

MOPOA NEWSLETTER

Make Your Rental Real Estate Business a Success

December 2018

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MOPOA CHRISTMAS PARTY

Bring your family, business partners, kids and grandkids and enjoy the Christmas Party sponsored by MOPOA. Face painting, balloons, appetizers and treats, games, door prizes and ugly sweater contest and fellowship.

Monday, December 10th, 2018

6:30 p.m.

Westside Conference Center
(Swanson School)
3534 S. 108th St. Omaha, NE

MOPOA Happy Hour Thursday, December 13th, 2018
Report In Pub 12100 West Center Road, Bel Air Plaza, North Side, #204 5 p.m. to 7 p.m.

MOPOA Early Bird Breakfast Saturday, December 15th,
2018 Farmhouse Café, 84th & Grover. 7:00 a.m.





LETTER FROM THE PRESIDENT

By John C. Chatelain, President MOPOA

"While it may seem difficult at first, the practice of positive thinking will triumph over the blues."

Because it is more significant commercially, Christmas tends to dominate the season, but Thanksgiving is just as important. Our ancestors knew the power of giving thanks and we honor their wisdom.

The Pilgrims are given credit as the inventors of thanksgiving, but the practice is much older than their 1621 new world harvest meal. About 2000 years ago St. Paul wrote, "Be thankful in all circumstances". *1 Thessalonians 5:18* Centuries earlier the Israelites honored the virtue of gratitude. "Give thanks to the Lord, for He is good, His love endures forever." *1 Chronicles 16:34*

In the first Thanksgiving Proclamation, President **George Washington** expressed gratitude "for the civil and religious liberty with which we are blessed". **Abraham Lincoln** turned the practice of thanksgiving into a national holiday, while the Civil War was raging. Imagine pausing to give thanks in the midst of that blood bath.

Indeed, there is something very important about giving thanks. We do it because paying respect to the Creator is the right thing to do. More subtly, the regular practice of gratitude improves the fabric of our most powerful resource, the mind. "He who is not contented with what he has, would not be contented with what he would like to have." *Socrates* "A grateful mind is a great mind which eventually attracts to itself great things." *Plato* "Happiness de-

pends upon ourselves." *Aristotle* And you will love this one: "Let us rise up and be thankful, for if we didn't learn a lot today, at least we learned a little, and if we didn't learn a little, at least we didn't get sick, and if we got sick, at least we didn't die; so, let us all be thankful." *Buddha*

By entertaining the wrong thoughts, the mind can sink into fear, boredom, jealousy, vindictiveness, misery and despair. It is impossible to maintain a state of doom and gloom, however, with a heart of thanksgiving. The two states of mind cannot co-exist. While it may seem difficult at first, the practice of positive thinking will triumph over the blues.

Call me Pollyanna, but there are clearly more things to be grateful for than to complain about. Despite all the noise in the press, we still have stable government, with important rights as citizens. **We're not going hungry.** The sad fact is my belt is getting tighter, but not shorter. We have fine homes to live in and roads to travel. Fellow landlord and friend, **John Seigel**, who years ago immigrated from Germany, once expressed his great fortune to live in a country where he can have so many people paying him rent. Yes, Thanksgiving is for real. Celebrate it all year long.

All too often, I get calls from clients experiencing disputes with contractors. We stress the need to screen tenant applicants. The same is true for contractors. Research, check references, review estimates and ask plenty

of questions. Make sure you have the right people for the job. Even with these precautions, troubles can arise.

To minimize the possibility of contractor trouble, be sure to have a written contract, which is clear and complete. It should spell out the scope of work, start and finish dates as well as payment dates. The parties should identify all subcontractors and progress payments should not be made until those subcontractors have waived their liens. Change orders should also be in writing. Don't sign anything you don't understand.

After the project commences, conversations you have with the contractor should be documented. If it is not possible to obtain the signature of the contractor, follow up the discussion with a written memorandum. Keep a paper trail of everything. A written record helps avoid ambiguity.

Contractor insurance is a must. Even if they take responsibility for things that go wrong, contractors may not have the financial resources to make things right. Subcontractors should also have liability insurance. If a worker is injured and the contractor has no workmen's compensation insurance, the property owner might be considered the employer for purposes of that liability. Ask for insurance certificates from the contractor(s) and keep them in the file.

