SAVVY REAL ESTATE INVESTING*

Create a Passive Income Stream and Make Money in Your Sleep

Shazia Virani

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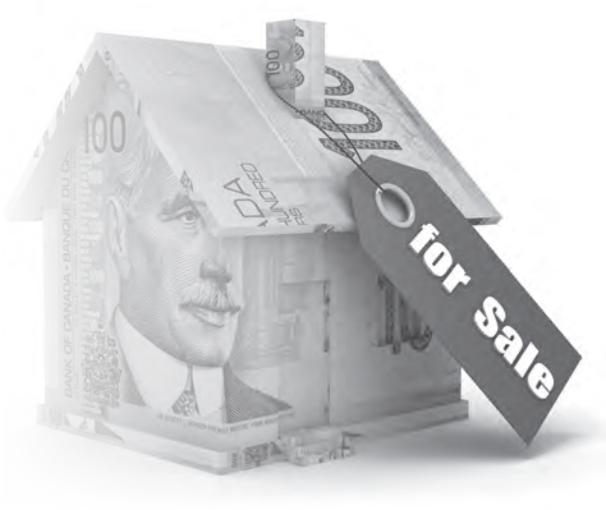
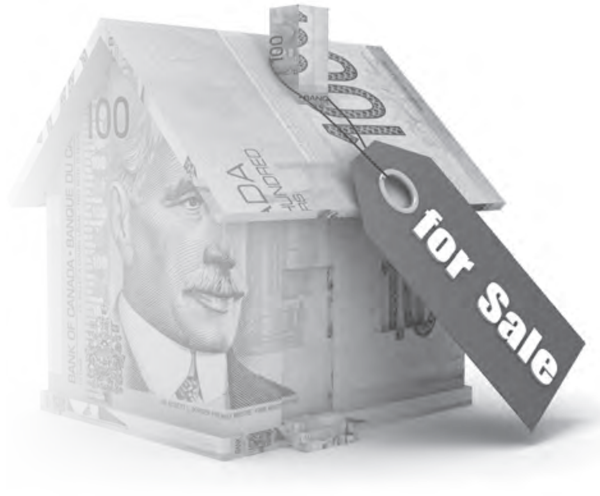


DEDICATION

To all the realists, and to all the dreamers in the world: Believe in yourself, never give up your daydreams, and always stay true to your hustle.



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Thank you to our parents who have always been there for us, always put us first, and love and support us through thick and thin. You show us the meaning of true work ethic and are champions.

Thanks to my amazing husband Shane who's my number one fan (as I am his), who always shows me love, encouragement, and stands by my side through all our crazy adventures together. We're just getting started baby, and we're in it for the long haul.

Thanks also to my family, and dear friends (you know who you are) who inspire me every day, believe in me, and encourage me. You are all so inspirational and amazing in your own ways.

Kim, thank you for introducing me to becoming an author; a challenge and now a reality I never imagined for my lifetime.

Thank you to everyone who has come into my life and impacted me; I am grateful for life, the journey, and every step of the way.

PREFACE: A GAME PLAN IS YOUR WINNING TICKET

"You don't make money selling real estate, you make money investing in it."

This is one of the most important lessons I ever heard at a seminar. It was my first year in real estate and I was ready to be one of the top young realtors, with all the motivation in this world. After hearing these words I wondered why I had signed up for this new job — other than to help people buy and sell real estate — if I wasn't going to make enough money?

I was still successful and selling up a storm and one of the top agents in my office for years to come. At the age of 23, I was commuting 1.5 hours to get to work to show homes, then would sit in my office until 9:00 p.m. prospecting, and then would head back to my parents' house. (Yes, my parents' place. I had to move.) In one year, I saved enough money for a condo in the downtown Toronto core — 500ish square feet for $280,000. To my wonderful parents' dismay at this astounding price for a box without a parking space (which I had to rent for an additional $200/month) I bought my first property. It was to be followed by many more.

My goal in life was to set myself up to have the ability to take care of myself and those I love within 20 years, and I wanted to have the option to retire whenever I chose. When I would say this, people would look at me as if I had three heads! I'm not saying I wanted the option to retire anytime because I don't love my job. I wanted the financial freedom to live life, help people and those less fortunate, and really free up some time to make a difference in the world. I couldn't do this with the job I had (and also love) just helping people buy and sell properties, with so much of my earnings going to taxes and me needing to be free for others' schedules. I had to find another avenue and decided to explore the world of investing; a world that drives me as my passion is now investing.

