

What You Must Know **BEFORE**

Becoming a Greedy Landlord



How you too can build a portfolio
of investment properties for an
income that lasts a lifetime.

By George Lambert

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First Edition

FORWARD

A few years ago, I was on a group ski trip in Canada. One night while sitting around the dinner table, it came up that I owned rental real estate. A couple in their mid-fifties wanted to know more. They were both professionals, making a good living, and had been thinking about buying some rental properties as an easy way to supplement their income in retirement.

By the time I shared a few of my stories, I think I convinced them that landlording was not for them.

Perhaps you're not like the couple I met who were interested in buying an investment property, but you are an accidental landlord. Maybe you moved to a new home before selling your old one, and now you're stuck with a property you can't seem to sell. Or you've inherited a house or vacation condo that you don't want to sell, but would prefer to rent out to help offset the ongoing costs. Or maybe you got it in a divorce settlement.

Then *What You Must Know BEFORE Becoming a Greedy Landlord* will help you along the way.

After reading this book, you might think that my mission is to discourage you from getting into the rental business. Nothing could be further from the truth. I only want you to benefit from my years of experience so you don't make the same mistakes I did.

INTRODUCTION: WHY REAL ESTATE

I've been involved with real estate for over 25 years. And I think it makes sense for many investors to have some real estate in their portfolios.

Here's why:

- Real estate can provide a cash flow that increases with inflation.
- Real estate can provide a long-term capital gain when you sell it.
- Real estate is tangible. You can look at it, walk around it. It's not some book entry on Wall Street that can disappear overnight.
- Real estate can help smooth out the ups and downs of a volatile stock or bond market.
- Real estate is easy to understand. I like Warren Buffett's philosophy that he doesn't buy a business that he can't understand. That's why he generally buys things like insurance companies, mobile home manufacturers, and ice cream shops.

People always need a place to live. So don't let anyone convince you that real estate is dead. Real estate isn't dead; it's just taken a different turn. In today's market, you need to put income first with growth second. Opposite what we had before the 2007 blow up. The plunge in U.S. home prices during the financial crisis should be a continuing reminder that bets on housing can sour in a hurry.

So buy the cash flow — not what some seller or real estate agent claims you should pocket when selling. This strategy doesn't depend on home values continually going up, which sets it apart from the house-flipping speculation that cost many home buyers dearly when the market collapsed.

You'll likely come across other investors who disagree with what I say. That's okay. But what I'm going to give you is based on my experience of over 25 years in owning and managing rental properties. The good and the not-so-good experiences.

Realize, though, that this is not just an investment. Unlike stocks, bonds, and mutual funds that can be sold quickly, it can take months to unload a house even in a strong market. And if prices decline, you may lose a chunk of principal for good. You can't expect to buy properties, sit back, and let the money flow in. Whether you have one property or 10, this is a business. And to be successful, you must view it as such. It also means taking on a lot of responsibility, both when buying the property and while owning it. Still, it is a risky and concentrated bet, just like any other business startup.

I'm going to show you how to build a portfolio of investment properties that can supplement your income while you're still working. And when you're ready to retire, it can continue to kick out income month after month while giving you something worthwhile to do. Plus, I'll show you how to protect your real estate portfolio from a crash like we had in 2007-2008.

Finally, I'll give you a strategy to use if you're not up to the demands of managing your own properties but still want some of the benefits investing in real estate offers.

Now don't get me wrong, this is not one of those get-rich-quick deals like you see in the 2:00 am infomercials ... the kind that claim to show you how to accumulate millions in real estate with nothing down and little work. However, I use the term "greedy landlord" in the title and in a few places throughout this book. That's because many people mistakenly believe landlords simply sit back and pocket the boatloads of dollars that roll in.

The truth is, it takes cash to get this going along with a lot of sweat equity along the way.

Some investors I know will touch nothing else. Their theory is that if you invest in stocks or bonds — government or corporate — you *must* have total confidence in Wall Street and the government. And since the financial crisis hit the world in 2008 and as politicians continue burning through billions of taxpayers' dollars each day, more and more people are losing that confidence.

With the groundwork laid, let's get started.