



**REAL PROPERTY**  
ASSOCIATES INC  
Property Management



# Protecting Your Investment Property A Guide

There's a reason people take measures to protect the things (and people) they love:  
**things break, bad stuff happens, and it can be expensive to recover.**

When it comes to your investment properties, even the best properties won't stay that way forever. We're not here to sell you some insurance—but we do want to set you up with the best information to help protect your assets: your investment properties!

If a financial crisis affects your rental income or a disaster strikes and destroys one of your properties, can you recover without losing significant financial momentum toward your long-term financial goals? For some investors, one bad tenant who destroys your property and leaves without paying the rent can derail your retirement plans.

That's why we developed this resource, *Protecting Your Investment Property: A Guide*. We aren't saying you need to expect the worst, but the most successful property investors have the tools and plans in place to make sure setbacks are only temporary. Recovering well starts with protecting your investments. **Here's how!**

## Hire a Property Manager Right Now



That's not a sales pitch— **It's the best thing you can do to protect your investment properties.**

- Don't wait until you need a property manager! Partner with one as soon as you start to build your portfolio.  
Whether you have only one property or you're amassing a real estate empire, expert property management is your best protection against just about anything that can go wrong in the investment property business.

Of course, property managers also ensure that things go right! A property manager's primary role is to maximize the returns from your real estate portfolio to benefit your financial future. On a typical day, that means applying the very best property management strategies to everything from finding the right tenants to collecting the rent and providing expert maintenance services.

However, when things go wrong, you don't want to start looking for a property manager—you need one already in place to take action and minimize any financial damage. Experts in the industry are not only skilled in triage, but in spotting potential red flags and nipping them in the bud before they spiral into a full-blown crisis.

## Find the Best Property Manager

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You can Google "property manager" and quickly find the names of plenty of local companies. However, choosing the right property manager makes a significant difference in how they help protect your investment properties. A great deal of property management out there is run by fledgling hobbyists—ultimately, this does nothing to benefit your investment.

- **Do your research**  
You need a reputable property manager who is well-known in the market with an outstanding reputation for taking excellent care of owners, properties, and tenants. It's always a good sign to see that your property management partner is a member of NARPM.
- **Make sure you understand their services**  
If you're new to owning rental properties, it can be challenging to understand what a property manager does. Choose a property management company with a clear contract using common terms that make it easy to understand what you're paying for!
- **Look for standard fees**  
Property management pricing should be straightforward. They do important work, but it shouldn't come with pricing that reflects rocket science. Standard leasing fees are usually a full month's rent. Property management fees range from 7-15% of the monthly rent, depending on the level of services you choose.

Don't waste your time with a property management contract or fee structure that isn't transparent or easy to understand! Walk away and choose a better property management company to trust with your investments.

## Carry the Right Insurance



As we said, we're not here to sell you insurance—but we are here to sell you on the protection insurance provides. You expect renters to carry renters insurance. That kind of coverage protects the tenant and their personal property. However, your tenant's renters insurance doesn't protect your rental property or your investment business.

As a property investor, you need the right insurance policies to protect your investments. A simple homeowner's insurance policy isn't the right kind of coverage for a rental property. Your property manager can help you determine what you need, which is just another reason why partnering with one is useful.

- **Property protection**

This covers damage from disasters like fire, hail, lightning, wind, snow, or ice.

- **Liability Insurance**

If someone incurs an injury from a fall or other problem on your property, liability coverage helps cover the costs of medical bills or legal fees.

- **Personal property protection**

Do you leave any tools or equipment on your property? You'll need this kind of coverage to protect your personal items from damage while stored at a rental property.

- **Rent loss protection**

If disaster damage makes your property uninhabitable, you lose rent until you complete the necessary repairs. Rent loss protection helps property investors cover mortgage payments until your property is safe for tenants again.

- **Acts of nature or flood protection**

These types of policies help cover expenses when floods, earthquakes, tornadoes, or other acts of nature cause damage to your property outside of the scope of your property protection.

Depending on your properties, you might not need all of these types of coverage for every rental. However, going without the right insurance coverage is an expensive risk. Let your property manager guide you through your insurance options and help you select the best policies to protect your investments.



## Set Up the Right Business Entity



Taxes, business liabilities, and the law—oh my! Your investment property business needs the protections of the correct business entity for your goals, but how do you know which is the right entity for you? The last thing any rental property owner wants to have to deal with is a direct lawsuit that can strip you of your hard-won assets.

