**Chapter 5- Rental Properties**

**Introduction**

The creation of passive income is very crucial if you are looking to save towards your retirement or if you are planning to generate some extra income to meet your family’s requirements. Rental property income, stock dividends, creating an online course, selling mobile applications and more are few ways in which passive income can be generated. A little bit of investment of time and money is essential if you wish to derive higher returns.



Rental properties are an ideal source of passive income. However, these require a lot of research and a considerable amount of work to be done in order to make a good purchase, repair if required and then in renting out the property. Once you have accomplished the task of renting out the property appropriately, then the entire process turns out to be a passive income source and you can generate a decent amount per month. Investments in rental properties such as private money investing, turn-key rental properties and REITs are forms of passive investments. The most crucial step in this regard is that you need to decide how much you are willing to invest in a rental property.



Passive income is quite an incredible tool which everybody must consider in order to make their retirement phase much more peaceful. You can opt for traditional stock market investing to ensure that you reap a decent amount over time. Your money continues to grow as long as the amount remains invested. Stock market although offers just dividends and doesn’t really become a source of passive income. Most of the dividends are really small enough to offer any sort of decent returns. An increase in the stock market prices comes from the stock market bulk returns. If you want to realize the gains then you will have to sell your stocks.



Considering an investment in rental properties seems to be an interesting option to consider if you are planning to generate a passive income. When you invest in rental properties, you generate income even without having to sell of your property. Selling your property will offer you a lump sum of money. However, retaining your property and yet deriving money in the form of monthly rental income is the best thing to do.



If you make a purchase of the rental properties appropriately, you can have a cash flow on a monthly basis. Your cash flow on a monthly basis wouldn’t cease if you retain your property and don’t sell it off. How you invest in rental properties is a key parameter in determining how much passive income that you generate.



**Kinds of real estate investments**

There are several kinds of investments through which one can generate passive income. REITs [Real Estate Investment Trusts] offer dividends in a similar fashion to stocks. However, the only difference is that these pay more than stocks would ever offer.



One can also consider investing in holding money against any property or business. In this case, you are creating a passive income source for yourself while you pay mortgage every month. Passive income every month can be created by purchasing notes as investments. You can also consider offering private money which is similar to notes. There are several methods in which passive income can be created. You choose what you wish to invest in. Rental properties turn out to be considerably profitable especially if you are a beginner and aren’t much aware of the tactics of real estate investment. Investing in rental properties is a safe option to consider.



When you consider investing in rental properties, the returns are always good in comparison to other kinds of investments that offer a passive income. The cash return is decent even if the equity pay down is not included on the loans. The appreciation of the rental property in fact turns out to be a bonus for the investors.

**How can a passive income be created from rental properties?**



When you are planning to invest in rental properties, you need to be aware of the fact that you will have to spend a considerable amount of time in looking for the right properties, having them repaired and then having then rented out. You need to manage the entire process appropriately. Once the property is prepared and rented out, the burden on you is taken off. Then all you need to do is collect the money in your account and enjoy your life. You can have a manager to take care of your rental activities in order to cut down your involvement in managing rental properties.

The passive income that you generate from your rental property is dependent on several factors such as the age of the property, the maintenance involved and the locality. You can consider learning strategies that can help you take smart decisions which purchasing rental properties. You can consider purchasing properties when they are below the market value. The net worth of such properties increases over time. The great thing about investment in real estate is that your rents shoot up during the inflation period. People interested in generating money through rental properties must figure out how to grab a good deal.

**Turn-key rental property**

If you intend to cut down your work while purchasing rental properties, then you need to consider purchasing turn-key properties. Turn key properties are those properties that have been repaired and managed by a property manager. These properties are already rented and you don’t have to take the pain of finding a tenant for your property.



Purchasing a turn-key rental property is the most ideal thing you can do as everything is already set. You just need to pick a property and start collecting your passive income into your bank account. A lot of work and time can be saved by purchasing a rental property from a turn-key company. As you aren’t doing any work, you are giving up the equity that lies in the property. You need to ensure that the time you save in repairing and maintaining the property is worth the equity that you are giving up.

