

16 Crucial Questions!!!

To ask yourself BEFORE you get into the rental business!!

1.) Can I financially afford the down payment to invest in a second property? If you don't have the cash reserves or liquid assets to be able to fund a down payment, inspection fees, lending costs and closing costs to facilitate the transaction of buying an investment property. Then quite honestly you probably aren't yet at a point in your life when you should consider buying an investment property. **DO NOT BORROW THE MONEY REQUIRED TO PURCHASE A RENTAL PROPERTY.** That will get you in a very poor leveraged financial position and in all likelihood cause you to have future financial problems in a very short period of time.

2.) Can I afford to make another house payment and the holding costs, if my rental property is vacant? Again as in the comments above if you do not have the cash reserves or liquid assets to maintain the mortgage payments and holding costs (property taxes, insurance, utilities, and maintenance) of a vacant property for a minimum time period of 6 months. Then again you probably aren't in a position to own a rental property.

3.) Do I have the time necessary to maintain my rental property? Let's do an honest evaluation here ~ if you don't maintain your own personal home and take care of the maintenance it requires, why would you buy yet another property to neglect and defer maintenance on? Maintaining a rental property properly is imperative to being successful in the rental business. Deferring maintenance on an investment property will quickly cause your property to decline and decrease in value and your quality of tenants will decline as well. As the quality of your tenants decline, the condition and value of your property will decrease even more rapidly to a point where it will become extremely unprofitable as you will start to have a high vacancy and delinquency rate. This can happen in a very short period of time so maintaining an investment property is essential.

4.) What is my maintenance IQ? Do I have the knowledge it requires to own and maintain another property? Another reality check ~ if you are not somewhat of a handy man and able to fix small minor repairs, I would say buying rental properties is not for you. If you require contractors to do all your maintenance work because you either don't have the time or knowledge

to maintain the property, one of two things will happen. You will either go broke because maintaining a rental property in this manner is extremely expensive and cost prohibitive, or you will just defer the maintenance because you don't want to spend the money. Either one is a quick way out of the rental business. If you can't fix the small maintenance issues that occur with a rental property then **DO NOT GET IN THIS BUSINESS!!!** It will be a very expensive experiment for you.

5.) Do I have the patience to handle tenant issues and all the problems that come with owning rental property? If you are shy, introverted and hate confrontational situations this is not a pleasant business to be in then. You will need to either get over those issues very quickly or you will be absolutely miserable in the rental business as those situations are common everyday in dealing with tenants, contractors, and vendors.

6.) Do I have the self confidence to knock on my tenant's door when I can see that they are breaking the lease and discuss it with them? If you are afraid of or avoid conflict and confrontational situations then the rental business is definitely not for you. See above, you will be miserable in this business if you have these personality traits. The rental business isn't for everyone, and you must either come into the business with thick skin or develop it very quickly. If you don't, this will not be a pleasant experience and you will quickly seek to get out of it. I'm not saying you have to be overly aggressive and seek out confrontation, but you will be tested constantly by your tenants to see what your reaction is and if they can bully you in anyway, then you will have major problems being successful in this business.

7.) Do I have the personality to solicit tenants, show my properties and collect rent? Again, if you are shy or introverted and don't enjoy meeting people and having a lot of contact with tenants this can be a defining issue on if you can be successful in the rental business. You have to be able to network, communicate, and negotiate with people on a daily basis and if you don't enjoy communicating with people again this could be an issue in being successful.

8.) Do I have the tolerance to deal with difficult tenants who either don't pay their rent, don't maintain the property, or consistently breach sections of their lease? This is an area that you will need both good written and verbal communication skills as you will be addressing difficult situations and issues

with tenants. It is essential that you have a calm demeanor and take all the emotions out of these situations as it is a business matter not a personal matter. That is something that must be communicated to the tenant as well so they can understand your point of view and that it is how you conduct your business. Having these skills will go a long way in how successful you will be in this business.

9.) Do I have the market knowledge to buy a rental property at or below market value and know which areas and locations in my community rent better than others and have lower vacancy rates? As I have stated before this is a critical issue to your success as a landlord. Buying the right properties in the right location and right condition makes all the difference in the world as to your success. Buying the wrong properties, in the wrong location and in the wrong condition will get you out of this business so quick your head will spin. Or worst yet, not being able to sell or liquidate your properties in a timely manner will make your life even more miserable than you can imagine. So RULE #1 – before you starting spending money, acquire some real estate market knowledge, investment property market values, and market conditions about your community first. Trust me, investing some time in acquiring knowledge and doing research in the beginning on the investment property market will save you a lot of money in the long term. I have been doing this 29 years and I am still learning.

10.) Can I afford good legal council when tenant issues come up and I need to be represented by an attorney? Do I even know a good real estate attorney? This is something you will eventually need. It may not be a requirement right away but at some point you, if you are active in the rental market and acquire several investment properties you will need legal counsel. This can be for a variety of reasons. IE - preparing your closing documents for property you are buying, preparing your legal forms you are using in your business, helping with an eviction process, setting up a business entity to operate your business under, etc, etc.

