4 Rental Property Expenses to Expect as a Real Estate Investor

Investing in rental properties can provide consistent returns for your retirement plan, but it's important to learn how to assess the potential costs and associated risks before you buy. If you're considering a rental property investment for your IRA or Solo 401(k) plan, keep the following 4 related expenses in mind in order to maximize profitability and avoid properties that have a higher risk of associated costs.

✔ 1. OWNERSHIP COSTS

As the owner, you will be responsible for typical property ownership costs including closing costs, taxes, insurance, and any homeowners' association fees. These costs are easy to forecast and shouldn't impact your final ROI as long as you factor them into your investment plan from the beginning.

✔ 2. PROPERTY MANAGEMENT

A property manager's rate is typically around 8-10% of the gross rent for a property, which may seem costly. However, hiring a professional to manage your property will benefit your investment in the long run as they have the knowledge to efficiently maintain your property, ensure the best tenants and minimize vacancies, and prevent unexpected repairs and expenses.

✔ 3. UNEXPECTED REPAIRS

Unfortunately, even the best property manager won't be able to prevent some unexpected repairs on your rental property. Setting aside funds for these unforeseen incidences will minimize the impact they have on your retirement funds.

✔ 4. TENANTS

Keep in mind that once you purchase a rental property, there will be costs associated with finding and keeping tenants to live there. Some of these costs include advertising the property, screening tenants, potential eviction, and periods of vacancy.

Staying aware and being prepared for the associated costs of a rental property investment will allow you to maximize your profits and minimize the risks for your retirement plan. Contact us to learn more about real estate investing and how we can help.