate while the other wants to continue. We’ll explore partnership exit strategies in greater detail in the next section.

I’ve included a few legal documents below with which you should familiarize yourself. Discuss them with your partner and a qualified attorney, and determine whether or not you need to draw them up.

However, keep in mind that you need not have every item on this list accomplished before getting started. Many of these documents are not necessary until possibly year two, three and four, as both your business and profits grow. Nonetheless, they are important to the overall growth of your real estate business.

Choosing Your Corporate Structure

One of the most significant decisions you and your business partner should make when starting your business is deciding on a corporate entity. Your decision can have a significant impact on the way your business and partnership is executed.

Here are some factors to consider when choosing your corporate structure:

- **Liability Protection Provided:** Which corporate entity provides the best liability protection for you, your family and your personal finances?
- **Ease of Formation:** For many new businesses, keeping up with the formalities of a business entity can be challenging. That is why you want to know what entities are easier to maintain in comparison to others and what the formal requirements are for each type. Then choose an entity accordingly.
- **Tax Treatment:** Each entity has its own tax benefits and tax requirements. You should definitely consult with a CPA when choosing an entity for your business.
- **Where Are You Headed?:** Based on your goals, is the entity appropriate in case you want to grow, buy long term acquisitions, or even add other income streams to your business?
The basic forms of business entities are: *sole proprietorship, partnership, corporation, and limited liability company (LLC)*. Each has its own benefits and drawbacks and is treated differently for legal and tax purposes. The most common choice for real estate entrepreneurs beginning investors is an LLC or limited partnership.

Here’s a brief snapshot of each business entity:

**Limited Liability Company (LLC):** An LLC operates as a separate legal entity, without actually being a corporation. This type of structure is very popular especially for beginning real estate investors, because an LLC includes limited personal liability and risk concerning its debts. By using an LLC for your real estate investments, you may also be able to avoid personal liability for accidents that occur on the property. An additional advantage to choosing an LLC is that it also provides a flexible structure that allows members to manage the entity or to elect a manager or a group of managers. All members of a LLC are provided limited liability.

**Corporation:** A corporation is a separate legal entity which exists under the authority granted by state law. A corporation is responsible for its own debts and obtains all the legal rights of the owner. Typically, the owners or shareholders of a corporation are protected from the liabilities of the business. However, when a corporation is small, creditors often require personal guarantees of the principal owners before extending credit.

**Partnership:** A partnership is a legal entity which can sign contracts, obtain credit and borrow money. There are two forms of partnerships: *general and limited*. General partners share equal rights and responsibilities in running the business - including everything in connection with the management, and any individual partner can bind the entire group to a legal obligation. Each individual partner also assumes full responsibility for all of business debts and obligations, and has ownership of company assets.

A limited partnership allows each partner to restrict his or her personal liability to the amount of their business investment. However, at least one of the two partners must accept the status of “general partnership”, assuming personal liability for the business obligations. Nonetheless, both general and limited partner responsibilities are outlined in the partnership agreement.

**Sole Proprietorship:** A sole proprietorship is a business owned and operated by one individual. It’s perhaps the easiest form of business to own and operate because it does not require any specific legal organization, except of course, the normal requirements such as licenses or permits. This business structure is very popular for many new business owners because it is easy to set up and maintain. Other than the ordinary local business licensing, there is not much paperwork or government fees involved when starting a sole proprietorship.

Now that you have an idea of each business structure, you may want to seek the advice of your business attorney or accountant before you move forward with your decision.
Key Person Insurance
Also known as key man insurance, this form of insurance is essential to business partnerships. Basically, it is an insurance policy that is taken out by a business to compensate that business for financial losses that would arise from the death or long term disability of a very important person within the business. The insurance policy is owned by the business itself and is usually a fixed sum of money. This is usually only needed when you have an established, successful business. If you are embarking on a new business relationship, you may want to delay this decision until you feel it is needed.

Consider these factors when discussing a key person insurance policy:

• Is there one person in my business who would be very difficult to replace within a three month period?
• Is the cost worth the benefit?
• What sum of money would carry you through the difficult time should something occur?

Non-Compete Agreement/Clause
This document is more often used between an employer and an employee. This agreement or clause within an employment agreement restricts or limits what an employee can do if they were to start a business or go to work for someone else in direct competition against you. However, there may be a situation where you may want to have a minority partner sign a non-compete agreement. Likewise, if you were buying an existing real estate business and wanted to limit what your new partner or employee could do within or after exiting your business, then this legal document would be appropriate.

Confidentiality Agreement
Also known as a non-disclosure agreement (NDA), this is a legal contract between at least two parties outlining what a business considers confidential material, knowledge; or information that the parties wish to share with one another within a business but wish to restrict access to or by third parties. Confidentiality agreements or NDA’s are usually signed between two companies and not necessarily always needed in a real estate partnership. Regardless, you and your business partner may want to agree on what you share and don’t share about your business with others.

You may also want employee’s to sign an agreement like this when they work for you. Similarly, you may end up doing a larger joint venture deal with another party.
that would warrant one. From a real estate perspective this will usually only apply to large development deals.

