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Real Estate Investment Course for Malaysians

Checklist for a Quick Start in Real Estate Investing

If you are a would-be investor who is venturing into real estate investing for the first time, your first question may very well be “How do I get started?”

Here is a master checklist designed to answer that question. This checklist covers the logical sequence of events that an investor must follow to get started in real estate investing, and it can be used by both beginning and experienced investors alike to make sure that every detail is covered and nothing is overlooked.

If you never attain other course or read other book on real estate investing, you can learn enough from all the modules in this course to make sound investment decisions. If you have learned some or perhaps have gained some experience in real estate investing before, this checklist will be helpful and handy enough to give you a quick start instead of going through every single module in this course.

Keep it handy as a reference tool, and use it in conjunction with the 12 modules in our course. Remember, this course is not a presentation or novel that you read and put it away forever. It is a reference manual designed to guide you through all phases of real estate investing. Refer to it often, particularly when you are uncertain of any of the investment phases covered in this checklist.

Even so, it’s never possible to cover every subject in complete detail in one course. If you want to review a specific topic such as real estate financing, in greater detail, search around find a good reference book.

Keep in mind that you are considering investing the largest sum of money that you ever have in your life. You owe it to yourself and to your financial security to know enough to make the right investment decisions. The smarter, more informed you are when you face other investors in the marketplace, the more successful your real estate investment program will be. Use this master checklist to get a quick start in real estate investing!

This checklist categorises the 12 modules in this course into 3 phases of real estate investing, with 16 points to check for a quick start:

Phase	Module	Point to Check
1. Start-up preparation	#01 to #05	1 to 6
2. Execution	#06 to #09	7 to 11
3. Monitoring & Growing	#10 to #12	12 to 16

Each point in this checklist is designed to remind you of what you must know when you are in a particular phase of investing. Condition to skip each point is also included to save you time if you have already learned what is required.

1. Know why you need to invest in real estate

Skip this if you have already known the 5 advantages of real estate investment, if not please go to Module #01 and check the following:

- ☐ Establish in your mind the need for investing in real estate in order to stay ahead of ***inflation***. Most of the retired-age people end up practically broke because they failed to realise the importance of investing their retirement funds in real estate and other non-fixed investment.
- ☐ Never forget that your primary purpose of investing is to create a life-long estate for yourself and your loved ones. You may not always want to work for a living, but your money, your investments never retire. 24 hours a day, 7 days a week, 365 days a year, they continue earning money for you.
- ☐ Program yourself right now to at least give real estate investing a try. Once you do, you will never be without it again.

2. Establish your investment goals

Skip this if you are well aware of your current financial situation and future expenditures after you retire, if not please go to Module #02 and check the following:

- ☐ Prepare a current financial statement so you know exactly where you stand today.
- ☐ Prepare a long-range financial statement estimating major expenditures you know you will face in the future.
- ☐ Determine how much money you think you will need to maintain your present standard of living after you retire. Don't forget to allow for inflation in your estimation.

3. Locate sources of investment capital

Skip this if you have no problem at all in securing investment capital and fully understand about refinancing property to obtain investment funds, if not please go to Module #03 and check the following:

- ☐ Consider such sources of start-up capital as savings accounts, cash value life insurance, borrowing against stocks and refinancing of other real estate.
- ☐ Consider the possibility of borrowing from people you know who would like to earn a higher interest than on their present investment and still have security.
- ☐ Save one salary. When both husband and wife are working, save one salary if possible to accumulate for investment purposes.
- ☐ Don't over-leverage. Although there are ways of buying some properties with little or no

cash down, be careful not to over-leverage. You do not want to be in a position where you have to "feed" your investment unless you are prepared to take that risk.

- ☐ Consider a group investment when you cannot come up with enough cash to at least make a down payment on a small rental property. Do not let lack of investment capital stop you. Once you get that first property and make profit, you are on your way.

- ☐ Enlarge your investment holdings as your capital increases. Keep in mind that real estate is not a one-time investment. As your equity builds up, you may want to spread your investments over several properties. You will be surprised how fast your equity will build in real estate.

