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From the book
Cash Flow Today, Wealth Tomorrow

Cash Flow Today, Wealth Tomorrow — Quick Guide

Work top to bottom, check each box. If a deal fails a step, stop.



THE ORDER: Cash flow first, wealth second. A property that loses money monthly is a speculation, not an investment — no matter what it might appreciate to.

1 START WITH TWO PAYCHECKS

- ☐ **Paycheck 1 — Cash flow:** what is left after *every* bill: mortgage, taxes, insurance, vacancy, maintenance, reserves. It keeps you in the game.
- ☐ **Paycheck 2 — Wealth:** tenants pay down your loan, plus appreciation, depreciation shelter, and rents rising against a fixed mortgage. It needs time.
- ☐ **Target:** at least **$150–$250 true cash flow per door, per month**, positive from month one, on honest numbers.
- ☐ **Rule:** appreciation is a bonus, never the plan. If it were zero for 10 years, the deal must still work.

2 UNDERWRITE EVERY DEAL THE SAME WAY

Effective gross income = rent − vacancy (use 5%+) + other income
NOI = effective gross income − all operating expenses (before mortgage)
Cash flow = NOI − mortgage payment | **Cap rate** = annual NOI ÷ price
Cash-on-cash = annual cash flow ÷ total cash in (down + closing)

- ☐ Count **all** expenses: taxes, insurance, maintenance, capital reserve, management (even if you self-manage), utilities, lawn/snow, admin. **50% check:** true expenses often land near 50% of gross rent — a seller showing 25% is hiding vacancy and reserves.
- ☐ **Stress-test:** rent −5% and one extra vacant month. Still near break-even? If it drowns, walk.

Book example: duplex	Monthly
Price $240,000 · Gross rent (2 × $1,400)	$2,800
Vacancy 5% → Effective gross income	$2,660
All operating expenses	−$1,250
NOI $1,410 · Mortgage ($180,000, 7%, 30 yr)	−$1,198
True cash flow · Cap 7.1% · Cash-on-cash 3.9%	**$212**

Cash in: $64,800 ($60K down + $4,800 closing) — modest, honest, positive. That is a buy.

3 BUY: SCREEN FAST, VERIFY EVERYTHING

- ☐ **1% screen first:** monthly rent near 1% of price = worth a closer look. This duplex: $2,800 / $240,000 = 1.17%. Pass.
- ☐ Get **real leases + rent roll** and proof of payment — underwrite what tenants pay, not what the listing promises. Confirm **tax bill + reassessment risk**; get a **real insurance quote** during inspection.
- ☐ Check **big-ticket ages:** roof, heat/AC, water heater, electrical, plumbing, foundation — price near-term items into your offer. Verify **meters / who pays utilities**, legal unit count, zoning and rental rules.

☐ **Hire your own inspector.** Re-run the worksheet with new facts. Set your max price *before* you negotiate — and walk above it.

4 PRICE RENT RIGHT, FILL FAST

☐ Price from **5 comparable rented units** nearby — the market sets rent, your mortgage does not. Review rents yearly: each increase is almost pure cash flow.

☐ One vacant month on a $1,400 unit costs $1,400 plus turnover. Cutting rent $50 to fill 3 weeks sooner costs $600/yr. **Vacancy is the purest expense.**

☐ Market before the tenant leaves, turn fast (pre-booked cleaner / painter / handyman), renew good tenants 60–90 days early. Track **days vacant**.

5 SCREEN LIKE CASH FLOW DEPENDS ON IT

☐ **One written standard, applied to everyone,** in the same order: income, rental history, credit, background — business *and* legal protection.

☐ Verify income and job with records — look for gross income around **3× the rent**. **Call prior landlords** — the one *before* the current landlord has the least reason to soften the story.

☐ Never screen on a feeling. Decide against the criteria, **document the reason**, keep the records. Know your state and fair-housing rules first.

6 RESERVES: FUND THEM BEFORE PROFIT

☐ The day rent lands, move **maintenance + capital reserves** to a **separate account** (book example: $210 + $160 = **$370/mo**). **Floor:** 3–6 months of expenses.

☐ **$1 now or $10 later:** a $150 leak fix today beats flooring and mold in six months. Walk the property twice a year; filters, gutters, caulk and seal.

☐ Separate bank account and card for the business — never mix personal money. Deposits held exactly as your state requires.

☐ **30-minute monthly scorecard:** rent due vs. collected, days vacant, expenses, reserve balance, cash flow vs. plan. Catch the $100 drift before it is debt. Re-quote insurance yearly and re-bid contracts — cutting $75/mo adds ~$12,800 in value at a 7% cap rate.

7 YOUR FIRST 90 DAYS

Days 1–30 — Numbers + market	Days 31–60 — Team + pipeline	Days 61–90 — Offer + systems
Master the worksheet; run it on 5 listings. Pick one market, learn rents from 5 comps weekly. Get pre-approval and a real insurance quote.	Build the bench: lender, agent, inspector, handyman, cleaner, CPA. Write tenant criteria and your max-price rule. Tour only 1%-screen passes; underwrite same evening.	Offer at or below worksheet max. Set up separate accounts, reserve transfer and scorecard *before* closing. Calendar insurance, tax, lease and walkthrough dates.

Education only — not financial, legal, or tax advice. Rental law and taxes vary by state; check local rules and use a qualified CPA and attorney. Figures are the book's illustrative duplex.

Run the worksheet. Every deal. Every time.

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