

Robert's Rentals

Forward

Considering a Rental Business

Before you decide that a rental business is for you, you need to determine why you want to get into the rental business. If properly established and operated, a rental business can provide future wealth, supplemental income, or both. Generally, however, neither is true in the near term. Yes, you may come upon a bargain that can be turned around and rented for significantly more than the expenses, but they are few and far between. Basically, the rental business is a long-term investment in both time and money but should reap rewards increasingly as time goes on. You must think hard and determine if the rental business is really where you want to invest your time and money.

Short-Term

In the short term, especially in the year that the business is established, there are little benefits and significant aggravation. However, this is often true in any new business. There is research into the laws applicable to rentals, areas to invest in for rental properties, institutions for funding your business (mortgages, loans, and credit lines), and dealing with personal time/stress being expended and affecting your personal life. However, if you can make it past the initial startup aggravation, rewards start building slowly and steadily. For example, many of your start-up costs are deductible against your personal income if you establish your business as "supplemental income" as defined in federal tax laws. This can mean larger tax returns early in the succeeding years. Depending on when you start your business, certain business expenses along with property depreciation also may add to additional personal tax deductions. These deductions will likely increase for succeeding years and then stabilize unless your business continues to grow. However, significant short-term income is very unlikely. This is due to the rental incomes that can be established due to area markets may barely exceed your overall business expenses. But once established and periodically as you increase the rents, more and more income can be realized. This is due to mortgage payments remaining the same (if utilizing a fixed-rate mortgage) and other expenses only increasing marginally. So as the years go on, income will most likely increase due to rental price increases.

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