As a child, my competitive nature meant I wanted to be at the top, and I grew up to be at the top in real estate sales for a long period of time. I still work for that day in and day out, though I realized I needed to spend attention on my acquisition of properties as much as I was working for clients. This is where the real money lies.

I was taught to work hard. And now I work like a boss. It feels like the stress also takes years off life sometimes, so working like a boss is great, but also you need to look after your heart and soul. The loophole to this, or the secret, rather, I believe is to find passive income. Then you're a real boss. Having money make you money while you sleep is the ultimate goal, and as I am still learning, it is totally attainable. You can build a six-figure income where working can be a choice. You choose.

I am a young female who went from buying my first property to my second, then my third, my fourth, and tenth — I expanded into the US market to buy there also.

"What a risk!" some said, and I said, "What a great safety net. What a different market and what great returns."

I purchased home after home, and am excited to continue until I can live off my investments completely passively if I wish.

This year our goal (and by "our" now I'm speaking about my husband and me), was to move into our three-unit building, and buy one to two more homes perhaps with multiple units, hopefully by the end of the year. After a few properties, buying properties with so much potential makes all the sense in the world to me.

Another goal is to buy a home for us and our parents to enjoy in Florida.

After buying home after home, and completing move after move (and we have moved a lot!), there has been so much to learn through my accomplishments and also my mistakes. There is so much more to accomplish. A purchase of a residential home could eventually turn into the purchase of commercial/industrial buildings and the possibilities are endless. Now, I would love to teach others how this is so achievable, how you can simplify your life by having a few years where you focus on this, and then later you can enjoy the rewards.

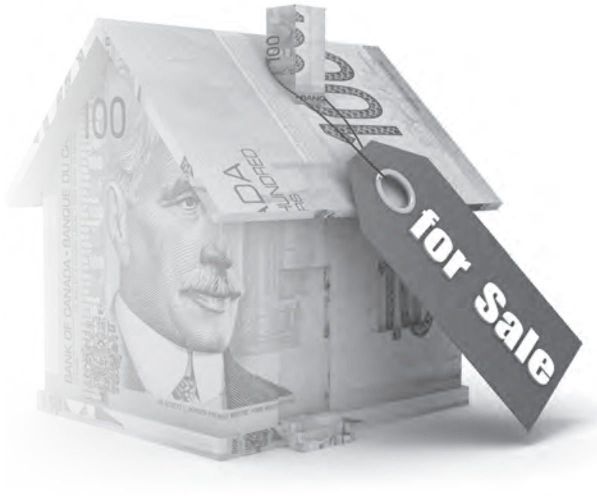
With the investment backing I have now with our army of properties, I have the ability to continue to grow our empire. This is just the beginning. Our investments will breed more investments — a pyramid tower of assets where a small home becomes a bigger home, which becomes an apartment building and a portfolio which continues to grow.

I have now learned and calculated how anyone can do this. It takes confidence in yourself regardless of what others tell you, learning to save some money, and making some key moves that will set you up. I'm a hardworking female, raised in a normal family who immigrated here, and everything I have in my portfolio has been built by my drive and passion. I want to share my story and experiences with you.

What you can do with a little bit of creativity, saved-up money, and courage can really change your life.

As Harvey Mackay once said: "Life is too short to wake up in the morning with regrets. So, love the people who treat you right, forgive the ones who don't and believe that everything happens for a reason. If you get a chance, take it. If it changes your life, let it. Nobody said it would be easy, they just promised it would be worth it."

Real estate is a great investment if you know what you are doing and can learn how to invest. Investing is a skill that you can learn, has a structure that you can follow, and is something that you can get better at with experience. So make a plan, and see where it takes you. Start by reading this book, then decide on your goals, the lifestyle you want, and your next steps.



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PLAN FOR YOUR FIRST INVESTMENT

Surviving the Rat Race

> *Never get so busy making a living, that you forget to make a life.*
>
> — Dolly Parton

Acknowledge this: Where are you in your life?

