CHAPTER 1

Cash flow first, wealth second - in that order

A property that loses money every month is a speculation, not an investment - no matter how much it might appreciate.



Speculation can work out. Sometimes a hot market bails out a bad purchase. But a landlord who needs the market to rescue the deal has given up control of the outcome, and the monthly losses are real money leaving a real bank account in the meantime. At $200 a month, a negative property costs $2,400 a year and $24,000 over a decade - before a single repair - for the chance that prices cooperate.

What "positive" really means

Positive cash flow is not "rent minus mortgage payment." That shortcut ignores the expenses that arrive irregularly and therefore get forgotten: the empty month between tenants, the water heater, the roof reserve, the insurance increase. A property is only truly positive when the rent covers *all* operating costs, the full mortgage payment, and a reserve for the big items that have not happened yet. Chapter 2 shows that math in full. Anything less is a loan you are making to your own property.

NOTE:
Losing $200 a month costs $24,000 a decade before a single repair. Never let appreciation do the deal's job.



The cushion is the strategy

- **It absorbs shocks.** Two months of vacancy or a $4,000 repair is an inconvenience, not a crisis.
- **It funds the next step.** Saved cash flow becomes the next down payment, on your timeline.
- **It keeps decisions calm.** A landlord with a cushion screens carefully and maintains properly. A landlord bleeding cash cuts corners - and corners are where the expensive problems start.

> **A working target.** Many small landlords aim for at least $150-$250 of true monthly cash flow per door after every cost and reserve, and a cash-on-cash return that beats what the same money would earn passively. Your market may allow more or less. What is not negotiable is the sign: positive, on honest numbers, from month one.