4. How involved will you become in managing your property?

Skip this if you already have a concrete plan to manage your property, if not please go to Module #10 and check the following:

- ☐ Decide how involved you want to become in its operation before venturing into your real estate investment. Consider your options:

  a) You can handle everything yourself.

  b) You can hire a resident manager who takes care of all the minor, day-today problems that may arise. You are still in charge of renting, collecting rents and paying bills.

  c) You can employ a professional property management company to handle the renting, bookkeeping, and management end of the property operation. You are then left with management-free investment.

- ☐ Do not pass up real estate investing because you are too busy to take care of it yourself. Even after paying the cost of a full management team, your rewards from your real estate investment will still far exceed any of your other investments.

5. Select the type of investment right for you

Skip this if you are well aware of the types of real estate properties available to you and right for you, if not please go to Module #04 and check the following:

- ☐ Consider the various types of real estate investments that may be available to you and right for your particular situation. Medium-cost houses or apartments are perhaps the least expensive way to start. On the other hand, an office or shop building may offer particular advantages that make such an investment the best one possible for you.

- ☐ Consider vacant land only if you are strictly a speculator. Vacant land offers the greatest appreciation potential.

- ☐ Consider a small rental apartment if you are a beginning investor and this is your first real estate investment. This type of investment is the easier to understand and manage with a large selection.

- [ ] Consider some of the other types of real estate properties available in your area as your investments grow.

6. Determine the form of ownership

Skip this if you are well aware of the forms of real estate ownership available to you and right for you, if not please go to Module #05 and check the following:

- [ ] Consider some form of group ownership of your investment capital on your first venture is limited.
- [ ] Try to buy controlling interest (more than 50%) of the investment if you form a partnership with another investor(s). this can help to alleviate some of the problems that partnership arrangements often create.
- [ ] Avoid corporate ownership of real estate investment if possible unless you in the highest income tax bracket. Under this form of ownership, you are subject to more taxation and operating costs.
- [ ] Consider a private limited company if you become involved in corporate ownership – but you must find a knowledgeable general partner. He is the one who will be responsible for the group and the success of the investment.
- [ ] Make every effort to go it on your own. Individual ownership will generally bring you greater financial rewards and personal satisfaction.

7. Locate your investment property

Skip this if you have at least a knowledgeable real estate agent to work with, know the alternatives to locate a good property and the details to check before you buy, if not please go to Module #06 and check the following:

- [ ] Give serious consideration to working with a knowledgeable investment real estate agent if this is your first venture. He probably has properties available that you would never locate on your own. He will also get you started on the right foot in the operation and management of your investment.
- [ ] Do not rush into the purchase of a property that you are not convinced is a good one. Take your time.
- [ ] Do not, however, delay purchasing until the “perfect” investment comes along. You will never find it and may never get started in real estate investing. Compare your expected returns from a less-ideal property with what you are currently earning on that money. Your thinking will probably become more flexible.
- [ ] Give yourself a choice of investment properties. Keep researching the market until you can give yourself a choice of at least two.

8. Analyse your prospective investment

Skip this if you have already known how to analyse an investment property and evalute how good an investment it will be for you, if not please go to Module #07 and check the following:

- ☐ Analyse your investment carefully and thoroughly after locating it. Verify all details, especially the income and expenses of the investment properties.

- ☐ Develop a property analysis spreadsheet you feel comfortable using. It will also serve as a reminder for items you want to know, such as expense items and property details (age, size, etc).

- ☐ If the property does not seem to make financial sense after your initial analysis, check the following different positions of the potential investment to see if altering one or more of these will improve the financial picture and make the property a good investment for you.

    a) **Income**: Can rent be increased, and can it be increased soon after you purchase the property? Is better management needed? Maybe income is suffering because of poor or non-existent management. Would a change in the type of tenant allow for higher rent?

    b) **Expenses**: Take a closer look at operating expenses. Are any of them excessive? If they are, will you be able to lower them?

    c) **Financing**: Return on an investment can be adjusted by applying various financing techniques as discussed extensively in our course. Perhaps one will turn your prospective property into a sound, profitable investment. Try various alternatives in financing.

    d) **Overall benefit**: Don't look just at cash flow. Consider all kinds of return (cash flow, equity, appreciation, etc) you can expect. Determine what your property will give you in the way of a return after tax. That is the most important result.

    e) **Price**: Some properties simply will not make sense unless you can get the seller to accept a lower price.