The truth is, the majority of us are running in this rat race called life. But shouldn't life should be what we want it to be and what we make of it? Often, it's eat, sleep, work, repeat. Maybe some weekends off. Go to bed at 11:00 p.m. to wake up at 6:00 a.m., and work eight to ten hours each day. Then pay off your mortgage, pay your taxes, and maybe have a little bit of money saved to shop and go on vacation. Does anyone else think this isn't the way to live? I sure do.

As a child, I was blessed to have amazing parents who gave us everything they had. We lived in a small, two-bedroom apartment after my parents moved here, and my brother Shamez and I shared a room. My dad and mom busted their butts to save every cent they could to pay for an exceptional education for us. They put us in activities, and they taught us to try our best. I competed, and often won in competitions such as dancing, singing, and track and field. This didn't come easily. It came from being taught work ethic and being on the track field at 6:00 a.m. running with my parents every day. I was trained to try my best.

Somehow my parents, who had just moved to Canada, managed to send both my brother and I to one of the most expensive high schools in the country, and then to university after that. At the time I didn't realize how fortunate we had been for this — I do now. The friends that I made and the network of people I met is what helped shape me as a person. We were lucky to be given these opportunities. Until I left university, I never had a real full-time job. Once I did, it was an unglamourous shock to "grind" every day. This is when I finally realized the value of a dollar. Money = freedom. Freedom seemed expensive; lots and lots of dollars. I like nice things, I like vacations, and I like not having to stress out about going for dinner or buying whatever I want. I realized it was time to hustle now so I could reap the rewards later.

Nice things cost money. Making money takes time. Sometimes when you make a lot of money you need to sacrifice time. Or do you?

Part of working hard is reaping the benefits. The problem, I was learning, is there isn't often time to enjoy the fruits of your labour, unless you make time and force yourself, but this is easier said than done when you run your own business. Even now, I find myself constantly checking my phone, even while I'm on vacation, and I'm missing living in the moment — being present.

I realized the money from my business wasn't always allowing me the freedom I need. I needed more dollars for the freedom I was looking for, though this number varies person to person.

I find it is rewarding to help people achieve their goals of home ownership. I love making my clients smile and seeing them all so happy. I love my job, but I also love collecting money every month from my tenants. Maybe, just maybe, I can do enough collecting to live in the moment all the time. Wouldn't that be something? Also, once I acquire the properties I want, I can sell them for a profit, if and when I choose.

My journey in life teaches me new things every day as I grow and learn. What's your journey been like? What are your goals? What have you accomplished and what do you want to accomplish? It's amazing what you can accomplish in five years, and it's just as amazing that five years can go by without you accomplishing anything at all. How do you want your next years to play out? You can just follow the herd or make choices that may be tough and scary — but make the choices and make things happen so you can then enjoy the following ten years.

Buying Your First Investment

When I was a child, we moved a lot. This continued during my adulthood. Watching my parents invest taught me so much. We went from an apartment rental to a small house they purchased in Oakville, and then moved to a bigger house, and then moved again and again until we moved to a house that was built by their dreams and creativity.; the dream home on the lake they built from the ground up. Watching my parents move up in the world was inspiring. From the two-bedroom rental to building their dream home while also paying for our expensive education, they have so much to be proud of.

I was in fashion sales right after school and quickly was given a full-time job. My boss wasn't the easiest to work with and I had to ask for my small paycheques at the end of every week. Long hours, small paycheques. I like sales, and the customers liked me. They would request for me to be the one coming by with all the products and I would love to see them. But I didn't feel I was getting paid enough for the amount of work I was doing, so I quit. I wondered what else I could do to help people as I enjoyed doing that. My brother smartly suggested real estate, and I'm thankful he did so.

Well that made sense for me. I like people, I like homes, and I was sure the pay would be better. So I quickly signed up for the course and started to sell real estate. Great move — I sold the first house I showed and my career expanded from there. I quickly became successful. I loved the hustle, I loved doing well, and I was very young to be a real estate agent and the one of choice for many friends — which also made my job not only rewarding but fun to have the opportunity to work with these friends to achieve their goals.

I was young and living it up — setting up events, paying for lavish dinners, and spending like crazy. Then I bought my first property and everything changed. I had to learn and prioritize.

Once I got a taste for investing I loved it. I wanted more. It wasn't just the act of buying the property. It was exhilarating to watch what happened to that investment and how it increased in value, but I wanted more. So I bought another. Then I felt the major stresses of being single and having to put down a lot of money, but I knew the stress would be worth it and I knew it would continue. I bought in locations I felt good about so my investment would hopefully be safe.

