

Seven deadly mistakes of landlording

1. Not claiming all the interest. If you borrow money from any source, especially high-interest-rate charge cards, to cover taxes and other landlord expenses, make sure you deduct the interest paid in your tax return.

2. Not using the rental property to make your own mortgage interest deductible. Rental income can be used to pay down your own non-deductible mortgage. Then you can use the increased equity in your house to open a credit line to pay the deductible expenses on the rental property. Voila, you have converted non-deductible debt to deductible debt.

3. Not borrowing money when you should. Take the cash money from the rent and put it into a term deposit for a year or two. Whenever you need money for the rental house, borrow it on a line of credit. After two years of saving \$1,200 a month rent, you will have that \$30,000 cash to pay for the boat you always wanted and no interest to pay that isn't deductible.

4. Keeping a separate bank account. This is a really hard one to get across, according to Ingram, because it goes against general advice, but there is no real need for a separate bank account. In fact, it usually works against you because you tend to deposit all the rents into that account and use that money to pay for the rental expenses first. Use the rents to buy your food, pay for your car, or take a vacation when you are short. Then borrow the money for the rental expenses. The interest on the loan is tax-deductible.

5. Not keeping tax receipts. Get an old case and fill it with envelopes. Label each envelope with a topic: Advertising, accounting, repairs and maintenance, mortgage interest, second mortgage interest, taxes, utilities, car, etc. At the end of the year, open the envelope and add up all the bills. Staple the calculator tape to the bills, write down the amount on the outside of the envelope and put the receipts back into the envelope. Put the case in a safe location.

6. Not screening tenants. Landlords will turn a \$500,000 property over to a complete stranger because they like their looks. That is why so many rented expensive homes are found with marijuana grow ops in them. No matter what they look like, do not turn your property over to a tenant without having them vetted first. Two good sources of tenant information can be found by contacting ex TVS Tenant Verification Service Inc. at 1(877) 974-9328 or on the Web at www.tenantverification.com, or TenantCheck Credit Services at (604) 460-0838, also at www.TenantCheck.ca.

7. Not inspecting the property on a regular basis. Be a caring landlord for the first six months, particularly if it is a detached house. Each province has different rules for inspection. Find out what yours are and make it a point of giving notice to inspect once a month or once every six weeks for the first six months and let the prospective tenant know that you are going to do so. It will, by itself, weed out the undesirables.