**Buy-Sell Agreement**

Many businesses use a buy-sell agreement to provide an effective exit process. Think of it as a cross between a marriage prenuptial agreement and a will. This document is binding, and protects everyone’s financial interests if one of the partners decides to leave the business, was forced to leave, or worst case scenario, passes away.

A buy-sell agreement usually specifies the timeframe in which a partner is allowed to sell their interest, the individuals allowed to purchase that interest, and the price paid for that interest. The standard kinds of buy-sell agreements are: cross-purchase, redemption and insurance.

The *cross-purchase agreement* is best suited in the case of partner dying, becoming disabled, or reaching bankruptcy. This form of agreement allows the other remaining partner to purchase his or her share.

The *redemption agreement* is better applied in cases where the business itself would make the purchase. This way, none of the owners are required to personally finance the purchase of interests.

There is a great deal of flexibility in either form of buy-sell. The price may be fixed and established by means of an appraisal. The price may be paid as one lump-sum or in predetermined installments. Different terms for different events can be set, i.e. one set of price and terms for retirement, one for disability, and one for death.

*Insurance* is prominent in many buy-sell agreements. You aren’t required to use insurance, but it can ensure that funds will be available if the occasion should arise. For instance, regardless which of you dies first, having life insurance policies on each of you can help to finance the buyout. This will allow your company to survive and your spouse/heirs to be bought out as agreed.

I’ve listed below just a few items to discuss with your partner when brainstorming the terms of your buy-sell agreement:

- What price would be paid for the partner’s shares should he or she decide to leave; and how would the value of those shares be determined?
- Will you allow outside parties to buy a partner’s interest or shares in the business?
- How would you value the business itself?
- What would happen with all real estate properties that you hold as rentals?
- How would you divide any active wholesale or rehab deals in which you are currently involved together?
- What events would trigger this buyout? (Disability, retirement, death or one of the partners leaving the business)
• If you have employees and one partner leaves, is he or she allowed to employ those individuals himself?
• If there are disputes, should you have an arbitration clause forcing you to go to arbitration before lawsuits/court proceedings?

Once your partnership is up, running and successful, you may want to consider obtaining life insurance that would be triggered to provide money for the business should your business partner pass away.
In This Section, You Will Learn:

- Reasons partnerships end and how to avoid a bad break-up
- How to choose the right exit strategy for you

It might seem hard to imagine your real estate business partnership ending when you are just getting started, but an exit strategy is an essential piece of the puzzle that needs to be defined long before an exit even occurs. The reality is that relationships do end – personal and business. Having a well-formed exit strategy prematurely in place gives everyone involved the ability to agree on conditions that will be fair and known in advance.

Even if your business partnership is successful, there are many reasons why you'll want to have an exit strategy mapped out. What if your business partner's personal or professional priorities have changed? What if they want to retire or change careers? What if he/she dies or becomes otherwise unable to contribute to the business? Suppose they get divorced and are obligated to give their former spouse an ownership interest in the business. What if they want to sell their share of the business to a third party? Suppose they file for bankruptcy and must resign their business share to creditors. Having an exit strategy in effect will help to safeguard your interests, and at the same time, emphasizes that this new enterprise is based on a business relationship and not a personal one.

Understanding the rules and planning your exit strategy ahead of time also allows you the opportunity to think about your options and may help to ease the transition as business partners move forward separately.

Why Do Business Partnerships End?

Not all business partnership dissolutions need to end badly. It can actually be much easier than you think – that is, if you’ve created a detailed plan for disbanding, a plan written with the supervision of an appropriate legal counsel and that is endorsed by all partners. However, communication is the key when ending your partnership. It should not take your partner by surprise when you express your desire to leave -- if it wasn't known that you weren’t happy or had other goals in mind, then a great deal of fault lies with you, as you didn’t effectively communicate. If you decided you no longer want to partner, don’t procrastinate in your planning. Ending a business partnership is not an instantaneous course of action, so you should keep your timeline in mind while determining the best exit strategy for you.
Here are a few potential reasons partnerships end:

The 3 “D’s”: Divorce, Disability, Death: It is important that business partners have a plan for what happens if one of them dies unexpectedly, goes through a divorce, or becomes disabled - either physically, mentally or even financially. Provisions should be made far in advance for all parties involved, and the direction of the business made clear.

Resigning: There are many reasons why partners decide to ultimately resign from business partnerships. They may decide to retire, or maybe just pursue another field altogether. Make sure that your exit strategy clearly defines the outcome when one partner is ready to walk away from the business.

Conflict or Dispute: This is the number one reason that individuals dissolve their business partnerships. When emotions are high in the midst of a conflict or dispute, it’s common for many to just throw in the towel. If you have the dissolution process already laid out while you’re on good terms, you’ll be in a far better state to make decisions, and it will be a much smoother transition.