- ☐ Never make a decision to purchase based on the "aesthetic beauty" of the building or by using a simple rule of thumb to determine its value. Take the time to prepare a property analysis. If your property analysis shows that the property does not make financial senses to you, forget how "pretty" it may be. Don't buy it!

9. Use the financing technique that gives you the best results

Skip this if you have already known how financing can alter your investment and how much leverage you should have with various financing techniques, if not please go to Module #08 and check the following:

- ☐ Use ***GoFinance***™ method to determine if your prospective property is worth-financing. If it is not worth financing, use cash to purchase it if possible. Otherwise you have to make sure the rewards from owning the property is worth the risk of financing, or else don't buy it.

- ☐ If your prospective property is worth financing, use various financing techniques to alter the terms under which you may want to purchase the property. Try various alternatives to see which one gives the best results from your investment viewpoint. Use financing to your advantage.
- ☐ Determine just how much financing you feel comfortable carrying. You may be able to purchase a property with only 5% to 10% down payment, but if you are going to lie awake nights worrying about your large mortgage payments, don't buy on those terms. You will be better off settling for a smaller property with smaller mortgage.
- ☐ Keep the benefits of leverage in mind. Once the property is worth-financing and you decide what you will accept, make the most of it. No other forms of investing offer the high use of leverage (other people's money) that is available in real estate investing.

10. Negotiate the purchase

Skip this if you have already understood what will probably happen when you start to negotiate and what you need to prepare in order to get what you want, if not please go to Module #09 and check the following:

- ☐ Become familiar with various techniques that will be helpful to you in selecting and analysing investments. Understand the ways in which an appraiser/valuer determine the market value of a property. Learn how to capitalisation or CAP rate works and what it means.
- ☐ Refer back to your property analysis and evaluate a reasonable present market value for the property you want to buy.
- ☐ Prepare a formal offer to purchase contract/option accompanied by an earnest deposit cheque prior to making an offer to purchase on the property you have selected. That is the only way a seller will listen and be willing to negotiate on price and terms.
- ☐ Insert the clauses in the contract that you want for your protection, such as verification of income and expenses by your accountant, inspection of property and approval by your "partner", etc.
- ☐ Be reasonable on your offer. You know what the property is worth, at least to you. Do not try to steal it. You will probably succeed in insulting the seller and having him refuse to sell you the property at any price. But do offer 10% to 15% less than he is asking.
- ☐ Go into the meeting knowing what price and terms you are willing to accept. If his final offer falls short of these terms, do not agree to anything until you have had time to re-analyse the investment based on his final offer.
- ☐ "Lock up" the property with a fully executed contract/option by both parties, including initials next to any changes that were written in later, when the price and terms negotiated are acceptable to both you and the seller. Once you and the seller both execute a contract, it's binding.

11. Necessary steps before and after closing

Skip this if you have already known how to ensure that everything has been done properly before and after the day of closing, if not please go to Module #09 and check the following:

- ☐ Prepare an estimated closing statement prior to closing so you have an idea of how much cash you will need to close.
- ☐ Make a final inspection on property few days before the closing to make sure everything is in agreed condition before you take over the property. You should report to your lawyer and seller if there is any discrepancy so that they will fix it.
- ☐ Make a list of the items you expect to receive from the seller at the closing. This includes: keys. Insurance policy, original lease, list of service people/contractors, any service contracts, and plans and surveys of the property.
- ☐ Have the “house” utilities changed over to your name.
- ☐ Visit your property after closing. It will give you a good feeling to know that you own it.
- ☐ Meet your tenant. Take a close look at your investment walk around the building, taking any complaints you hear with a grain of salt – and you can plan on hearing a few.

