

# The Backus Bulletin

*"Your Management, Your Way"*

## Keeping a cash reserve for your investment property

February 2022

### Start Planning Now

You never know when something can happen that will require a large amount of cash, such as a disaster where the property is located, a major maintenance expense, an unexpectedly long vacancy, or a problem with a tenant that leads to legal action and damage. As your property management company, we work on preventative measures to keep this to a minimum but we cannot control Mother Nature, unexpected maintenance on a property, or anticipate the future actions of tenants.

Therefore, it is important as an investor to create and maintain a cash reserve. Many factors impact rental property financially.

### Emergencies and Disasters

No one can anticipate the unknown and often, it can depend on where your property is located, i.e. fire, flood, tornado, hurricane, etc. The first thing that can offset and help your money reserves is to have a good landlord insurance policy

that addresses fire and disaster issues. Even then, it probably will not cover everything.

### Major Replacement

Major maintenance often depends on the current condition and the age of the property. You may have bought an older property, one that has been well maintained or one that you purchased to fix up. Consider the condition of the property, the age of the roof, gutters, fencing, appliances, paint inside and out, flooring, and more. Then, make a chart and prepare a plan of future replacement costs. Just remember that major maintenance can occur on any property, new or old.

### Vacancies

There is no doubt a vacancy requires a cash reserve. To think the property is never going to be vacant is unrealistic. Even the best properties can become empty. It is less costly to keep the property vacant until we find the right tenant. It is important to keep an eye on the market where you own rental property and know when it is a difficult market. Location and condition of your property can make a big difference. If your property is in a less desirable area or is not in

the best condition, it is a good move to plan a bigger reserve.

### Eviction

Eviction generally leads to vacancy and damage. Proper tenant screening is another way to reduce the need for reserves. However, it is impossible to know when a tenant is going to have personal problems and become a problem even

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### Backus Properties

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Saturday - by appointment  
Sundays & Holidays - closed

**Announcements & Services**

**THINKING OF BUYING OR SELLING?**

If you are thinking of buying or selling, we can assist you. We specialize in residential and multi-residential units and are experienced in conventional sales, purchases as well as short sales. Just call and ask for Bill and we will help you with your Real Estate needs. There is no obligation.

Check out your property value today!

**ON-LINE STATEMENTS**

Contact your property manager Michele Backus [mbackus@backuspm.com](mailto:mbackus@backuspm.com) or Cindy Vargas [cvgargas@backuspm.com](mailto:cvgargas@backuspm.com) if you would like to receive online statements.

**Social Distancing!**



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when they have been good tenants. Again, a realistic attitude that it can happen is important and to investigate what legal costs can be.

The question now is to address how much to keep for the unexpected. Sit down and review your property considering all the factors in this article and possibly others not covered here. Generally, the recommendation is that you keep at least 3-4 months in reserve for a vacancy or major repair.

If you are unable to keep a healthy reserve, investigate and develop a backup plan of where you could obtain emergency funds. If you need help in planning, call us and we are happy to assist you. Plan now to protect your investment.