**When is the right time to pursue passive income through rental property?**

Generating an income from a rental property is one of the most popular way in which one can generate a passive income. If you are considering purchasing rental properties and are still hesitant about the right time for investment then read the subsequent paragraphs to figure out the ideal time for investment. As per a recent study done at the Harvard University’s Joint Center for Housing Studies, the ideal time is now for making an investment.



As per researchers at Harvard, there has been an increase in the percentage of the properties that are being rented. The percentage rose to 35% during the year 2012. The increase in the figure has been attributed to several factors that include economic troubles and rise in the number of foreclosures.

Renting is a quite a popular option amongst people. Renting offers several benefits to people and hence is opted by a lot of people. The benefits of renting include protection from fluctuations, freedom from repairs, home maintenance and greater mobility. The fact is that the rental rates are skyrocketing in many parts of the world. This can be attributed to the increase in the demand in rental property. Rental properties are considered to be dream properties for investors and hence make an ideal passive income source.

**Turn into a landlord**



Doesn’t it sound tempting to be called a landlord? It does sound tempting. However, there is a lot of work involved. You cannot consider the entire process to be effortless as it does require you to invest some amount of time in researching about the properties. When a tenant moves out, you need to paint and clean your properties so that you make it suitable for the next tenant. You need to organize meetings with people when you are planning to remodel your structure. Also, you cannot just ignore the repair work which consumes a lot of time and as well as your money.

You also need to keep up with the issues such as secret pets, feuding neighbours and late rent payments. In many cases, the tenants leave properties in pathetic conditions with missing doors, broken things, busted windows and oil-stained carpets.

**Passive income from rental properties**

It is quite obvious that you may be expecting your hard work done on rental properties to pay you almost instantly. This isn’t the case in reality. It takes time as you should first do away with your loan amount if any with your monthly rental payments. Once that is done, you can consider using your savings for your retirement or for investing elsewhere. You should consider several parameters when you are planning to purchase a rental property to generate a passive income source for yourself.

1. Have plenty of cash

Lending standards by banks have been modified significantly over the recent years. You are required to make a down payment of at least 20 percent. You cannot own a rental property in first place if you cannot manage to pay the down payment fees.



1. Risk factor

Purchasing a rental property not always proves out to be a money making endeavour. However, there are several risks associated with investments in rental properties. The risks associated include property damage, non payments, vacancies being prolonged and much more.



1. Understand the market

Before you decide to jump into the world of real estate investment, it is vital for you to consider where you are landing yourself into. This implies that you need to research about the things that are going on in the rental property market. You need to gain a better understanding about the occupancy and the rent trends that have persisted in the marketplace.



**Retire early with rental properties**

Investment in rental properties is one of the best ways in which enough money can be accumulated so that one can retire peacefully. You don’t really have to make a rough calculation about when you would die and build your retirement plan around your assumption. Investing in rental properties at a very young age is a smart move to make as it offers you money on a monthly basis once you are done with the purchase and have managed to secure tenants. The money keeps coming to you unless you sell of the property or do not have any tenant to pay your rent.



The best thing about rental properties is that the rent may shoot up with time. Your rent wouldn’t be fixed and will rise with time. With just minimal investment of time and money, you will have a passive income coming in for the rest of your life if you make the smart move. You can as well consider hiring a property manager who can manage with the vacancies and the repair process. Investing in rental properties is a great investment and can get you hooked to it once you realize the immense potential that lies in it.

**Best route to passive income generation**



It requires certain amount of discipline and money in order to look for properties that can help you generate passive income. You need to realize the potential that lies within a property so that you can use it for your own benefit. There lies immense income source within rental properties. Start planning now and you will never run out of cash ever in your life. This is the sole reason why people who invest smartly in the real estate market do so well in life and never give up on investing in real estate properties.

There lies an ocean of opportunities when it comes to generation of passive income. You need to realize where the potential lies and what can work for you in the best possible manner. You need to do a little bit of research, read investment blogs and get in touch with property experts to get to know more about the things happening in the real estate industry. It would be worth investing time in it so that you can make money at a later stage.



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