Expulsion: Unfortunately, there are times when expelling a business owner is the most sensible route to take. The more common reasons include, but are not limited to: sexual harassment of colleagues or employees, embezzling money, or simply not wanting to further invest funds into the business. It should be detailed in the partnership agreement which specific occasions merit a compulsory exit.

Worth of a Company: The company’s value is one of the single most significant articles to be addressed in a partnership agreement. The business owners must thoroughly outline in the exit strategy how to go about appraising the value of partner’s share should the need arises. Questions to address include, “What is fair value” and “When do I have to pay for it?” Creating a way to assess the worth of a company in advance gives all partners a sense of serenity - and the reassurance that they will get a reasonable and impartial price in return should the time come.

Exit Strategies to Consider

There are a number of potential influences you should take into account when you plan your exit strategy. First, establish the value of your company and what financial consequences could result from selling or leaving the company in general. One means of an exit strategy could be merely proposing to sell your portion of the company to your partner. You could also suggest introducing a third party whom...
you could both train, and then sell your share of the enterprise to that third party. Should your partner not be attracted the idea of running the business without you, your exit strategy may be to close your business and move on to achieving your other professional goals.

Let’s explore each exit strategy in a bit more detail:

**Buyout**

Should one partner want to leave the business and the others choose to remain, the company could buy out the exiting partner’s shares over time using money produced the company itself. Potentially, a buyout could transpire over a period of three years or longer. It is all dependent on how much revenue the business has the ability of producing. The primary risk to the exiting partner is that after he or she leaves, there is no guarantee that the company’s financial state will remain stable, i.e. the company is unable to make the scheduled payments to the former partner.

**Sale of the Company**

The existing partners may all desire to exit the business at the same time. In this case, the most beneficial choice could be to sell the company in its entirety to another company. In order to maximize the sale of their shares, essentially the partners would look for a buyer having a strategic objective to procure their business - for example, the acquisition of their business would grant the buyer the ability to increase its share of the market. However, it does take time to employ this particular strategy, as the buyer must be found and the deal must be negotiated and closed.

**Recapitalization**

Should the exiting partner not want a buyout over time, his or her shares could be bought in a single recapitalization of the company. What this means is bringing new capital into the company and using either a portion or all of it to purchase the exiting partner’s interests. A means of taking this approach is the use of a private equity firm, which is an entity dedicated to buying equity stakes in businesses in order to further develop and ultimately make a lucrative sale in the future.

A reputable business with a steady stream of earnings and a solid asset base could also go about *debt financing* - borrowing the funds from a financial institution, and in using that money, the exiting partner’s stakes can be purchased.

**Asset Sale**

There are particular types of companies (such as professional service firms) that make their profits through the specialized skills of the partners. Should they leave, there may be no person available to fill the void and provide the same class of services to clients. In this situation, it may seem as the best exit strategy to close the business and sell off the company. This strategy is also a viable solution in cases when finding a buyer for the company is unlikely.
By educating yourself through our Business Partnership Evaluation System, you're now equipped with proven techniques to help you make the best decisions possible leading to a successful real estate business partnership.

Choosing a partner is an area in which I'd advise you to be the most prudent and cautious. This system was created to help you think critically and strategically, while raising crucial points of discussion with a potential business partner. It allows you to address all the key areas of a potential partnership, and begin the formalized process to do so if you choose to move forward.

The purpose of this system is not to stop you from moving forward with a business partner. But the reality is: there is no such thing as a perfect business partner; it simply does not exist. There is also no such thing as a perfect marriage, a perfect body, or a perfect YOU. If you truly want to be successful in business, you must be decisive and you must take calculated risks. If you wait for everything to fall perfectly into place for you before you get started, you will NEVER be successful. With this proven system, I hope to help you overcome “paralysis by analysis” and move forward confidently in your partnership decisions.

I've shared with you my insight of owning seven different businesses, buying and selling hundreds of properties, and personally coaching numerous successful real estate investors. That being said, I am not an attorney; you should always consult with a qualified legal professional when drawing up any legal documents concerning a business partnership.

Financial and personal success can only be obtained when you value education, seek to surround yourself with individuals more successful than yourself, strive to strengthen your weaknesses, and channel your passion into your work in an imperfect world. A good business partner shares your vision and enthusiasm, bringing expertise in the areas in which you are inexperienced. It may take time and effort on your part to find the right partner. Ultimately, you may decide that being solo is the best fit for you. Whichever direction you decide, be sure to arm yourself with the knowledge to do so confidently.
This information is for educational purposes. We don’t believe in push-button profits—we believe in proven business systems, education, drive and hard work. We are committed to teaching you how to reach your goals. In promoting our educational programs, we illustrate success stories. We want you to know, students are not compensated for their testimonials. However, many of our most successful students join our team as Coaches and Trainers. As stipulated by law, we cannot and do not guarantee results or offer legal advice. As with any business, your results will vary and will be based on your drive, effort, follow-through and other variables beyond our control. We believe in full transparency, and a high standard of integrity, that is why we encourage you to read our full earnings and income disclaimer by visiting www.fortunebuilders.com/earnings-income-disclaimers/