



# The Guide to Investing In Real Estate

*Adding A Property To Your Investment Portfolio*

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# Introduction:

## Thinking Of Buying An Investment Property?

It's about time — literally! Smart purchasers are seizing the opportunities. But time can also work against you. Waiting for the right home price, the ideal interest rate, or to accumulate savings for a down payment can result in missing out on home appreciation and finding yourself in a tighter market.

If you determine that investing in real estate is right for you, the sooner you purchase your property, the better for your financial future. So begin your decision-making process right now, on these pages, as you learn what to look for in a property, calculate costs, and explore whether this is the right time for you to follow this potentially rewarding trend.

### You Are Not Alone!

In 2004, thirty-five percent of home sales were second homes, and nearly two-thirds of those second homes were investment properties.<sup>1</sup> But even if you have already gone through the process of buying a primary home, you may think that you can't qualify to buy a second home for investment purposes. But the truth is, there are a lot of financing options that can make becoming a real estate investor more possible than you may think. There are many resources available to you —beginning with the information in this guidebook — to show you how. Mortgage consultants, can answer your financing questions, help you weigh costs against potential rewards, and — with the insights of recommended accountants, attorneys, and real estate agents — help you determine whether an investment property is a good fit for your financial master plan.

### Always Think Long-term

Practically everyone has heard of investors who bought homes and 'flipped' them shortly afterward for great profit. This practice is risky at best. As a prudent investor, you should carefully consider the reasons why you are making the purchase. The fact is, there are no guarantees: you cannot count on selling a property by a specific date. You can't be sure you'll attract renters to help cover costs. You can't be positive the market won't take a temporary downturn that slows sales.

Once you have committed to making a long-term investment, a second home can offer solid returns. Historically, real estate has consistently appreciated 3-6% per year. Another potential reward: rental income. This can make a multi-family property an attractive investment option. But before we discuss the rewards of being a landlord, let's start with the basics.

### What Type Of Property?

A second home is any property you purchase that you do not intend to make your primary residence, but are buying for the purpose of building wealth. We will be discussing:

**Investment Properties** which are purchased strictly to generate income — either through on-going

1. National Association of Realtors (NAR) 2005 Profile of Second-Home Buyers

rental revenue or by renovating a property for resale. It's neither your current primary residence nor a vacation home used only by your family.

**Vacation Homes** which will be used to enhance your wealth potential. This can be achieved either by renting it out for part of the year or by purchasing a home now which you may use for a retirement home later in life or to supplement your savings as it appreciates.

There are many ways in which a buyer may break into the second home market. For instance, when a family relocates or decides to downsize, a primary residence can become an investment property if it doesn't need to be sold. Another investor may buy a multifamily property, choosing to live in one part while renting out the other. Here are some of the benefits an investment property offers:

- **Ongoing And Long-term Profit Potential:** An investment property offers two opportunities for financial gain: rent that can provide ongoing income, and appreciation that can result in a profit when the property is sold.
- **Tax Breaks:** Depending on your financial profile and what you intend to do with the profits from your investment property, you may receive tax advantages on the money you earn through purchasing an investment property. Consult your tax advisor for details.
- **Diversification:** Real estate has historically offered consistent, steady gains, even after market corrections and slowdowns such as the late-80s.
- **Little Cash Outlay:** Unlike the stock market, you can easily get started investing in real estate by borrowing the purchase money.

## Things To Consider Before Investing

### Does An Investment Property Fit Your Financial Plan?

Investing in real estate can be a powerful wealth-building tool, but it's not without risks. That's why it's critical to be in control of your finances, have an overall plan, and believe that an investment property is the right strategy for you. Talk to a home mortgage consultant, a real estate agent, a real estate attorney and accountant about your particular situation and goals. Cultivate your relationships with these advisors.

They'll serve you well throughout your investing career. Here are some questions to ask yourself in clarifying your goals:

- How long do I plan to own the property?
- If it's a vacation home, how much of each year do I plan to rent it?
- Do I plan to eventually sell the property or retire to it?
- What other investments do I currently have or hope to acquire in the future?
- Are there large expenses that I need to plan for (such as funding a child's education) which may impact my ability to make monthly mortgage payments for the home or dictate when I will have to sell?
- What's the status of my retirement savings; and will I still be able to contribute to my retirement fund at my current rate or better?