If a dispute with a contractor arises, promptly consult a legal advisor who is competent in the field of construction. With a little luck you may be able to avoid expensive, time-consuming litigation.

Deyna Rouse of Lutz & Company explained the expanded \$179 income tax deductions at our November 12th meeting. She also touched on sheltering capital gains by investing in Opportunity Zones. (see attached article on Omaha Opportunity Zones submitted by **Kari Longo**). It is more important than ever to have competent advice for year-end tax planning. Deyna can be contacted at (402) 496-8800.

Other great speakers MOPOA has had on this topic are **Kam Wiese** @ Kluge & Wiese (402) 332-3387, **Brian Gorake** @ Verdant, (402) 330-1200 and **Pat O'Malley** @ Tax Help, (402) 334-6708. The clock is ticking on 2018. Schedule that appointment now!

Board member **Sherri Kunz** has put together some big things in the past. Now she is working on our December 10th Christmas Party. This event is for the whole family so round up your kids and grandkids. There will be great snacks, face painting and balloon making. The fun starts at 6:30 p.m. Don't miss out!



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j.chatelain@cm.omhcoxmail.com

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November 19, 2018

RE: IRS Qualified Opportunity Zones

To MOPOA members:

John Chatelain asked if I would share what I know about the Qualified Opportunity Zones which is technically very little. I first read about the economic tax incentives that were created via the Tax Cut and Jobs Act of 2017 in a Wall Street Journal Article on October 1, 2018 entitled "Tax Law Spurs New Property Investments". To quote the article written by Peter Grant and Gregory Zuckerman, "The tax bill created more than 8,000 tax-advantaged "opportunity zones". "The zones have multiple tax benefits. Anyone with capital gains-from real estate, stock shares, or most any other source-can defer taxes on them until 2026 if they roll those gains into investments in these designated zones. Investors can also get a discount of up to 15% on those taxes when they eventually pay them. And capital gains from qualified investments in the zones that are held for at least 10 years won't be taxed at all."

I Googled the IRS Qualified Opportunity Zones which lead me to a map that I could manipulate to see areas locally that were of interest to me. The boundaries are irregular and I'm not sure how they were determined or who created them. It was a national map.

On 10/18/18 I received information via a private email about a meeting for CPAs at UNO's Scott Center to gain information about this feature of the 2017 Tax Cuts and Jobs Act. I did not attend because I am not a CPA, but the email described the incentive as "designed to encourage long-term, private investments in low-income census tracts by providing a federal tax incentive for taxpayers who reinvest unrealized capital gains into Opportunity Funds, which are then invested into Opportunity Zones.

Based on the responses Frank and I have received in asking others about this issue, it is not familiar to most others. For us, we are still trying to do more research.

Best regards,

Kari Longo
MOPOA Member

Events of Interest

Monday Night Meeting:
December 10th, 2018

6:30 p.m. Meeting held at Westside Conference Center 3534 S. 108th St.

2nd Monday of Month Sept-May

Early Bird Breakfast:
Saturday, December 15th, 2018

7:00 a.m. Farm House, 84th & Grover

(Saturday after the MOPOA Monday Night meeting)

MOPOA Happy Hour:

Thursday, December 13th, 2018

5-7 p.m. Report In Pub 12100 West Center Road

(Thursdays after the Monthly Monday Night meeting)

NE Taxpayers for Freedom:

No December Meeting

December 2018

Sun	Mon	Tue	Wed	Thu	Fri	Sat
						1
2	3	4	5	6	7	8
9	10 <i>Monday Night Meeting 6:30 p.m.</i>	11	12	13 <i>Happy Hour 5-7 p.m.</i>	14	15 <i>Early Bird Breakfast 7 a.m. Lowe's Event 9:00 a.m.</i>
16	17	18	19	20	21	22
23/30	24/31	25	26	27	28	29

Welcome New MOPOA Member!