You see, I didn't want to retire at 70 and have 20 good years (if lucky) to finally enjoy life. I wanted financial freedom much sooner so I could enjoy life every day, starting now.

The best way to buy your first investment is to see exactly how much you can afford, and if possible, pick a great location from there. Location is key so if you are able to get into the best location you can afford and sacrifice a little space I would encourage you to do so. Location is everything (more on this later).

Once upon a time in Toronto you could afford a property for $500 a square foot. When it went up to a $1,000 a square foot (some even went up to $1,400), everyone was going crazy. In between those times, the imaginary bubble was going to burst. This did not happen. Of course, we don't have a crystal ball.

A parking spot by itself in downtown Toronto in the current market (which changes daily) has gone from $25,000 to close to $100,000. (This also would have been a great investment back in the day as they rent for at least $200 per month.) The opportunity in this area is harder to find now. In cases like this, I look elsewhere until I find another opportunity. Knowing an area will continue to appreciate does allow some leniency towards paying a bit more for a property and also feeding into the mortgage a little bit. This all depends on your risk analysis and final plan. Everyone will have a different one. It is always a great idea to start by speaking to a mortgage broker and financial planner before starting your search, as well as an accountant. Your real estate agent can guide you to the right property once you have done your due diligence and are ready to start shopping.

Ask yourself the questions in the Questionnaire 1. (It is also available on the downloadable forms kit that came with this book; see the back of the book for access.)

Once you complete Questionnaire 1, know where you want to go, and what you need to get there, get the ball rolling. Contact your mortgage broker and an experienced real estate agent. They should be able to guide you.

I always suggest starting with a 20 percent down payment. This way you don't pay the Canada Mortgage and Housing Corporation (CMHC) fees (if in Canada) and it's a substantial amount you're putting down which will reduce your mortgage payments. The mortgage rules may also require you to have 20 percent down for an investment. The more you put down the lower your payments will be, however you don't want to put all your eggs in one basket either. Don't forget, you need many little soldiers out there working for you so you can reap the benefits.

There is always more to a mortgage than just the rate and you need to look at the mortgage package as a whole. The mortgage rules are constantly evolving so familiarize yourself with the basics and find a good mortgage broker to guide you through the process. Certain aspects of a mortgage are independent to each person, such as how much you are putting down, along with the mortgage package that best suits you, and if you plan to move soon after purchasing then what do the penalties look like?

A website you can use to familiarize yourself with mortgage rules is the Government of Canada website: www.canada.ca/en/financial-consumer-agency/services/mortgages.html. You can find other websites to assist you with the mortgage rules in your particular geographic location, but be sure they are reputable.

Once you're organized financially, jump into the market and go for it!

Building Equity and Your Net Worth

Buying my first home was something I needed to do, more for my sanity than anything. I was commuting for hours a day and working crazy long hours. I wanted to make it in real estate and I was definitely putting in the time.

Questionnaire 1: Risk Analysis and Planning

1. What is your overall investment goal?

   Look at your short-term goal and your long-term goal – put another way, your goal for the year and your goal for retirement. How much do you need to make to live happily without having a typical job? How many properties do you need to own to earn this amount (after expenses)?

2. What's your five-year plan? What's your ten-year plan?

   Write down these goals and keep updating them as needed – five years goes by quickly! What do you need to accomplish each year in order to make your five- and ten-year plans a reality?

3. How much money do you need per month to live happily and within your means?

   You need to take this into account with your investment goal setting. If you want about $200,000 per year (depending on the income and your lifestyle) – let's say approximately $16,666 per month – this could potentially be achievable through approximately 10 properties or so. You will need to pay expenses to net this amount, so if you double it to be safe, you've covered all expenses, than this may mean you need close to 20 properties. Figure out how many rental properties you need to produce the positive cash flow you need, and how much each rental needs to bring in monthly to fund your desired lifestyle.

4. Where do you want to build your portfolio and why?

   I personally like investing in both Canada and the US at the moment, and I am open to other areas. I like the US because I like to travel to Florida amongst other places, and can see us living there during the cold Canadian winters. Also, my rental income is in US dollars, which works for me. I take the income and save it in all the accounts, the income continually comes in until I am able to purchase another property. I continue to do this over and over again. Investing in Canada is easy to manage and also makes sense for me. Where are you comfortable investing?

