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Twelve Deadly Mistakes Real Estate Investors Make

Mistake # 1. Spending thousands of dollars buying books, tapes and attending seminars and then putting all of that information on a bookshelf and never looking at (or using) it. Comment: I'm continually amazed at the number of "would be" investors who have spent a bundle of money attending seminars, getting an education and then never using it to start their investment program. Not only is it a waste of thousand of dollars but it could be the biggest financial mistake you can make.

Mistake # 2. Failure to learn the basics of real estate investing. Comment: The other extreme to Number 1 above, are potential investors who realize real estate is the best way to accumulate wealth and venture into the purchase of properties without knowing the basics of real estate investing. Those investors are almost certain to get into financial trouble.

Mistake # 3. Fear of making a huge financial mistake Comment: We all fear making mistakes, especially a large financial one. If you follow the advice in Number 2 above, you won't have to worry about making a financial mistake.

Mistake # 4. Not looking at enough properties Comment: Don't fall in love with the first property you look at. Too many investors buy properties because they "look nice" or they are just to lazy to see what else is currently on the market that may be better. Part of sound real estate investing is in giving yourself a choice so you can select the best one, financially.

Mistake # 5. "A better deal may be just around the corner" syndrome Comment: This is the opposite mistake of Number 4. This investor never starts his or her real estate investment program because they always hope a better deal may be out there somewhere if they just wait...and wait...and wait.

Mistake # 6. Thinking that real estate investing is strictly a complicated game that only the wealthy can play. Comment: First of all real estate is NOT complicated if you learn how to do it first. Did you know that even professional investors use a simple nine step process to analyze the financial feasibility of an investment property?

Here's a brief idea of the nine simple steps they use in analyzing any type or size investment property. A Basic Financial Property Analysis:

1. Scheduled Gross Income (Income if 100% leased)
2. Less: Allowance for vacancies
3. Operating Income before expense & Mtg. Pmts.
4. Less Operating Expenses (Taxes, insurance, utilities, repairs and maintenance etc.)
5.Equals: Operating Income (Income before Mtg. Pmts.)
6. Minus:Mortgage Payments
7. Equals Cash Flow
8. Plus: Mortgage Principle Payment
9. Total Return There's a lot more to it than that, but you just read the basic nine step procedure most professional investors use when analyzing any income producing investment property.

Mistake # 7. Falling in love with a property Comment: Once you get your feet wet and become a real estate investor, you'll wonder why you waited so long to begin. Now you'll face another problem. Many investors fall in love with their property. They have seen how well it is doing, cash flow has been going up each year, and they have fallen in love with their tenants (not literally). Two big mistakes are made here. First, never fool yourself into thinking your property is doing too well to sell or trade up because your cash flow is considerably higher than when you purchased the property.

The second part of mistake number 7 is getting so friendly with your tenants that you fail to maintain rental standards based on what the market will bear. This greatly hinders your growth potential.

Mistake # 8. Failure to plan your financial goals Comment: Before you purchase that first property, which, of course, you financially analyzed, determine what you expect from your investments...your financial goals. It's known as "The 'time vs. money'" concept. The more you have of one the less you need of the other in order to reach your financial goals.

Mistake # 9. Trying to purchase properties that the seller is not motivated to sell Comment: I've seen potential buyers continually try to purchase investment properties that are not really on the market. This includes property owners with the attitude that "Sure, it's for sale... for a price". Unfortunately the 'for a price' part usually means it will make no financial sense for a buyer.

Mistake # 10. Believing you can get rich quick overnight with no money invested of your own. Comment:. Getting rich overnight will not happen . . . (regardless of what some of the so called "experts" tell you). It takes some time, effort and knowledge of real estate investing to do it with minimum financial risk. The important thing to remember is that YOU can do it, too. You can join the millions of investors who create sizable incomes by investing in real estate.

Mistake # 11. No money down investing usually isn't. Comment: Somewhere, somehow there will be some money required to put a transaction together and make it profitable. It may be closing costs, repairs or upgrading, whatever. But somewhere, some money will be needed. There are ways around this problem without getting into a high risk situation. You may be able to finance every dollar you need, but it can come back to haunt you in the form of mortgage payments you cannot afford to make. Again, learn what you are doing first.

Mistake # 12. Not financially analyzing a potential investment property. Comment: This is the most serious mistake an investor, or potential investor, can make. I've seen a few pros in the business rely on a "worthless and inaccurate" rule of thumb to make a huge financial decision to purchase, with total disregard for how well the property will perform. Oh, yes, there is one more major mistake many investor make:

Mistake # 13. Thinking it's important to pay off your mortgage as soon as you can because mortgages are a 'necessary evil'. Comment: First of all as a real estate investor, mortgages are good and not a necessary evil. You must learn why this is true. You must learn how, in the right situation, a second or third mortgage can be a good thing. Second: mortgages are one of the keys to creating wealth in real estate. You must learn how to use financing as one of the keys to creating your own financial estate, without concern for it being "risky". Milt Tanzer

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Milt. a recognized authority on real estate investing, author of 7 books on the subject. Investment real estate broker for 25+ years. He holds an advanced degree in investment real estate from the National Ass'n. of Realtors.

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