- Do you need a trust? What about an LLC?
- Should your rentals fall under your personal assets?
- If mentioning these entities just made real estate less fun for you, you're not alone!

Most investors want to simply sit back and enjoy the monthly rental checks. However, to make sure you don't lose money when it's time for tax season or have to file bankruptcy after a tenant sues you, take steps to create the right business entities for your portfolio now.

If you don't know where to start, consult your financial planner, your lawyer, and a property manager. They can guide you to the most beneficial solution for your investment goals!

## Screen Tenants, Screen Tenants, Screen Tenants



We can't say it enough: screen every tenant! One of the riskiest things you can do to endanger your investment properties is choosing tenants without a screening process first. It's also exactly what a Professional Tenant wants you to do.

A renter could look like an excellent potential tenant on paper. You meet them in person; they are polite, charming, and appear to have everything you could ask for in an excellent tenant. However, without digging beneath the ink that's written on their application, you don't really know who is about to move into your rental property. This is one of the biggest mistakes a property owner can make.

### Professional Tenants Are Expensive

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Maybe your property continues to sit vacant for another month—or two. You finally get an application from someone who can move in right away. They seem nice, and they pay the deposits in cash—upfront! You don't want to lose any more money from an empty property, so you consider allowing this person to be your new tenant.

#### **STOP!**

Unless you want to give the keys for your valuable rental property to a complete stranger, do not allow someone in your rental home without learning more about them.

Not every nightmare tenant "looks" like trouble during the application process. Quite often, Professional Tenants seem excellent during the interview process. However, once they get into your property, they refuse to pay the rent, cause damage to your property, and sometimes leave without notice.

When we say damage, we're talking about potentially thousands of dollars' worth of damage. Think cement in your drains, box fires in your kitchen, carpeting that looks like it hosted a cage match, and your garage (if you have one) piled high with rotting trash. The cherry on top? They'll also leave you high and dry when it comes to the monthly rent.

Professional Tenants make it their business to breeze through weak screening procedures—so you need to make it your business to batten down the hatches. Your screening process is your first line of defense when protecting your investment property, so it needs to be as airtight as possible.

## Create a Process—and Stick to It

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While it's essential to protect your investment properties through the tenant screening process, you must also protect yourself. A thorough screening process helps you find the best quality tenants while following all fair housing laws.

Screen every applicant with the following principles in mind:

- Determine (and document) your preset tenant criteria before screening any applicants.
- Apply the same standards to everyone 100%—there's no wiggle room on that!
- Avoid any potentially discriminatory practices and eliminate room for bias to creep in.
- Run background checks to verify income, employment, credit, criminal history, and prior rental history.
- Follow privacy laws to protect personal data for every applicant (think the FCRA).

If that sounds like a lot of work and attention to detail, your property manager can handle it for you!

- Keeping up with privacy and fair housing laws can be difficult.
- An expert property manager protects you throughout the screening process.
- The result is a quality tenant who pays the rent every month and takes excellent care of your rental property!

## Have a Stellar Lease



It might be tempting to download a lease template from a website and use that to create tenant lease agreements. While that method can get you started, a generic template does not provide enough protection for your investment properties.

- The lease agreement is each property's rulebook.
- It includes the rules your tenants must follow to live in your property.
- The lease must also document what happens if a tenant breaks the rules or fails to pay the rent.

Your lease also details your responsibilities as the landlord. The lease agreement is a mutually-binding document that becomes the point of reference for any situation that comes up about your rental property. Leases you find online may even be skewed towards your renters, so the last thing you want to do is trust a document you found for free online to be your guide!

With that in mind, your lease must be stellar! It can leave no stone unturned, no detail left out, and no room for gray areas. When creating your lease:

- **Stay current on local laws**  
Check with housing authorities and follow city ordinances to make sure your lease is legal.
- **Consult a lawyer**  
It can be expensive to deal with a lawsuit from a savvy tenant who finds a loophole in your lease. Make sure a lawyer reviews your lease agreement before adding signatures.
- **Just let your property manager do it**  
If details and legal requirements aren't the things you love most about being a property investor, turn the lease creation over to your property manager. It's what they do!

Your lease agreement must leave no room for interpretation. When it's not clear or ironclad, you risk lawsuits and loss of income from your investment portfolio!