Experts recommend you follow this rental rule of thumb: use no more than 80% of your yearly rental amount when estimating income potential.

- Will liquidity be an issue for me if an emergency arises?
- Will I be able to handle long-term ownership even with an unpredictable cash flow?
- Do I expect my investment property to provide me with income when I retire?
- Do I expect the property to provide immediate income or long-term appreciation?
- What types of renters can I expect for different types of properties and their locations, and how do I plan for that?

### Do You Want To Be A Landlord?

Once you've determined that an investment home fits your financial goals, it's time to decide whether or not you're willing to deal with the responsibilities of being a landlord. There may be 3 a.m. phone calls to answer, late rents to collect, unsatisfactory tenants to evict, repairs and maintenance to attend to, paperwork to be updated, income and/or deductions to be claimed, taxes to be paid, and various new laws to obey. It's a major commitment, but if revenue permits, you can always hire professionals to take care of many day-to-day responsibilities. The cost of that manager may be a deduction for income for tax purposes.<sup>3</sup> Whether you decide to be a hands-on or a hands-off landlord, be sure you understand that this is a business venture and that you need to be well informed at every stage.

69% of all investment properties are located within 25 miles of their buyers' primary residence.<sup>3</sup>

A good way to gain an insider's perspective is by joining local real estate associations, which have regular meetings featuring advice from attorneys, accountants, repair specialists and other related experts. You should also consider joining a local apartment or landlord association. In addition to keeping updated on landlord/tenant matters, you can speak to other investment property owners and get copies of your state's lease/rental agreements and other papers. Real estate trade journals and management magazines can also be a great resource for you.

### Location, Location, Location

An investment property offers a unique option: you can buy one virtually anywhere. If you're comfortable being an absentee landlord, you can actually own a home thousands of miles away and have a team of specialists manage your property. But most investors opt to be more involved than that, buying properties closer to home. An NAR study of investment home purchases shows the typical investment property is located 18 miles from the owner's primary residence. Another advantage to buying close to home: it may be easier to make sound investments, because you're familiar with neighborhoods, comparable values, and advantageous purchasing opportunities.

2. Consult your tax advisor for details. 3. 2005 National Association of Realtors Profile of Second-Home Buyers.

## The “Typical” Rental Property

There’s no such thing! Investors have profited with everything from seaside cottages to high-rise buildings. Single-family homes, multiple-unit dwellings, co-ops, condos, and apartment buildings may all be investment properties. According to a 2004 NAR study, most investment homes (nearly 80%) are detached single family houses. Most are smaller than the owner’s primary home, with the typical investment property measuring 1700 square feet. The median purchase price of an investment property was \$148,000, in contrast to an average price of \$175,000 for the principal residence. The typical investment property is located 18 miles from the owner’s primary residence. Another advantage to buying close to home: it may be easier to make sound investments, because you’re familiar with neighborhoods, comparable values, and advantageous purchasing opportunities.

Where do investors make their purchases? Here is an overview of 2004 investment purchases<sup>4</sup>:

All Second Homes		Vacation	Investment
Suburbs	41%	53%	37%
Urban/central city	26%	15%	29%
Small town	18%	17%	19%
Rural	10%	6%	10%
Resort	6%	9%	5%

## The “Ideal” Time To Buy

Of course we all want to buy when the price of real estate is at its lowest. Unfortunately none of us has a crystal ball to determine when that optimum opportunity might be. All any smart investor can do is study the market, find a viable property, and learn from the experts: buy as soon as you can, as long as you are prepared to hold onto the home through down periods or times when you have no rental income. History teaches us that real estate offers slow, steady, consistently rising returns on your investment. The earlier you become a landlord, the sooner you may be able to make money through your home’s appreciating value. A good real estate agent can be a valuable resource to you in understanding current market conditions, comparable home values, and anticipated rates in increase. But like everyone, they cannot predict the future. Your best course of action is to gather the facts, make your commitment and simply take the plunge. Do not rely on county, state or national figures. Real estate values rise and fall most dramatically at the local level — so working with a very experienced real estate professional is absolutely key.

## **A Word About Rent**

You most likely realize you can't depend on rental income from Day One. You should plan on having only about 80% of your rental income available to help cover costs. But as a landlord, sooner or later you will have tenants paying rent every month. Here are some things to consider.