5. What is your risk tolerance? What type of property will you buy and how much will you invest?

   You can put all your eggs in one basket or you could spread the funds around. The more you spend the more you could hopefully make. I tend to spend around $300,000 to $400,000 as this is my comfort level. These are my little soldiers in different areas all working to make me more. They appreciate less than something around the $600,000 mark could, however I prefer the lower risk and the ability to spread out my dollars to more areas. This is currently evolving into a different plan for me, as will yours as you get more comfortable investing. Your price point will determine the type of property you will be able to purchase, although you may be more comfortable with one type of property versus another (e.g., one with maintenance included versus one with land appreciation).

6. How much money can you save in the next year?

   This will also determine the market you are able to get into. Sit down and calculate this. See where you can synch and pinch and save extra money to make this goal a reality. If you have a little less money – don't fret – just find an area where the market will appreciate. Most areas do (since I have been in real estate) appreciate, and one that has amenities already in place or plans of them coming (e.g., access to transit, good schools, things to do) should continue to appreciate and would be a good area in which to invest. There's a lot of opportunity if you just start looking for it.

7. What is your goal for the property you are about to purchase?

   Do you want to buy this property and hold on to it for years to come? Do you want it to be a short-term rental or long-term rental? Are you planning to buy and flip? What type of property are you buying and what type of tenants would you like to have? Understand why you are purchasing the property to further assist you with your goal setting.

8. Does the math make sense?

   Is buying this property a worthwhile venture? Are you cash-flow positive? Do you see a chance of appreciation in the property? Is it easy to rent, and how much work does the property need? Once you find the property, do your homework to ensure this is the one that fits your strategy and then move forward toward your goals.

I bought my first property, and then quickly bought a second. Yes, it was risky for me, and so exhilarating at the same time.

I thought to myself, this is a way to force yourself to save money.

If people asked me: How did you do that? I answered, “I just did it.” And I really just did. I didn’t analyze it to death, I just said, “OK, I’m going to do it,” and did. Half the time I’ve purchased these investments, I haven’t had enough money at the time of doing so. I had to make it work. I put myself in an uncomfortable situation, and really had to make it work at that point. It’s interesting to see what you can do when you are in a situation where you need to make money versus having it as a comfortable option. You can really surprise yourself.

Was this stressful? Yes, but it gave me purpose. I had my why: freedom in the future for myself and my loved ones. My husband and I are trying to gain financial freedom so we can do more things together. Financially we may be able to achieve this goal in a few short years because of our investments.

If you have goals and want some financial freedom, you’ll also want to consider building equity and your net worth. Let’s start by taking a look at your finances. How much do you bring in every year? How much do you have saved? Do you own your current home or rent? If you own, do you have access to a line of credit? Has your home appreciated in value? Do you have a friend or family member you can work with on investing?

I started my ventures buying a resale property and then a new build. I also took advantage of the downward market in the US when the Canadian dollar was at par and started purchasing properties there. My husband and I have since continued to build our real estate portfolio after many purchases, and we plan to continue to buy at least one property a year.

Let’s look at how much money you have and how much you make. Can you and a partner you can work with and trust save $30,000 to $40,000 each per year? If not, then what can you save on your own or in a partnership? What can you save if you cut out unnecessary expenses and purchases? (Remember, this is temporary.)

If you can save some money yearly, then you can do this.

If you own a property already, you may have access to funds to do this. Once you own a property, the bank will give you funds on a line of credit secured to your property. This is something to look into if you want to start leveraging.

In some markets, you can find properties listed between \$300,000 and \$400,000, give or take. If you put down 20 percent, you are looking at \$60,000 to \$80,000 (you will also have to budget for closing costs). If this property is cash-flow positive — meaning perhaps that you'll be able to rent it out and make money — it's a great find. If it carries itself with the taxes, maintenance fees, and the mortgage, then you are also in good shape. This first property is your vehicle to grow. This is the beginning of your investment business and you must treat this like a business.

Once you acquire the property (your new, small company), you should make sure you occupy this business hub with the right tenant who then brings you cash flow. Once you have cash flow, you must do your accounting by working with an accountant to do this while keeping track of all your income and expenses. You write off your business expenses, have your mortgage paid down by a renter, and have the equity increase year after year with not only your mortgage being paid down but also your property appreciating. This puts you on the bank map: If you do need money, the banks will likely give you more when you attain assets and need to tap into them.