11.) Do I know how to deal with lenders and real estate professionals when I start my rental business? This is crucial for you to be successful. This goes back to acquiring real estate market knowledge and investment property values before you even start in this business. If you start into the rental business with out any knowledge and hope to just learn as you go.....you will learn the rental business.....at a very steep price!!! Let's just say that not every realtor or lender will be looking out for your best interest or

even have enough market knowledge to be a trusted advisor and represent you. Some agents are more competent than others in this market just as some doctors are more competent than others and are considered specialists in their field of expertise; as that is what they do day in and day out; the same goes with real estate agents and lenders. Try to affiliate yourself with a competent professional in both fields, real estate and lending, and it will go a long way in helping you be successful.

12.) Is my marriage or relationship strong enough to survive the roller coaster ride of being in the rental business? This is something where you will need to make an honest personal evaluation. If you are having problems in your marriage or relationship then stop reading this right now and put it away for sometime in the future as you are not ready to be in the rental business. The rental business can be an emotional, frustrating, and financially trying business at times and it will take its toll on your relationship. So acquiring more property and assets that have to be divided in the future if that relationship ends makes no economic sense and would not be using good judgment. If your relationship is having issues now, adding all the drama that is part of the rental business will not make it any better and will only make it exponentially worse.

13.) Do I have the accounting ability to be able to track and maintain my income, expenses, records and receipts for tax purposes? Having some basic accounting knowledge and business knowledge will be helpful but not necessary essential at the start. Just remember to keep track of all income and expenses when you start and track it in a basic journal that you can purchase at any office supply store will be sufficient to start. However you should have your tax returns prepared by a competent tax accountant to make sure you maximize all the tax benefits possible.

14.) Am I computer literate enough to handle accounting and rental software programs for my rental business? Again this may not be an absolute essential knowledge when you start but eventually you will need to have this to operate your business. However being technologically challenged myself somewhat I can attest to the fact that the more tech savvy you are; the easier it is to operate your business.

15.) Do I have the space and facilities to maintain a workshop for my rental properties? Believe me once you start in the rental business you will start acquiring a lot of items you will need to have storage for and this will

happen quickly. You will start to acquire common maintenance items such as nuts, bolts, screws, fasteners, electrical fixtures, household cleaners, lawn equipment, tools, ladders, plumbing fixtures, etc. etc. So if you live in an apartment, condo, or don't have access to a garage or storage building you will have major issues in maintaining your investment property. And again if you contract out all your maintenance and repair work you will quickly go broke in the rental business, especially when you first get started so roll up your sleeves and get your hands dirty and go work on your investment property. I once learned a lesson from an associate of mine years ago – he told me of an extremely successful farmer who had the best crop yield for years in his area, finally one farmer asked him what was the most important thing be put in his field to make it grow so well. He replied.....my footprints! Moral of the story – it takes your time and presence to make any business be successful. The same goes with managing and owning investment properties.

16.) Starting in the rental business with a partner? This is a good question and unfortunately it can be answered with both a “Yes” and a “No” depending on each individual's situation. Partners can be a good addition for the following reasons; additional capital or financing to get started, additional manpower to manage and operate your rental business and possibly additional knowledge and expertise. If you don't need help in any of those areas then I suggest you DO NOT add a partner to your rental business. I have been involved in several partnerships over the years and quite honestly most of them didn't work very well, not all of them, but most of them were not pleasant experiences. The reason partnerships fail and don't go well can be for a variety of reasons, here are just a few. One partner feels they are doing more than the other partner and they are not carrying there weight, which is the most common problem. Or one partner has financial problems or a divorce, this has a direct bearing on your rental company assets and can be devastating to your business. Or your personalities don't mesh and you are constantly in disagreement, this can make for a miserable business partnership. There are many more reasons to not have a business partner than there is to have one; so my advice is to think long and hard before committing to have a partner. The break up of a business partnership can be just as messy as a bad divorce with the same personal and financial ramifications plus loss of a friendship or loss of a relationship with a family member if they are your partner. Just one more tip on contemplating a business partnership, in most partnerships adding 1 partner + 1 partner doesn't equal 2. It usually equals something less than

that, as one partner is generally not holding up their end. If you have multiple business partners it just gets even more complex and difficult to manage so be selective if you decide to form a partnership in the rental business or any business venture for that matter.

In summary, if you read the questions above and don't feel that you can handle all the issues or have a good comfort level with all the topics that were covered then I would recommend you stop considering entering the rental property business and go about the rest of your life and look at other avenues of investing as this probably isn't for you. If you think all the questions seemed manageable and you can either handle the issues or acquire the knowledge needed to overcome these obstacles, you will probably do just fine and should have no problem being successful in this business providing you answered these questions honestly. I hope this helps you in your decision making process. **If you decide to make the leap of faith and start in the rental business I suggest you read my other [eBooks](#) on how to get started in the rental business and use the [forms](#) from this [website](#) to manage your rentals.**

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