In the ideal investment scenario, the rental income you collect would cover the mortgage payments, and then some. And in some locales rent can be higher than a mortgage. But in many markets it may not be possible to charge a high enough rent to cover your payment.

Here's another way a good real estate professional can help you. These professionals can tell you the going rate for rents in the neighborhood you're considering. Equally important, they can tell you what the average annual rent increase has been for the past 5 years. If current rent is not equal to your costs, you will be able to project when rental income will begin to cover the mortgage payment. Then you can decide whether that period of negative cash flow — when you may be losing money to cover your expenses — is within your comfort level. But keep in mind that the negative cash flow may translate into a tax savings for you. Talk to your tax professional for more details.

In the case of a vacation property, if you plan to rent full-time until you are ready to retire there, you would of course want to make money along the way. However, if you plan to spend time enjoying your place between rentals, covering costs may not be a critical concern for you. You may view any rents as 'gravy' and accept the negative cash flow as a normal cost of enjoying your getaway/investment property.

## **Calculating Your Cash Flow**

In order to decide how much a potential investment home is worth and what possible financial gain it might offer, you need to calculate the property's cash flow. Experts recommend that in addition to your regular costs of mortgage loan payment, PITI, and maintenance, you factor in these expenses as well:

- Utility costs the renter isn't required to pay.
- Advertising/marketing expenses.
- A recommended 5% (or more) backup fund for vacancy and emergencies.

Subtract this amount from the rent, to determine your monthly cash flow.

## **Shop Like An Investor**

You're buying a property for one reason: to make money. Keep that goal in mind and give yourself every advantage. Establish your price range, target the areas where you'd like to buy, then begin your search with newspaper classified sections and the Multiple Listing Service (MLS) used by real estate agents. You should also take these helpful guidelines into account:

- Choose a desirable location that has activities nearby (recreation, culture, nightlife, shopping). Consider why you might like to live there yourself in terms of rental and resale prospects.
- Consider whether the property is in an area that will draw tenants. Is it near local businesses or universities that attract a renter population to the area?
- Look for simple, low-maintenance homes with mass-market appeal.
- Concentrate on purchase price, rental income, and potential profit. If you don't plan on living in

the home, it's not necessary for you to love the layout or the carpet color.

- If you're considering a vacation property you'll be using part-time, be sure it's accessible to activities you enjoy.
- Renovate quickly and simply. Get the property ready to market as soon as possible. Consider using professionals to speed up the process. Be certain that the renovations will be suitable for your renters. For example, homes in ski or beach areas will be more easily maintained if floors are tiled to handle wet snow or sand — instead of carpeted. If you're renting to singles in a college town, your decisions will be quite different than if you're renting in a family community.

### **Increase Your Vacation Property Purchasing Power**

The Baby Boomers' growing demand for vacation homes, coupled with a dwindling supply of properties in the hottest resort areas, may make it a bit challenging to find the right investment vacation home. But you can still stack the deck in your favor. In addition to the above suggestions, these tips can increase your purchasing power and make a vacation property more doable:

- Homes near resorts and popular recreational areas are sure to garner top prices. Try focusing your search on towns just outside the hot area.
- Shop off season. It's only natural that prices will be at their peak when vacationers are enjoying the locale and checking out properties. Once things quiet down and traffic decreases sellers will be more amenable to negotiating price.
- Be there for disasters. It sounds strange, but a natural disaster may present bargain prices on properties. Be sure you're comfortable knowing that once you buy, there will probably be more natural disasters to come.

### **Caveat Emptor!**

"Buyer Beware!" Wise words to remember as you search for your investment property. It is your responsibility to know precisely what you are purchasing. So you will want to fully assess any property you think you may buy. Following these basic suggestions can help give you the knowledge you need to make the best decisions:

- Get an inspection. Professionals will know what to look for and the financial implications of any problems they may find.
- If the property is currently being used as a rental unit, ask to see the sellers' Schedule E from their income tax return. It will document any loss of income involving the property. Ask your tax advisor for details.
- Consider the price carefully by asking about comps and recent sales. If you are considering a condo or co-op, add these to your 'to-do' list before making an offer:
  - Check the economic health of the homeowners association by obtaining a copy of recent annual reports.
  - Review maintenance records for the building or complex to ensure upkeep has been regularly performed. Engineer's reports may also be available for recently converted facilities.
  - Check vacancy rates in the complex to help judge renter interest in the community.
  - Verify that renting your unit is allowed under the homeowners association rules. Are pets allowed? Other legal constraints may affect the length of each tenant's residency — an important issue for those investing in vacation properties. Know what the limitations are before you buy.