Does this sound simple? That's because it can be if you see it for what it is. Many people just aren't willing to jump in feet first and take a risk in life. I don't blame them, however, I would say doing what the status quo does is riskier. If you need to buy a cheaper property, then do so, just get in the game. If you need to invest with a partner, then also do so. You could both be laughing all the way to the bank in a few years.

Now get this property under control, and get comfortable with this asset and being a landlord. Save for another year or two, and repeat.

Let's look at buying a new build. This could be potentially easier for some as your deposit structures (depending on the builder) are spread out over a period of time. This is the route I chose with my first few properties. It gave me an amount I needed to save, and a goal date to work toward.

Here is a potential structure:

- In the first 30 days, you will give 5 percent of the purchase price.
- Within 90 days, you give a second 5 percent deposit.
- Within 180 days, your third deposit is due which is another 5 percent.
- On occupancy, your final 5 percent deposit is due for a total of 20 percent down.

This provides you with the 20 percent down payment that you need for your investment plan. Many builders take two to three years to close, sometimes even longer, so you really have quite a bit of time to save for the final 5 percent deposit and closing costs.

In some businesses like mine, you have the option to hustle and make more money or commission. If you have this option, make a goal, buy the property, and force yourself to do it. It can be slightly painful at first with questionable moments during the process, but the long-term gain can be worth it. If you're not a business owner, then you could elect to work more hours.

Once you bust your butt making this extra money, make sure you save it to use toward your investment plans!

In order to separate things in life and make sure I'm saving money for my next investment, I have many different bank accounts. I need to see where all my money is going from each cheque so I can monitor the different areas of my life. I have an account for each of my properties which allow me to see expenses on each separately, pay bills separately, and pay maintenance fees and collect rent on each.

My accounts include:

- House savings account (for my next property)
- Current home mortgage account
- Tax account
- Spending account
- Retirement savings account

- Property accounts (they are all separated to watch the income and expenses)
- Chanel purse account (which is what I call my fun reward account — this account gets the least amount of money and only if there is a residue in income)

The last one is important. I want to highlight this as this is a reward for me that I have been saving for. Can I afford this reward now? Yes, for sure. However, the harder I work for it the more rewarding it is. Buying luxury items is something for me that comes after I have "made it," after my goal of living completely with passive income is a reality. So the luxury account only gets a maximum of $100 when I get paid, if there is enough to even put that amount in after feeding all the other accounts. I just started this account a few months ago, and if I want my purse, I need to get paid a lot — time to hustle for my reward, and this in turn will hopefully bring me closer to my next property purchase as well.

If you want to retire early, you will need to reduce unnecessary expenses, to gain wealth — until you are wealthy. This doesn't mean you can't have an amazing time and live, travel, have fun daily; we do all these things. We just substituted our fun. We have cut down on eating out all the time at expensive restaurants and instead we cook together and learn how to make more plant-based meals, and spend time doing yoga before bed instead of going to the movies.

Saving this money also allows me to do what my true passion is and invest. I love investing and watching my money grow.

Once you buy your first property, you are worth something to the bank because you are able to show value through equity. Once you can do that, you can grow more and build your net worth from there.

Yes, You Can Pay My Mortgage

"Landlords grow rich in their sleep."

— John Stuart Mill

I've had my clients tell me they don't want to be landlords. I sit back, and wonder, why on earth not? I want to be a landlord. I want someone to pay my mortgage so I can leverage my assets. Yes, please!

You do have to consider your comfort level with being a landlord or hiring someone to maintain your properties for you before moving forward, but I personally love it.

If I have a little army helping me grow my assets, am I interested? Yes, I am! It's so important to have the right tenants/soldiers helping along the way. It's just as important to find the right properties and to make sure they're in the right locations so there are not many vacancies.

When you finally are able to save the money to invest in a property and find the right property, if you find the right tenants and let them pay down your asset for you, you should see a natural growth in appreciation. Your mortgage and asset are being paid off, so the equity you have in the property is generally increasing. Not only this, but real estate tends to appreciate. Now you are also receiving the market increase gains and this is all gravy, baby. You don't have to do anything for this, except make the right decisions when picking the property (and potential tenants). The market will naturally gift your property the appreciation it deserves. This can vary, but it is a gift to be grateful for when it happens, regardless of the amount. If it's not enough of what you are looking for, then you can take your equity (which after a bit of time should naturally be more than what you started with) and move it to another property. You now have the option to do this after you have your initial investment.

