

A FREE FIELD GUIDE · ALAN FAITEL

The Buy & Hold *Rental Guide.*

How to tell a rental that builds wealth from one that quietly drains it — the real cash-flow math, the reserves nobody budgets for, and how to pick tenants you won't regret.

— Alan Faitel

Why rentals — and why *slowly*.

Flipping pays you once. A good rental pays you four ways: monthly cash flow, a tenant paying down your loan, appreciation over time, and tax advantages your accountant can explain for your situation.

But rentals punish impatience. The money is made over years, and one bad purchase — or one bad tenant — can eat several years of profit. The whole game is buying right and managing tight.

The test: a rental should make money on paper *after* you've budgeted for vacancy, repairs, big-ticket replacements, and management — even if you plan to manage it yourself. If it only works when nothing goes wrong, it doesn't work.

What makes a good first rental

- **A boring house in a stable neighborhood.** Three bedrooms, one and a half baths or more, near work and schools. Boring rents.
- **Close enough to drive to.** At least for the first one, you'll want to see it.
- **Systems you understand.** A newer roof and furnace are worth paying a little more for.
- **A rent your area will actually pay** — confirmed by current listings and talking to local property managers, not by an online estimate.

THE MATH

Real cash flow, *not* rent minus mortgage.

ILLUSTRATIVE MONTHLY EXAMPLE	AMOUNT
Rent	\$1,600
Vacancy ($\approx 8\%$ — about one month a year)	– \$128
Repairs and maintenance ($\approx 8\%$)	– \$128
Capital reserves — roof, furnace, water heater ($\approx 8\%$)	– \$128
Property management ($\approx 10\%$, even if you do it yourself)	– \$160
Property taxes	– \$250
Insurance	– \$110
Net operating income (before the loan)	\$696
Mortgage — principal and interest	– \$560
Monthly cash flow	\$136

Numbers are illustrative, chosen to teach the math — not a prediction for any market or house. Percentages vary with the age and condition of the property.

Notice that rent minus mortgage looks like \$1,040 a month. Real cash flow is about an eighth of that. That gap is where new landlords go broke — not in a single disaster, but in a slow leak of furnaces, turnovers, and late months.

Quick filters

- **The 1% rule** (monthly rent $\approx 1\%$ of total cost) is a screen, not a verdict. In many markets nothing hits it; run the full numbers anyway.
- **Cash-on-cash return** = yearly cash flow $\div$ cash you put in. Know it for every property you own.

Pick tenants like it's *your* money.

It is. Most landlord horror stories start with a rushed decision to fill a vacancy. An empty month costs one month's rent; a bad tenant can cost six.

A consistent screening process

- ☐ Written rental criteria, applied the same way to every applicant
- ☐ Application with consent to check credit, background, and eviction history
- ☐ Income verification — pay stubs, offer letter, or bank statements
- ☐ Calls to the *previous* landlord, not just the current one
- ☐ Photo ID matched to the application
- ☐ A walk-through with photos and a signed condition report at move-in

Fair housing applies to everyone, including small landlords. Federal law, and often state and local law, prohibit discrimination based on protected classes. Same criteria, same process, every applicant, in writing. Your local landlord association or attorney can tell you what applies where you are.

Lease and local rules

- Use a lease written for your state — security deposit limits, notice periods, and eviction rules vary widely.
- Check whether your city requires a rental license or inspection before a tenant moves in.

KEEP THIS ONE HANDY

The rental *checklist*.

Before you buy

- ☐ Rent confirmed with listings and a property manager
- ☐ Full cash-flow math with vacancy, repairs, reserves, management
- ☐ Inspection — roof, furnace, plumbing, electrical, sewer
- ☐ Insurance quote as a rental (landlord policy)
- ☐ Tax bill checked — it may reset after a sale
- ☐ Rental license / inspection rules for that city
- ☐ Cash reserve set aside: 3–6 months of expenses

Once you own it

- ☐ Separate bank account for each property
- ☐ Written screening criteria
- ☐ State-specific lease
- ☐ Move-in photos and condition report
- ☐ Rent due date, late fee, and how you collect
- ☐ Seasonal maintenance calendar
- ☐ An accountant who works with landlords

WHEN YOU WANT A SECOND SET OF EYES

Thinking about your first rental — or your fifth? Bring me the address and your numbers. The first conversation is free, and on the right deal I may partner with you and help fund it.

Talk to AL — not AI.

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General education only — not legal, tax, or investment advice for your situation. Talk to a local attorney and accountant before you buy.