# A Skillful Home Team Makes A Big Difference

## Building Your Team

Working with a team of specialists can smooth your way to the right investment home, especially if you're considering a long-distance purchase. You started by talking to your tax advisor and attorney about the feasibility of making this purchase and about potential tax advantages. Now it's time to contact some other professionals:

## Home Mortgage Consultant

First, find a lender that offers a full spectrum of financing options. Second, request a mortgage consultant who is familiar with the products that enable investments and second home purchases. A great network of other professionals experienced in investment properties can start with this consultant.

## Real Estate Agent

A solid relationship with an experienced real estate professional can make all the difference. A real estate agent becomes your eyes, ears, and voice as he or she previews properties and locates homes that meet your criteria — perhaps working online to send you listings. A good agent can:

- Establish what you want in an investment property.
- Search the Multiple Listing Service (MLS) and other resources for properties that match your needs.
- Tell you about appropriate properties.
- Provide valuable information on communities, comparable values of neighboring homes, tax rates, rental amounts, and building code regulations.
- Give you the scoop on up-and-coming areas that may be of interest.
- Provide a sales history for the neighborhood, including time on market and other indicators that can help you determine whether the homes are priced correctly.
- Provide information on rental vacancy rates.
- Calculate the average yearly rent increase for the area.
- Arrange for digital photos or virtual tours to be sent via the Internet.
- Help you formulate an offer on the property you wish to purchase.

Your Realtor will act as an intermediary between you and the seller, smoothing the negotiating process.

## Tap the Power Of An Attorney

A lawyer can be a valuable member of your team, supporting you through many critical decisions you'll be making. Get your attorney involved early on, to make certain you understand laws, and any potential risks. Once the transaction is complete, your attorney will interpret landlord/tenant laws, and help develop an appropriate lease. There are many factors to consider in crafting that document. For instance, you will be subject to local laws that dictate what occurs if you purchase a property that is already rented out. Can you decline to renew a tenant's lease? What are your

obligations for upkeep and maintenance? What can you do to screen tenants? Your attorney can also assist with any tenant disputes that may come up.

Another decision that may require a lawyer's counsel: which is the best way for you to hold title to your property? There are many ownership options available to you, including:

- **Sole ownership or tenancy in entirety** – you alone own the property.
- **Joint tenancy with right of survivorship** – each owner has an equal share, and should one die, the other owner(s) assumes that share, with no need for probate.
- **Tenancy in common** – two or more people own a property together in unequal shares. In some states, if they are not recognized as husband and wife by the government, and should one tenant die, the other must wait for probate to decide who receives the deceased tenant's share.
- **Business ownership** – if there are many people holding title to the property, it is recommended that you form a partnership entity (general partnership, limited partnership, LLC, corporation etc.) The entity would hold title to the property.

### **Work With an Accountant And/or Financial Planner**

Your accountant or financial planner thoroughly understands your financial profile, and can help you determine if an investment home is right for you and your wealth-building goals.

- Make sure your expert explains exactly what may be considered for taxes, and can help you set up your accounts so you can track and document expenses. When you're ready to liquidate your investment, these professionals can best advise you on managing those funds.
- If you think you will be selling your investment property to buy additional investment properties, ask your financial advisor about a 1031 tax-free exchange. Section 1031 of the Internal Revenue Code allows you to sell your investment property and rollover the profit you have made into the purchase of another investment property without paying capital gains taxes. However, it does take forethought and planning. You should seek the guidance of accountants and attorneys who are thoroughly experienced with working on 1031 tax-free exchange rules.

## **Renting Your Investment Property**

### **Finding The Right Tenants**

Good renters enhance your venture in many ways. They take care of the property, protecting your investment. They tend to stay on, reducing vacancy time and eliminating marketing expense.

In fact, experts claim it costs seven times more to find a new tenant than to keep an old one. They recommend showing your appreciation to good renters by reducing the rent by \$50 or \$100 during the holidays or when they renew their lease or by sending a small gift.