12. Set up a record-keeping system

Skip this if you have already known how to set up a bookkeeping or accounting system for the operation of the property, if not please go to Module #10 and check the following:

- ☐ Establish two separate bank accounts immediately after closing: one, a savings account to hold the tenant’s security deposits and advance rents; the second, a property current account to handle all income and expenses for the property. Keeping it separate from your regular current account will greatly simplify your bookkeeping.
- ☐ Set up a simple, singles-entry bookkeeping system for your property. Posting can be done from your property’s current account. At the end of each year, your book serves as a convenient record for tax reporting purposes.

13. Develop leases that serve your purpose

Skip this if you have already known what to prepare before renting your property and how to locate and qualify prospective tenants, if not please go to Module #10 and check the following:

- ☐ Develop a lease form that best serves your purpose.
- ☐ Require security deposit and advance rents.

- ☐ Have you lease come due at the best time of year for you. Also, make all rents due on the first of each month.
- ☐ Try to have tenants lined up prior to lease expiration. Know what will attract tenants to your property and promote it.
- ☐ Qualify your tenants before leasing. The best way to have trouble-free tenants is to properly screen them prior to leasing them your property.
- ☐ Maintain your property. Remember, a large portion of the expected increase in value of your property while you own it is dependent on maintaining your property, keeping it leased to "quality" tenants and keeping your rents in line with others in the area.
- ☐ Raise your rents when necessary. Failure to raise rents to combat increased expenseds and inflation will result in a lower selling price when you decide to move up into another property. Reasonable rent increases are not only a necessity to you but are also expected by your tenants.
- ☐ Do not become close friends with your tenants. If you do, they will end up sharing in your investment profits – and don't forget who's money purchased the property.

14. Monitor your investment with return in mind

Skip this if you have already known what you should monitor regularly to ensure your investment is still functioning well and is worth holding, if not please go to Module #11 and check the following:

- ☐ Don't fall in love with your property. That could be the start of failing to realise your investment goals. Unlike your home, your real estate investment is nothing more than a "money-making machine". When it no longer does what it is expected to do, get rid of it and buy another.
- ☐ Monitor your investment. Constantly review your actual present return. When the time comes that you should be in another property, do it.

15. Structure the sale to suit your needs

Skip this if you have already known how to establish your selling price and find a buyer for your property, if not please go to Module #11 and check the following:

- ☐ Review the current equity of your property to decide if it is time to sell your property. Properties with incurable problems, increased equity but decreasing return, or excessive profit above your investment goals are good candidates for you to move up to another better investment.
- ☐ Establish a reasonable selling price for your property based on actual market value.

- ☐ Consider listing your property exclusively with a real estate agent.
- ☐ If you are selling it yourself, prepare attractive ads for your property and cultivate a "soft sell" sales approach to prospective buyers.
- ☐ Recognize the different between a "buyer's" and a "seller's" market. If you buy during a buyer's market and sell during a seller's market, it will be much easier for you. However, you cannot afford to wait until the "perfect" market opportunity for you arises. It may never happen.

16. Secure your financial future

Skip this if you have already known how to grow your wealth with different strategies of real estate investing, if not please go to Module #12 and check the following:

- ☐ Do not go into real estate investing expecting to become millionaire in 12 months. Your goal is to acquire sound investments and let appreciation take over. Your primary purpose of investing is to secure your financial future.
- ☐ Plan on pyramiding your real estate investment to build your estate and keep finding ways to improve the return on your investments with various strategies.

Don't be afraid to take that first step. If you invest using the knowledge you have gained from this course and purchase a well-located, sound, income producing property, your investment is secure.

You have a distinct advantage in a real estate investment. You have the opportunity of personally examining your investment and verifying its income and expenses and more importantly, controlling its operation. You have more control over a real estate investment than you do in other investments.

No other form of investment offers you the combination of leverage, cash flow, high return on cash invested and appreciation that can be realised in real estate. Under all properties is the land. Each year it is becoming more and more valuable.

You will end up wealthy.

Sound investment techniques are the more practical approach to real estate investing compared to high risk, get rich quick schemes. You now have these sound investment techniques. You now have the knowledge you need to make your fortune in real estate. You are now ready to join the ranks of successful real estate investors – the top 5% whose investments have made them financially independent.