ELI FRIED ANALYZES A DEAL GONE WRONG

Refael's Story:

I grew up in Brooklyn, the youngest of five kids in a warm, Torah-centered home. After I got married, my wife and I settled into a modest apartment not far from our families. My wife worked full time, and I did tutoring to bring in extra money. Together, we were raising four kids and doing our best to build a home centered on Torah.

We weren't wealthy, but we managed. We lived carefully, budgeting every dollar and putting away whatever we could. Over ten years, we'd saved $30,000—not a fortune, but a nice cushion. We'd decided it was money we could invest, to try to grow it for the future.

That's why, when I first heard about the real estate deal some of the guys at *kollel* were discussing, it piqued my interest. A group of developers—people a few of the guys knew personally—were purchasing a building that housed a nursing home. Once they did some renovations the deal would be refinanced, and in about 18 months to two years after it was purchased, we would get back our principal and they would immediately start distributing dividends.

"It's practically no risk," my close friend Shimon told me. "The developers are solid, and the market is perfect for this kind of deal. Everyone's getting in on it."

I'll admit, I was tempted yet fearful. Our savings of $30,000 was a lot of money for someone like me. I wasn't about to jump in without asking questions. So, I did my homework. I reviewed the projections, went over the refinancing plan and even asked about worst-case scenarios. The numbers looked good. Or so I thought. The plan relied on interest rates staying low, but rates had been holding steady at 2.5% for years. No one expected that to change anytime soon. Even if they were to rise, it would still be a safe investment, as long as the rates didn't go crazy. "At the very least, you won't lose your money. It's like keeping it in your bank account but with a better upside," Shimon insisted.

What reassured me the most, though, was knowing I wasn't alone. At least eight guys from *kollel* were investing, and a few other people I knew from *shul* were in too. These weren't reckless people—they were thoughtful and careful with their money, just like I was. If they all thought it was a good idea, how bad could it be?

To be safe, I reached out to Eli, a well-to-do friend who had been investing for years. If anyone could give me an honest opinion, it was him.

"For $30,000, it's a decent opportunity," Eli told me. "It's not risk-free, but it's structured well enough, and you probably won't find a better option for that amount. If you're comfortable tying it up for a couple of years, I'd say go for it." He explained that with such little capital truly great investment opportunities are hard to come by.

That sealed it for me. Between Eli's advice, the deal runners' reputation and the confidence of the guys in *kollel*, it felt like the right move. My wife and I talked it over, and we agreed that it was worth the risk. This wasn't reckless; it was calculated.

The first few months went smoothly. The developers sent regular updates, and everything seemed to be on track. Renovations were moving quickly and refinancing was on the horizon. In *kollel*, everyone seemed happy with the deal, and I started to feel calmer about the decision.

But then interest rates started climbing.

At first, I didn't think much of it because I decided not to follow the deal too granularly. But the rates didn't just go up. They skyrocketed. Some guys started to worry, but I tried not to think about it. I felt that they were too alarmist. But within months, the rates were over 7%. The refinancing, which was the backbone of the entire deal, seemed no longer possible. Without it, the developers couldn't return our principal or pay dividends.

The updates from the developers changed tone. They started talking about "unexpected challenges" and "adjusting to market conditions." Then came the worst

news: They might have to sell the property at a loss if they couldn't cover the mortgage payments.

I sat down with my wife one night to explain what was happening. "They can't refinance," I told her. "The property might have to be sold at a loss, and we might not even get the seed money back, and for sure no dividends."

She didn't panic. Instead, she gave me this calm, steady look and said, "You weren't reckless, Refael. You did your research, you asked the right people, and you made a good decision with the information you had. Hashem runs the world, and He'll take care of us. Whatever happens, we'll figure it out."

Her words helped, but I couldn't stop replaying everything in my head. Looking back, I realized it wasn't just about the numbers or the projections. Part of me had felt reassured because everyone else was doing it. There was this unspoken safety in numbers, this feeling that if so many others thought it was a good idea, it had to be. If it was just me, would I have invested? Would I have done more research? Did I realize that everything hinged on the low interest rates? The answer to all of these questions is that I am not certain.

But here's the thing: Just because it's a good deal for the others doesn't mean it's a good deal for me. Some of the guys who invested have family money or other safety nets. For them, $30,000 might sting, but it wouldn't devastate them. For me, it was years of hard work and saving. Eli's words came back to me. "It's a decent deal for $30,000," he'd said. And maybe it was. But if a deal isn't good enough for someone who's financially secure, then it's definitely not good enough for a *yungerman*.

I don't know what's going to happen next. Maybe the market will turn and we'll get some of the money back. Maybe not. Either way, I've learned a valuable lesson: financial decisions have to come from a place of clarity and perspective. No amount of peer influence or group confidence can replace that.

For now, I'm focusing on what really matters—my family, my learning and trusting that Hashem will guide us through this, just like always.

ELI'S RED FLAG ANALYSIS

#1.

Refael should not berate himself for not doing enough due diligence. It appears he did quite a bit of research, and there is some logic to the safety in numbers approach.

#2.

The fact that Refael did not think interest rate risk was substantial illustrates a common counterintuitive factor of risk. Risk is often greatest when the going seems smooth.

Because interest rates and inflation had been benign for so long, many people, including policy makers and finance professionals, let their guards down. That an inexperienced investor like Refael did too isn't something he needs to be ashamed of.

#3.

Refael was not prepared for this risk. But, more fundamentally, no investor should put all their eggs in one basket. This is a clear-cut gemara, **and ignoring** Chazal's **guidance was the real mistake here.**