What to Look for in a Property

How do you decide what property to buy?

First, location: As they say, location, location, location!

You can change the inside of a home, even the outside of a home, but you can't change the location. Location is the number one factor that will drive market value and demand.

You also need to consider potential growth. Investing in real estate is a business. Manage the risks and cash flow as land is an asset that will always be desired and appreciating over the long run.

Think about your return on investment (ROI). The return you will get on your investment is calculated by taking the return/benefit (the profit) and dividing it by the cost/investment (and then multiplying this number by 100) which gives you a value expressed as a percentage. This can help compare one investment to another (although there are other attributes to compare as well). For example, let's take a property that initially cost you $500,000 which was purchased three years ago, and now, just sold for $800,000.

> The profit/return would be $800,000 – $500,000 = $300,000.
>
> You can take the profit of $300,000 and divide it by the cost of $500,000 which gives you ($300,000/$500,000 = 0.6). 0.6 x 100 = 60 percent.
>
> Your ROI in this case is 60 percent.

This allows you an easy way to compare one investment to another but doesn't factor in time.

How much investment is needed for a rental to be cash-flow positive? This includes the cost of down payments, mortgages, closing costs, and covering all your expenses with your rental income should you become a landlord. If you're covering your costs and the property is cash-flow positive, you will find a natural appreciation over time.

Where is the property situated and what type of land does it sit on? Land is a huge asset, so if you have an opportunity to build further or subdivide, this could be worth extra money.

The cap rate is also a consideration; it is the ratio between the net income and original price. You get this by dividing the net income by the property's purchase price and it is expressed as a percentage. I look for 10 percent and higher (if possible), which is difficult to find in Toronto. In the US, where I own additional properties, it is not as difficult to find; it is much more common and that is why I also like purchasing homes there, for the cash flow.

What to Look for in Tenants

There are good associations out there for landlords (tip: join one!). There are also great books out there for landlords such as *Landlording in Canada* (also published by Self-Counsel Press) that cover this topic in greater detail, but here are a few points to consider:

- **Credit:** The tenant's credit will show you how/if they pay their bills. Having a tenant with good credit is important.

- **Job security:** Tenants need income to pay you as the landlord. Them having steady jobs will ensure this further.
- **References:** Check references and make sure the tenants are who they say they are, and have positive feedback from employers and past landlords.
- **Long-term timeline:** Having a long-term tenant is beneficial and the property will see less wear and tear, and it will save you from constantly needing to find new tenants which could also be costly.

Once you secure the right tenant you will want to increase the rent yearly where allowed. Check your local residential tenancy laws to ensure they allow a rate increase, and follow the rules. Although it is likely a small percentage, if you miss this increase for a few years it could really add up. Keep a schedule of when you need to increase the rents on your investments. Increasing my rents this year allowed me to see an extra $200 per month all together, which is another $2,400 this year that will continue to grow.

You will want to find a tenant who takes care of your investment and keeps it in good condition for you (hopefully very clean as well).

I always tell my clients to follow their gut instincts when picking tenants. If you have any doubts at all, it's not worth the risk. Getting rid of a tenant is much harder and costlier than finding one, so choose wisely and take your time to ensure it's the right person you're allowing in your large asset.

Property Management Companies

If you become a landlord, you may wish to consider hiring a property management company. These companies are fantastic for controlling and maintaining properties. They deal directly with the tenants and take care of finding the tenants to ensure your property is not vacant for a long period of time, and they also collect the rental income on your behalf and forward that rental income to you. They also handle maintenance and repair work necessary and any issues with the tenants.

The property managers are supposed to ensure your tenants pay on time, and the property is maintained. There is a monthly fee to hire a property management company which may be well worth it for many busy landlords. Being far away from certain properties, I can tell you that having a property manager is useful. The property managers prepare the agreements to lease, collect rent, and increase rent yearly as per the area guidelines, maintain the property, and take care of financial information for the landlords. Although this does cost money monthly, it will be worth the fees to some in order to release yourself of this role and continue looking for investment properties — especially if you have another job.