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## AUGUST ISSUE

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### How to Live in Luxury During Retirement Without the Price

### Pros & Cons of Owning and Managing Rental Properties

In saving, investing and preparing for retirement, many people hope to have some of the high-priced possessions they couldn't afford to have during their working years. This can include luxury items such as vacation homes, boats and luxury cars. But how can those be affordable on a retirement salary?

#### Preserving Your Capital for Your Lifestyle

A retirement investment portfolio is accumulated primarily to provide you with retirement income. Since the ability to increase that portfolio substantially after you retire is usually limited, you'll want to keep the money for the original purpose. Though high-end possessions are the stuff of dreams, the fundamental job of your retirement portfolio is to provide you with regular income.

#### Live a Wealthy Lifestyle Without Having to Buy It

Just because you dedicate your retirement portfolio primarily to providing income and preserve core wealth doesn't mean you have to totally do without luxurious possessions. But instead of buying, you can rent it!

Here are some examples of highly desired luxury possessions and how you can rent them rather than buy them.

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The idea of fuss-free income beckons many people into owning and managing rental properties, such as apartments, duplexes, guest homes, and even large houses. From the outside looking in, it appears that property owners simply sit back and collect rent checks on the first of each month, with little additional work. On paper, it's a lazy (or savvy) worker's dream come true.

#### Advantages of Managing a Rental Property

##### 1. A Monthly Paycheck

The monthly paychecks you can earn for owning and managing a rental property is one of the few occasions in which you can sometimes collect income for doing almost nothing. When the property is in good shape and your tenant is responsible, you can collect rent checks to help offset the cost of your mortgage and other expenses of keeping up the property. If the mortgage is less than what you collect for rent, you may find yourself in the happy situation of having a surplus each month.

##### 2. Equity as an Investment

The property may appreciate in value over time. Your equity investment in the property is offset and may be completely covered by the amount of money you earn. Plus, you can write off interest payments on your mortgage, in addition to all your property expenses.

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### A Boat

Owning a boat is a very common desire, particularly in retirement, when you will have more time as well as the mobility to live in an area close to the water and even in a warmer climate. But even a modest cabin cruiser can cost several hundred thousand dollars, to say nothing of the maintenance costs of keeping it up. So instead of buying a boat, consider renting one. You can rent one for anywhere from a weekend to a season, from individuals and local companies in the area where you live. It's often said, *"The two best days in a boat owner's life are the day he buys it and the day he sells it."* You can simply rent a boat and spare yourself both extremes.

### A Vacation Home

You can rent a vacation home nearly anywhere in the world through Airbnb. The online service boasts you can "find hosts with extra rooms, entire homes and unique accommodations like castles and igloos." And not only does it cost a lot less than owning a vacation home, but you can vacation anywhere in the world whenever you choose.

### A Luxury Car

You can rent a Ferrari, Lamborghini, Bentley, Porsche, Aston Martin or Rolls Royce for as little as \$395 per day, if you live in California, Florida or the Northeast (Washington DC, to Boston). Not a bad deal at all for an occasional taste of luxury driving, especially when you compare it to the cost of owning one of these upscale vehicles.

### Make Retirement About Experiences, Not Possessions

It's nice to dream of living a life of luxury in retirement, but it's likely experiences will prove to be more valuable than gold-plated possessions. And since retirement comes in the later stages of life, you will probably have developed an appreciation for the brevity of life that will make experiences even more important. And from a financial standpoint, experiences carry no fixed costs the way expensive possessions do. You can increase or decrease your experiences on a level consistent with your income.

Source: [investorjunkie.com/38903/](http://investorjunkie.com/38903/)

Please contact our office for more information. †

## What Our Clients Say About Us

*"Excellent service and fine employees."-  
DR*

Pros & Cons of Owning and Managing Rental Properties...Continued From Pg 1

### 3. An Alternative to Selling

Rental properties can provide a nice alternative to selling if the market is in a slump. By renting out the property before selling it, you can build equity while riding out a bad market.

### 4. Additional Tax Benefits

Landlords can write off mortgage interest, depreciation, repairs, travel, and insurance costs related to the property. And like any self-employed individual, a landlord can also write off home office expenses, legal and accounting services, and other expenses related to running a business.

## Disadvantages of Owning a Rental Property

### 1. Tenants Can Be Awful

Renters have few reasons to meticulously care for a property. Often, in a best-case scenario, a tenant will leave the place a little dirty when he or she moves out. You still need to repaint and complete basic homeowner maintenance.

### 2. The Investment Requires Capital

Beyond the capital required for a down payment to purchase a property, you need to have liquid capital to manage your property. For instance, you may need thousands of dollars to repair a property that is demolished by an awful tenant.

### 3. Time-Consuming Efforts

You have to account for the time and energy needed to find a high-quality tenant through applications, interviews, and credit reports. You also have to remain on top of your tenant's deposits, rent checks, inquiries, and needs.

Source: [moneycrashers.com/owning-managing-rental-properties-pros-cons/](http://moneycrashers.com/owning-managing-rental-properties-pros-cons/)

Please contact our office for more information. †



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