<u>Maximizing Your Profits Through Rental Properties Part I</u>

Many people today are so inundated in the world of 'Flip This House' and 'Property Ladder' that they never get a truly strong grounding in the basics of owning investment property. Yes, 'flipping' houses is a type of real estate investing, to be sure – but 'flipping' homes provides you, if successful, with a one – time full taxable lump sum of cash. It fails to provide you with any of the long term wealth – building benefits that rental homes offer, and when done properly, rental property can be a relatively headache free form of real estate investing.

When considering the purchase of an investment home, consider the following guidelines to help keep you on target:

1) It takes more than one home to build truly passive income and garner substantial tax benefits – so plan on making subsequent purchases. Don't be the guy who says 'yes, I bought a rental home once' – you have to make a commitment to having a portfolio.

2) Your location is paramount to having a headache – free investing experience. Only buy in areas where you would feel comfortable sending your spouse(teenage daughter, etc.) to pick up the rent. Not that you would do that, but use that idea as an emotional gauge. If you wouldn't send your family there, DON'T BUY THERE!

3) Look for properties that have a minimum of rehab. When we have inexperienced clients looking for their first investment home, we encourage them to look at simple cosmetic renovations only at first. If a house needs more than that, STAY AWAY.

4) Get an estimate of the average rents in your subject home's area by calling other 'for rent' signs. Make sure you have enough rent to cover your monthly debt service(Principal, Interest, Taxes, and Insurance). Avoid negative cash flow at all costs.

5) Properties that have better road frontage tend to rent more quickly than homes that are isolated on coves and out of the way places. Consider finding an investment home within sight of a local elementary school – when parents are waiting in line each day to pick up their children, believe me your phone will ring!!! And the more calls you get, the more easily you can screen and place a qualified tenant.

Remember, owning rental properties is not as dreadful as it is made out to be by failed landlords, and you don't have to 'play landlord' to be successful.

Investment homes offer four attractive streams of income that are often overlooked by inexperienced or young investors, as follows:

1) Positive Cash Flow: created when you have money leftover from the rent after you pay your monthly debt service.
2) Tax Benefits: created from the tax shelters that exist within investment real estate, including depreciation and expense write offs.
3) Appreciation: Historically, the value of homes has gone up over time.
4) Equity Pay Down: Your loan is paid off slowly by your tenants.

Don't neglect these important factors when looking for alternatives to your day job. Join me next time in part 2, where we explore factors that make an investment house successful.

Maximizing Your Profits Through Rental Properties: Part II

Looking at investment homes can be fun, and with the current and coming wave of bank foreclosures, there are opportunities to turn trash into cash. 'But how', you ask. 'How can I make the cash?'

The answer is simple. By using an easily defined set of criteria with which we evaluate potential investment homes, we are able to set ourselves up for success. Last year, I wrote a home study course on winning with your first real estate investment property. In it, we outlined the criteria that we used to find and resell over 150 homes in this past year, including almost 30 in the month of September 2008 alone. And the criteria listed below provides not only the best way to get the maximum investment value for your homes, but also helps in maximizing the caliber of tenants and rent amounts in your potential 'rental pool.' Let's explore these factors in some detail.

Guidelines for Buying Your Investment Homes

The house SHOULD be:

a) In a safe, secure area, close to shopping, schools, and other amenities that are desirable for tenants.

b) In an area that is easy to rent, with desirable pool of rental tenants who are able to pay on time. Avoid areas with lots of foot traffic and crime, if possible.

c) The home should be a minimum of 1000 square feet, at least 3 bedrooms and preferably with 2 baths.

d) Offering secure, off - street parking and a yard of some sort, preferably which is fenced.

The house should NOT be:

a) A 2 bedroom, 1 bath

b) Using an antiquated heating system. Central heat and air is best.

c) An unusual floor plan, including adjoining bedrooms which link together and must be crossed to get to areas such as the bathroom, which disturbs privacy.

Sometimes, when looking for 'deals', investors fall in love with houses or house prices. But, sometimes houses are cheap for a reason, and if you stray from these general guidelines you are subjecting yourself to some level of risk. Risk of not getting the house rented in a timely fashion and having to shoulder the debt service entirely on your own, which is the antithesis of owning investment property.

Stick to the guidelines, be prudent in your investment search, seek the advice of other real estate colleagues whom you trust, and go with your gut. If you feel like a house is a bad investment, IT PROBABLY IS!

Join me in Part 3 where we learn how to put land lording on autopilot!

Maximizing Your Profits Through Rental Properties: Part III

Most people I talk to over the years have been able to give me plenty of reasons about why they don't want to own rental property. Probably though, of all of the excuses I have heard, the most popular is 'I hate unclogging toilets.'

Ah, yes, the old 'I hate to unclog toilets' syndrome, where owning rental property is almost synonymous with 2 am tenant calls. I mean, who invented this fable? I have owned rental homes for 13 years and NEVER had a 2 am call. Now, that isn't to say that I haven't had any maintenance issues arise over the years – I certainly have. But, since time is my most valuable resource, I have learned to maximize my time usage, which admittedly, is better spent NOT unclogging toilets.

How do I do this?

Effective Use of Property Management Companies.

Now, it is important to remember that, if you have never bought an investment property, it is probably a good idea for you to manage one for a year or so and get your feet wet. Plus, the experiences that you have in landlording, both good and bad, will make you stronger over time. And, after you have some experience under your belt, you will be better able to evaluate the potential of property management companies. While individual management techniques are far beyond the scope of this article, let's discuss the characteristics of property management companies that can help ease your mind and allow you to sleep at night.

Property Management Companies: Characteristics

1) They should answer the phone promptly, and not have calls go to voicemail. You test this by calling them off of for rent signs and inquiring about properties for rent.
2) They should be polite and professional in mannerisms.
3) They should have adequate signage that is easily visible, and should also use generous directional signage.
4) The should have screening procedures in place that include background checks, credit checks, and should also be able to furnish you with a copy of their lease, which you will need to have your attorney review.
5) You should be able to get the names and numbers of satisfied clients of theirs and interview them.
6) They should strive to get market rent on available properties within 30 days or less.
7) The owners should own rental property themselves, and be experienced investors

After you have identified the property management company you wish to use, that does NOT mean that you forget about your property. You should continue to do daily or weekly drive bys, looking and making sure the property is well groomed and is showing well. The management company should provide you with a weekly report on showings and potential candidates for renting the home. Bottom line – they should communicate with you openly, and you should not have to call them every time that you want an update.

By leveraging a property management company, you can continue to focus on your most important task – building wealth. Sure, there will be hiccups along the way, but if you continue to work hard and keep your eyes on the goal, you will find that building a small portfolio of quality investment properties and managing them correctly will pay you valuable dividends in the end.

Any questions? I'd love to hear your feedback!

Drop me a line at robertfeol@gmail.com

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