

## GOLDEN NUGGETS OF GENERATIONAL WEALTH CREATION

**Interviewee:** Terry Meinzer

**Interview:** BTS 11

**Topic:** Generational Wealth Creation and Strategic Real Estate Evolution

### Profile of the Interviewee

Terry Meinzer is a veteran real estate investor and developer with over 50 years of experience, beginning his career in the early 1970s. Influenced by a family "building gene" and early real estate literature, he transitioned from a career in packaging to building a prolific empire of residential, commercial, and industrial properties. Terry is characterized by a "hands-on" approach to property rehabilitation, a sophisticated understanding of tax strategy—specifically 1031 exchanges—and a long-term "buy and hold" philosophy that prioritizes compounding equity over quick profits.

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### The "Never Cash Out" Wealth-Building Philosophy

- **The Foundation of Compounding:** Establish a guiding philosophy to "always buy and never cash out," allowing a portfolio to compound in value over decades.
- **Lifestyle Discipline:** Never increase your lifestyle to match growing income; instead, reinvest extra capital directly back into asset acquisition.
- **Asset Class Evolution:** Strategically upgrade asset classes as wealth grows—moving from single-family homes to duplexes, and eventually into commercial and industrial warehouses to improve tenant quality and reduce management "headaches".
- **Geographic Expertise:** Maintain a tight geographic focus, particularly in the early stages, to build deep local knowledge and efficiency in oversight.

### Tactical Financing and Acquisition Strategies

- **The 80-10-10 Structure:** Utilize creative financing by borrowing 80% from a bank, putting 10% down personally, and having the seller carry a 10% second mortgage to minimize initial cash outlay.

- **The Power of First Right of Refusal:** Negotiate a "first right of refusal" on any seller-carried second mortgage, allowing you to buy back your own debt at a steep discount when the seller wants immediate cash.
- **Forced Appreciation:** Purchase distressed or "upside down" assets at a discount and immediately renovate—focusing on essentials like roofs, floors, and paint—to raise rents and increase property value.
- **Bulk Purchases:** Look for bulk purchase opportunities or creative deal structures, such as purchasing multiple units simultaneously to secure a lower per-unit price and instant equity upon appraisal.

### Strategic Tax and Risk Management

- **Tax Efficiency via 1031 Exchanges:** Treat taxes as the single largest expense; use 1031 tax-free exchanges to roll equity from smaller properties into higher-value assets without triggering capital gains.
- **The "Year and a Day" Rule:** Always hold property for at least a year and a day to qualify for more favorable long-term capital gains rates rather than being taxed as a "job" (short-term flipping).
- **Diversified Income Streams:** Maintain secondary income sources (e.g., a manufacturing business) to cover negative cash flows during market downturns or while properties are under renovation.
- **Utilizing Leverage for Growth:** Use financing to fund new projects rather than aggressively paying down existing debt, as the resulting leverage can produce greater total wealth.

### Legacy, Philanthropy, and Life Lessons

- **Strategic Giving:** Use sophisticated tools like donor-advised funds and foundations to donate real estate efficiently, receiving tax write-offs while supporting charitable causes.
- **Teaching the "Building Gene":** Involve family in the mechanics of real estate early, teaching the next generation about equity, debt, and the value of "hands-on" work.
- **Recognizing "Enough":** Understand when to pivot from the pursuit of "more" toward mentoring, teaching, and philanthropic legacy.

- **Persistence in Bureaucracy:** When dealing with regulatory bodies or the "powers that be," prepare for objections and remain persistent in finding feasible project layouts.