*Sue McDaniel

*Barbara J. Humphrey

*Shawn French

*John Estabrook

*Daniel Goodwin

*Amgad & Carolyn Morgan

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WELCOME TO THE EARLY BIRD BREAKFAST

By Rick, McDonald, MOPOA Board Vice-President

MOPOA Early Bird Breakfast

Saturday,
December
15th , 2018

Farmhouse
Café, 84th &
Grover.

7:00 a.m.
Order off the
menu.

7:30 a.m.
meeting
starts

We had a great conversation on many different topics at the last Early Bird Breakfast with a full house.

We did discuss Deyna Rouse (the speaker at the last Monday meeting) and how great and informative it was. She went thru many changes to the taxes as it would pertain to our rental business. With that it was suggested that you get some sort of idea what your taxes will look like for this year while you still have time to make some adjustments to keep your tax bill a little lower.

We got some information on what is called the Opportunity Zone. If you are thinking of doing a 1031 Exchange in the near future you may want to read the Article in this issue on that topic.

Question was asked if a tenant moves out without giving you a forwarding address what do you do with their move out forms and any deposit returned. Best thing for you to do is send it to their last known address which would be the address of your rental property they occupied. It will be forwarded to their new address or it will be sent back to you. If you do get it back in the mail I put it in their file unopened. This gives me proof that I did mail it out and have not been altered when returned to me.

A couple of our landlords reported that they have had higher than normal vacancies this year and that the quality of the applications has declined. With further discussion it seems we agreed that this might be due to the loss of lower priced rentals in east Omaha due to removal of the

lower rent properties and building high rent properties in their place thus moving the lower income tenants farther to the west. Looks like the problem of low priced rentals is not being fixed it is just being moved.

Another question being asked was what is the policy for protecting the personal information on the application we receive and are we required to keep the information for a period of time like with our taxes? Tenant Data has all the answers to those questions and more. We might need to contact them and do another article on that topic.



Fair Housing came up AGAIN. This topic comes up all the time. The question asked was what do you do when Fair Housing says you have to take the animal with no pet rent and no pet deposit and the animal does a lot of damage. The best we could come up with was send the tenant a bill for the damage when they move out and when they don't pay send it to collections.

Hope you all had a great Thanksgiving and have a Very Merry Christmas. See you all at the next Breakfast.

—Rick McDonald

13 Steps to Real Estate Investment Success

By Marco Santarelli Think Realty Magazine
www.thinkrealty.com

In real estate, once the market begins to bounce back, investing in real property likewise turns into an all the more engaging thought – either as a profession or an awesome side job. Like any other undertaking, however, there's a correct way and a wrong approach. Successful real estate investors aren't made overnight. It's not easy to succeed in real estate investing, but there are some tips to become a successful real estate investor. Getting lucky on one investment does not amount to becoming a successful real estate investor. The only way to become a successful investor is to educate yourself and follow the path of successful real estate investors who have already made it there.

There's an old rule in poker: if you play for 20 minutes and can't figure out who the sucker at the table is, then it's you. The same is valid for real estate investing. If you don't know the metrics of your proposed real estate investment, you have almost no chances to be a successful real estate investor. To succeed in your first real estate investment, go with a moderate pace, learn much, and be ready to leave any enticing opportunity that comes in your way. In short, do not make hasty decisions out of temptation. A money lost in a bad investment cannot be recovered so easily.

Different Types of Real Estate Investment

According to Wikipedia real estate is property consisting of land and the buildings on it, along with its natural resources such as crops, minerals or water; immovable property of this nature; an interest vested in this (also) an item

of real property, (more generally) buildings or housing in general. There are different types of real estate investment niches to choose from. Start with one niche, master it, and then add to your investment portfolio. Niches in real estate include land development, fix-and-flip, buy-and-rent, tax lien and wholesale properties. You can further narrow the niche to single-family homes, condos, or multi-unit apartments. When you have just started to be a successful real estate investor, always choose single-family units to invest in.

Steps to Becoming a Successful Real Estate Investor

- 1| To be a successful real estate investor, the initial step is finding the right location, i.e., if your location is great then your real estate investment property will give you a good and stable return on your investment.
- 2| Before beginning as a real estate investor, you should take advice from your local real estate agents and investors. In case of any uncertainty of thought always consult the real estate professionals.
- 3| You should continue finding off-market discounted properties. A successful real estate investor knows the selected housing market inside and out. The business of real estate investing accompanies risk. Going in aimlessly and not recognizing what you are risking in detail is a brisk method to flop as a real estate investor. Learn about the risks involved in real estate deals. Every type of deal has its own risks. Rental units require management, re-

13 Steps to Real Estate Investment Success Continued. . .

pairs and sometimes delinquent renters requiring eviction.

