
Contents

Introduction

A Market with Profit Potential	1
---------------------------------------	----------

PART 1

Approaching the Market

Chapter 1

The Traditional Approach: Buy, Hold, Hold a While Longer, Sell	7
Studying the Rental Income Market	8
Advantages to Long-Term Investing	15
Disadvantages to Long-Term Investing	19
Deciding When to Sell	26
The Positive Long-Term Experience: A Matter of Management	28

Chapter 2

Financial Aspects: Keeping the Cash Flowing	31
Leverage and Real Estate	32
Mortgage Payments and Rental Income	34
Rental Expense and Tax Calculations	37
Tax Planning for Rental Income Property	42

Chapter 3

Fixer-Upper Alternatives: The Flipping Market	47
The Flipping Concept	48
Attributes of High-Potential Properties	50
Quick Fix versus Expensive Problems	53

Importance of Home Inspections	55
Estimating Time and Cost Features	57
Rental Income during Your Hold Period	59

Chapter 4

The Fixer-Upper Property: Abused Homes with Potential	63
Attributes of Fixer-Uppers	64
The Importance of Appearance	66
Recognizing Market Potential: Valuation Theories	68
The Unattractive Property: A Quick Fix	70
Creating a Budget	73
Checklists of Neighborhood and Property	76
Classifying Expenses: Cosmetic or Expensive	80
The Buyer Psychology	81

Chapter 5

The Combo: Long-Term and Fixer-Upper Portfolios	85
Investment Portfolio Planning for Real Estate	85
Conversion: Fixer-Upper to Long-Term Hold	89
Fixing-Up Expenses in Conversions	91
Combining Both Types in Your Portfolio: Limitations and Guidelines	93
Living in Your Fixer-Upper	95
Personal Limitations	97

PART 2

Rental Income Investment Planning Strategies

Chapter 6

Cash Flow First Aid: Stop the Bleeding, Do CPR (Cash-Positive Reasoning)	101
How CPR Works	102
Studying the Essential Cash Flow Problem	105
Guidelines and Suggestions: Managing the Profitable Situation	107
Cash Flow and Fixer-Upper Time Restrictions	112
Calculating Rental Property After-Tax Cash Flow	116

Chapter 7

Taxing Matters: Inevitable but Advantageous	119
Real Estate Tax Rules	120
Depreciation: The Basic Rules	123
Figuring the Base for Depreciation	130
Tax-Deferred Exchanges	135

Chapter 8

Risky Business and Rewarding Business: Comparisons	139
The Nature of Risk	140
Comparative Risk Analysis	141
Features Defining Risk	145
Tax and Inflation Risks	148
Mortgage Cost Risk	150

Chapter 9

Diversification and Allocation: Many Baskets and Many Eggs	153
The Purpose for Diversification	154
Forms of Diversification	156
Why Some Portfolios Are Not Really Diversified	159
Review and Change	162

Chapter 10

A Long-Term Investment View	165
Cash Flow versus Profits	165
Identifying the Profit Margin	167
The Importance of Turnover	169
Fixer-Uppers and Your Financial Plan	171
Long-Term Rentals and Your Financial Plan	173
Checklist: The Key Ingredients	174

Glossary	177
-----------------	------------

Index	187
--------------	------------