## Plan For the Worst



We always hope for the best, but any seasoned property investor will tell you that it's a good idea to plan for the worst anyway.

- Smart, successful investors understand that not every day in real estate is a good day.
- If you're not prepared, one or two bad days (or a month or two of lost rental income) can sink all of the hard work you've put into your financial future.
- While rental properties are one of the most stable ways to invest, an economic crisis or a bad investment property can hurt your long-term wealth.

Don't settle for merely surviving a worst-case scenario! Plan to come out on the other side with minimal impact on your long-term financial goals. Planning for when things go wrong includes:

- Developing a communication plan for tenants.
- Knowing what to do when tenants can't pay the rent.
- Understanding the resources available to landlords in a crisis.
- Saving enough cash reserves to cover expenses for 4-6 months.
- Dealing with difficult tenants when evictions can't happen right away.

Having this kind of plan in place while life is good helps you transition (and recover) better when things don't go well. An expert property manager is an excellent resource to help you plan and navigate through a crisis!

## Be Prepared To Spend Money On Upkeep



It's a myth to think you'll make more money by not spending anything on property maintenance. Hanging on to every penny while your properties fall into disrepair will cost you significant, long-term income.

Successful property investors know that property maintenance isn't the right place to pinch pennies. You must be willing to spend money to keep your properties in excellent condition. Find other ways to reduce your out-of-pocket costs, but never let property maintenance suffer because you want to keep more money in your pocket.

### But Why?

- Is property maintenance really necessary?
- Can't you save your money and wait for something to break?

You can, but it's a terrible way to protect your investments.

Well-maintained properties will boost your long-term income! To build a successful real estate portfolio, investors must play the long game. Saving a buck now on a DIY fix—or worse, waiting until a problem spirals before you finally fix it—will damage your long-term income.

Prioritizing professional maintenance:

- Adds value to your investment properties.
- Reduces repeat repairs with quality solutions the first time.
- Attracts better quality tenants and encourages them to stay longer.
- Cuts costs by catching problems early and making repairs before problems become expensive issues.

Poor-quality maintenance services are one of the top reasons tenants don't renew a lease. Being responsive to tenant requests, scheduling prompt repairs, and fixing it right the first time shows tenants you care about your properties—and your tenants.

If staying on top of maintenance isn't your "thing," that's okay! Not every property owner can grab a hammer or understands kitchen plumbing well enough to fix a leak. With an expert property manager, you never have to worry about maintenance.

- When considering the right property management company, learn as much as you can about their maintenance practices.
- The best companies schedule routine property inspections and maintenance, answer emergency calls 24/7, and have a network of vetted contractors to provide quality repairs at competitive prices.

## A Property Manager Is the Best Investment Protection



We're mentioning it again because we believe it's worth repeating! Protecting your properties is a lot of work, but you don't need to do it on your own.

They don't wear capes but think of your professional property manager as an investment-property superhero. They handle everything we've mentioned in this guide almost effortlessly—because it's what they do every day!

Effectively managing your investment properties requires a mix of many skills. Many property owners learn on the job as they tackle landlord tasks the DIY way, but it's time-consuming work that can eliminate your free time—and leave you frustrated at the end of every day.

Investing in real estate should be a passive venture. If you're working that hard to make "extra" money, is it really worth it? When you put in that much work, the damage from a bad tenant, an act of nature, or an overwhelming maintenance issue is too much of a risk for your financial future.

### Let Them Save the Day—Every Day

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Most property investors have a full-time job. You spend time and effort becoming better at your craft to perform your job with excellence! No one expects property investors to make a second career out of everyday landlord tasks and protecting your investments.

Professional property managers become expertly trained in every aspect of the investment property business because it's their career. They learn all of the things in this guide (and stay up to date as things change) because it's their job!

**There's no better way to protect your investment than by working with a professionally trained expert who knows everything about this business.**

The best property managers can jump from dealing with a tenant maintenance request to screening a new tenant or creating a property listing for your next vacant property. It's all in a day's work! While they work on your behalf, you can enjoy passive rental income—and your free time—without worrying about the safety or success of your investment property business.





We hope you found this information helpful! When choosing your property manager and the best protection for your investment properties, keep it handy as a reference. No guide can completely prepare you for everything that lies ahead, but a property manager can help you proactively address just about any issue.

**Your financial future could depend on how well you protect your investments. If you need further guidance on anything you read here, or you need additional help getting the most out of your investment properties, reach out to us!**