4| To be a successful real estate investor, don't just grab the first investment property you find. Find various investment properties and afterward choose which suits you the best in terms of your investment goals.

5| To be a successful real estate investor, you must learn to have great comprehension for tax reductions for real estate investors because this will help you in the long run. Hire an accountant to assist you in the time-consuming task of dealing with complicated real estate taxes and exemptions. Take advantage of the expertise of professionals to make the job easier, and also educate yourself along the way.

6| Continuously consider various sources when looking to buy an investment property and search for the best markets and make a point to get in contact with local real estate investors.

7| Always check your credit report and your capacity to finance in real estate investment. To be a successful real estate investor, you also need to find a good bank and loan broker. Successful real estate investors know that having good financing options is key to making any investment. It's a good idea to build relationships with lenders (traditional banks or hard-money lenders) to move fast on getting financing. Without financing you will drain all your savings. Lenders generally want at least 20 percent down and credit scores in the mid-700s. You need to learn how to use other's money as a leverage and build up your equity fast.

8| Know your market and comprehend the all real estate needs. A successful real estate investor will build an extensive real estate network made up of other real estate investors, property sellers, property buyers, real estate professionals, or anyone who shares your common interest in real estate investment niche. Real estate investment clubs provide education resources, mentors, and networking opportunities. Join at least one real estate investment club in your area. A real estate investment club can become a great resource for buying and selling properties. If your niche is to buy rental properties, and another investor in the club is seeking to find investors for his turnkey rental properties, you can directly do business with them.



9| Do appropriate screening process with tenants in case of rental property investment.

10| Real estate investing

is a business. To be a successful real estate investor, begin by building up a decent business plan, specifying the subtleties of beginning and maintaining your real estate investment business, with realistic objectives over the time frame of one, three, five and 10 years. Start investing in single family homes and as your cash flow and equity increase, you can move up to duplexes, triplexes, fourplexes and eventually apartment buildings. Eventually, you can build a real estate empire and own a portfolio of residential units.

Article Continued on the Next page. . .

13 Steps to Real Estate Investment Success Continued. . .

11| Some new investors wrongly limit their interest to real estate markets close to their homes. But often better real estate markets may be located a little further away. Always consider going out of state to invest in the best real estate markets.

12| To get the best help it is proposed that you hire a good and reliable real estate attorney. A lawyer can help you with understanding complicated real estate laws.

13| Before a new investor does anything, it is best to frame a business plan to totally identify risk and the investor's ability to finance the investment (flipping or renting) until the point that it is until it is stabilized or sold. The business design must likewise clarify how deal will be valued.

For more information read Investing In Rental Property for Beginners. Whether you are a new investor, or a seasoned investor looking to diversify your portfolio or invest with no-hassle, investing in rental properties is something you should not miss. Rental properties are incredible passive; they allow you to generate cash flows at distance, while other people who are specialized and professional do all the hard work for you.

This article is provided by Norada Real Estate Investments, was posted on January 1, 2018

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Dee Chandler Law
 dee@dchandlerlaw.com

Dee Chandler
 Attorney at Law
 P.O. Box 3563
 Omaha NE 68103
 P 402-345-1142 F 402-345-1267

JAMES POLACK, P.C., L.L.O.
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James Polack
 ATTORNEY AT LAW
 THE LAW CENTER
 3814 Dodge Street
 Omaha, NE 68131
 TEL: 402-551-5340, EXT. 15
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How Many Rental Properties Are Too Many?

By Sarah Block www.landlordology.com
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How many properties are too many? At my high, I had four rental units and, for me, it felt like too many. My husband and I have two full-time jobs, two kids, and too little leisure time. When much of our spare time was focused on our properties and not our kids, we decided it was time to simplify.