Where do you find them to begin with? You can consider a rental agent who, for a fee, will find and prescreen tenants for you. Or you can market the property on your own through classified ads and word of mouth. Don't be afraid to be specific in your ad: if you only want a non-smoker with no pets, for example. Being clear with prospective tenants up front can save you a lot of headaches later on. Remember to consult your legal representative before printing any ads. But before you do anything, learn about the laws applying to your investment's rental.

## Learn About Landlord And Tenant Laws

You must talk with your legal representative about federal, state, and local laws and ordinances that may apply to the rental of property. For example, the Federal Fair Housing Act bans discrimination in the finance, rental, or sale of residential property based on race, color, religion, sex, national origin, disability, or familial status. Each state has its own list of rights and responsibilities for you and your renters. These may prohibit discrimination factors such as age, marital status, the presence of children, receipt of welfare aid payments, physical or mental handicaps, and more. In addition to consulting your attorney, you can probably download information and forms online or call your state's office of landlord/tenant affairs or attorney general. Finally, contact your jurisdiction to see if there are local limits to the amount you can charge for rent. While rent-control statutes are uncommon they do exist in a number of states.

## Setting Your Standards

Once you are familiar with your state's landlord/tenant laws, make a list of your tenant requirements, double-checking to be certain that they are in within the legal parameters. Some of the criteria you may want to use are:

- **Good income:** A common rule of thumb is to require your renters to have a gross income that equals at least three and one-half times the annual rent amount.
- **Employment stability:** You want tenants with good/steady jobs.
- **Housing stability:** The length of time in their last residence can help predict whether they will be moving on soon. Frequent turnover can severely undermine your profit.
- **Head count and car count:** Be sure the number of occupants and number of vehicles meet your approval, the approval of the town and any HOA guidelines which may apply. Be aware that while there may be no laws on the books with regards to the number of tenants or cars for primary residents, municipalities sometimes set these laws for properties that are rented out.

## The Lease-to-purchase Option

To avoid headaches and tap into a wider pool of prospective tenants, many landlords consider the lease-purchase of their home. This option attracts many potential buyers who could handle the monthly mortgage payments but can't pay for the required down payment. Here's how it works:

You lease your house to the tenant for a specific monthly rent. In addition, the tenant pays you for the right to purchase the home within the option period, usually six months to two years later. This payment is called the option consideration. The option consideration payment is usually made up of two parts. The first part is an upfront, one-time amount of 3% to 5% of the price of the home. This money is nonrefundable. The second part is an amount, usually up to \$300 per month, paid along with the rent. Both of these extra payments are credited toward the purchase of the home when the term is up. If the renter decides not to buy, you keep the money.

Supporters of lease-purchase feel it protects your investment by getting you your selling price even in a slow market, and that it attracts tenants who are better caretakers because they take a proprietary interest in the home. Critics say that taking your home off the market and relying on renters who could possibly walk away from the deal is too risky. Consult your attorney, financial advisor, and local landlord association for more details about this option. Be sure the buyer involves a mortgage consultant while the deal is being structured, since the terms and conditions can impact their ability to finance the property.

# Maintaining Your Investment Property

## Keep Your Investment In Shape

As a landlord, you're required by law to keep the property in livable condition. This includes keeping locks on the doors and windows, a roof that doesn't leak, plus a heating system that's in working order. And there may be specific state and local laws regarding repair and maintenance responsibilities. As suggested earlier in this guide, you should check with an attorney and with local landlord/tenant boards to learn the specifics for your neighborhood.

You will also no doubt want to protect your investment by keeping the property in shape. That means you'll need to find dependable repair people you can trust to get the property ready for your first renters quickly, respond to tenant needs, and get the place ready for market again whenever tenants move out. Every day your home is vacant, you're losing money.

If you've purchased a condo or co-op, regular maintenance is taken care of through your association fees. If you own a home — and if you're farther than a short drive from it — you may not be able to handle snow removal, gutter cleaning, or that leaky faucet on your own. You may want to make an arrangement with a good handyman or maintenance service. Your real estate agent should be able to recommend one. Another option: home warranty services. An annual fee covers the repair of your major appliances for a year, so you won't have to spend your precious vacation time fixing refrigerators or replacing burners.