But, that's my personal story. Everyone is different, and where four units felt like too many for our limited time, 22 units might be perfect for you. Real estate investors need to look at three things when deciding how many rental properties to acquire:

1. Personal finance goals

While some may think of real estate investing as a business, you are still using your personal finances to purchase rental properties, keep them in top shape, and cover tenant turnover costs. So, while rental properties are a business, you are funding it. Here are some things to consider when deciding how many rental properties to have in your portfolio.

Debt

How comfortable are you with debt? There are two types of real estate investors. Which investor are you?

Very comfortable: The first type is building a business. Typically, when someone builds a business, they get a business loan and/or find investors. This type of investor feels comfortable with debt and confident that they will pay it off. They will likely feel comfortable taking on more debt to build a bigger portfolio.

Not at all comfortable: The second type of real es-

tate investor is the debt-free journey investor. They build their portfolio as part of a way to meet their financial goals. This investor is less likely to want to take out mortgages and has a goal of paying down the mortgages as fast as possible. They are more likely to pay cash for a property when possible.

Hefty retirement savings vs. passive income

When buying rental properties, you likely have one of two financial goals in mind: hefty retirement savings or passive income.

Those whose goal is a great retirement income will likely want a larger portfolio. If you accumulate properties in your 30s and pay the minimum mortgage, they will be paid off by the time you retire. You can accumulate more **properties because your goal isn't paying down the mortgage but rather putting money aside for down payments on more properties.** This investor sacrifices a larger cash flow month to month to accumulate more properties and have a larger passive income cash flow in their 60s and beyond.

The investor whose goal is passive income now has a smaller portfolio and focuses on clearing the mortgages off their current rental properties. One way these investors handle their profits is to put them straight to the balance of their mortgages. As soon as the properties are paid off all rental income (other than regular expenses) will be passive income that can be used now.

Article Continued on the next page. . .

How Many Rental Properties Are Too Many? Continued. . .

By Sarah Block
www.landlordology.com
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2. Available Time

When deciding how many rental properties to have in your portfolio, consider the time commitment. Real estate investing is called "passive aggressive income" for a reason. It isn't completely passive. Time is spent working with tenants, making repairs, and finding tenants. It can be quite time-consuming depending on your property and the tenants you have.

Self-managed properties

If you self-manage your properties, consider the time it takes to manage each unit. While Cozy saves massive amounts of time with rent collection, maintenance tickets, and semi-automating the tenant application process, there are still tasks that need to be done. Cleaning, maintaining the property, responding to maintenance tickets, and tenant showings are done by you. Sit down and determine how many hours each unit takes of your time. Do you have that much extra time to dedicate to another property?

Property manager

Do you have a property manager already managing your rental units? Then time isn't a factor. A property manager can take care of the time commitment needed for your properties. However, the cost of a property manager does need to be considered. Is your property still cash positive when you take into account the cost of the property manager? If yes, it might make sense to add another property to your portfolio.

3. Real Estate Investment Strategy

When deciding whether or not to add more doors to your portfolio, consider your overall investment strategy. The first item to consider is profit. You are in the real estate investing business for one primary reason, and that is to make money. How can you make the most money with the least hassle?

Profit

Your strategy might include more properties that are less expensive or fewer properties that are more expensive with higher rent potential. Neither option is the wrong one. What is wrong is not doing your homework. Calculate the cap rate, do the research, and learn about the communities before investing. Compare what profit you can make with either choice and don't make assumptions. You might be surprised what heeds the most profits.



Law

Consider any laws that might make life more difficult with more properties. In Illinois for example, if you have 5+ investment properties, you need to hold security deposits in an escrow account, return the deposit within 30 days, or provide detailed receipts within 45 days of move out. Look for landlord-tenant laws in your state, as each state is different.

Conclusion

While four rental units were too many for me, it might be perfect for you. Maybe it is not enough for you. It depends on your financial goals and available time. Look at these factors and decide what makes sense for your situation. There is no such thing as too many rental properties or too little for that matter. There is only what works for you.



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- A Monthly Meeting (Sept-May) is held which is both informative and educational. We will strive to keep our members up to date on matters that affect us in the rental property business. Second Monday of the month Sept-May. Westside Community Center at 3534 S. 108th St. at 6:45 p.m.
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