Be certain when you prepare a lease with your real estate attorney that it protects you from inconsiderate tenants. At the same time it should be reflective of what's common in the area. You may or may not be able to make your tenant responsible for things like snow removal. You may be able to increase the deposit amount for the presence of pets or tenants who smoke. And you will want to spell out exactly what the tenant can or cannot do to your property — paint? Hang pictures?

There's nothing that keeps tenants treating your property with care more effectively than regular, but unscheduled site visits or inspections — so make sure the right to do that is built into your lease agreement.

## The Property Manager Option

If you're an absentee landlord, too busy to handle maintenance, or interested in having a third-party manage all the details, a property manager may be a good solution. This third-party manager runs the place, does the bookkeeping, scouts out the best repair people, and takes those 3 a.m. phone calls. In addition, the manager collects monthly rents and even leases the property for you. While they remove all the burdens from your shoulders, they come at a price. You can expect to pay 5% to 10% of your gross income, and even more if additional services are performed. Considering that it makes your investment virtually stress-free, that may be a bargain. Before you decide, consider the costs, your work schedule, and your tolerance level. If you decide to go with a property manager, make sure your contract lays out the manager's duties in complete detail.

# CASH FLOW WORKSHEET

## Monthly income (after taxes)

Income/salary from all sources \_\_\_\_\_  
 Investment income \_\_\_\_\_  
 Other income \_\_\_\_\_

**Total Monthly Income**

## Monthly expenses

### Housing

Mortgage/rent \_\_\_\_\_  
 Association dues \_\_\_\_\_  
 Landscaping \_\_\_\_\_  
 Other \_\_\_\_\_  
*Subtotal* \_\_\_\_\_

**Total Housing**

### Food

Groceries \_\_\_\_\_  
 Eating out \_\_\_\_\_  
 Other \_\_\_\_\_  
*Subtotal* \_\_\_\_\_

**Total Food**

### Utilities

Laundry \_\_\_\_\_  
 Gas/electricity \_\_\_\_\_  
 Water \_\_\_\_\_  
 Garbage \_\_\_\_\_  
 Phone (inc. long distance) \_\_\_\_\_  
 Cell phone \_\_\_\_\_  
 Internet access \_\_\_\_\_  
 Other \_\_\_\_\_  
*Subtotal* \_\_\_\_\_

**Total Utilities**

### Auto/Transportation

Public transit \_\_\_\_\_  
 Car loan/lease \_\_\_\_\_  
 Car insurance \_\_\_\_\_  
 Maintenance \_\_\_\_\_  
 Parking \_\_\_\_\_  
 Gas \_\_\_\_\_  
 Other \_\_\_\_\_  
*Subtotal* \_\_\_\_\_

**Total Auto/Transportation**

### Insurance

Homeowners \_\_\_\_\_  
 Health/medical \_\_\_\_\_  
 Disability \_\_\_\_\_  
 Life \_\_\_\_\_  
 Dental \_\_\_\_\_  
 Other \_\_\_\_\_  
*Subtotal* \_\_\_\_\_

**Total Insurance**

### Loan/Line of Credit

Credit Card \_\_\_\_\_  
 Home equity loan/line \_\_\_\_\_  
 Personal loan/line \_\_\_\_\_  
 Education loans \_\_\_\_\_  
 Other \_\_\_\_\_  
*Subtotal* \_\_\_\_\_

**Total Loan/Line of Credit**

**Personal Care**

Toiletries

\_\_\_\_\_

Cosmetics

\_\_\_\_\_

Pharmacy

Health club

Other

\_\_\_\_\_

*Subtotal*

\_\_\_\_\_

**Total Personal Care**

\_\_\_\_\_

**Entertainment**

Movies

\_\_\_\_\_

Vacation

\_\_\_\_\_

Parties

Other

\_\_\_\_\_

*Subtotal*

\_\_\_\_\_

**Total Entertainment**

\_\_\_\_\_

**Clothing**

New clothes

Dry cleaning

Other

\_\_\_\_\_

*Subtotal*

\_\_\_\_\_

**Total Clothes**

\_\_\_\_\_

**Miscellaneous**

Charity donations/gifts

Other (e.g., subscriptions)

*Subtotal*

\_\_\_\_\_

**Total Miscellaneous**

\_\_\_\_\_

**Total Monthly Expenses**

**Total Monthly Income**

**Subtract Total Monthly Expenses –**

**NET CASH FLOW**

