Episode 123 The Benefits of Rental Property Investing

Patti Brennan: Hi, everybody. Welcome to "The Patti Brennan Show." Whether you have $20 or $20 million, this show is for those who want to protect, grow, and use your assets to live your very best lives.

Joining me today is Dan Mancini. Dan is a real estate agent with Keller Williams, and as we were talking it became very clear to me that Dan is a lot more than a real estate agent. He is a real estate advocate. When he is looking for properties for his clients, he is looking for properties that he would buy himself as an investor.

What is unique about Dan, or what I appreciated about our conversation, is that he has a unique approach to real estate. I thought it might be worth hearing about. Dan, welcome to the show.

Dan Mancini: Patti, thank you for having me, it's an honor to be on the show. I have been listening to you since 2019. Congrats on over a hundred episodes. I'm sure it's been smooth sailing since then. No black swan events to navigate for your clients. Congratulations on all your success.

Patti: Thank you so much, Dan. A hundred episodes, in a way, doesn't sound like many. I think about everything that we've done and all the work that we've put into this podcast show, and it feels like we've done a thousand, right?

To me, it's not so much the number, it is more about the quality, which is why I thought it would be great to have you on the show today. I think, that's what you're all about.

We're going to talk about rental real estate, and I think your perspective is very unique, as I said. I want to hear more about that. You talk about the four pillars of investing in real estate. Why don't we go ahead and begin to unpack that? What are the four pillars all about?

Dan: Sure. Let me start with a couple of things. There are a lot of different ways to invest in real estate. First and foremost, if you buy a home for yourself, that's a way to invest in real estate. You can do flips. If you don't know what a flip is, turn on HGTV. You'll learn all about them. You can do Airbnb. I'm sure we've all stayed in Airbnbs before.

What we're going to talk about today is about long-term buy-and-hold rental real estate and the four main pillars of success there.

Patti: That's a good point. There are a number of different ways to invest in real estate. I wouldn't have thought about the Airbnb approach. Yet, I do know people who have done that, quite successfully, by the way. Thank you for that.

This is more about the long-term buy and hold, and I think it's important for you and I to start out by talking a little bit about what has changed in rental real estate. It used to be a fantastic investment simply from a tax perspective. Then, lo and behold, don't you know, Congress gets wind of that and decides to change the rules of that game.

As a result, most people or a lot of people are not able to get the tax benefits of rental real estate that we used to be able to get. There are income limitations. For example, if you've got a modified adjusted gross income of $150,000 or above as joint filers, you really can't take a write off. Even then, below that, it's limited to $25,000. Not chump change, by any stretch, but it's not the panacea that it used to be.

Let's get that out of the way and...what is interesting to me is, you don't invest yourself or for your client in real estate for the tax benefit necessarily. You're looking at it as a cash flow cow.

Dan: Absolutely. To your point, I think a lot of the reasons that you mentioned with Congress it's because its secret is out. There's a lot of landlords out there today. The main thing we want to look at today is we're going to focus on buying a house, and not a home. That's a big mindset difference.

Buying a home is a lot more qualitative. You're going to be focused on, "Would I want to live there? Would I want to raise a family there?" Buying a house is going to be quantitative and an investment strategy. You want to take yourself out of it, and look at it as would somebody else maybe want to live there?

Patti: I love that approach. Dan, that's brilliant because, really, when we're looking at other types of investments, I always tell people, "Don't fall in love with your stock. It's just a stock." It's the same thing here. Don't fall in love with the house. It's a house, it's an investment just like anything else.

Dan: Absolutely. Let's get into the four pillars. To understand the first one, you want to look at the history of home buying in America. Up until 1938, mortgages used to look a lot different. What that would require to get a mortgage would be a 50 percent down payment and a one to five-year loan, which is difficult to do.

Let's put that into modern day terms. The average home right now goes for $454,000. Let's say you work with a great real estate agent. Let's say he works for Keller Williams Devon Wayne, and he's able to get you $400,000. You're still $50,000 in equity. That would require, today, a $200,000 down payment, and to repay back $200,000 within one to five years. That's not even factoring interest.

Patti: That's a huge hurdle to have to overcome. What's interesting about that, to me, is that that's what people in Europe have today. They don't have 30-year mortgages. They have adjustable mortgages, or they have mortgages similar to what you just described.

Dan: Absolutely and thank you for teeing me up there. In 1938, Roosevelt signed the new deal to get us out of the Great Depression, and that rolled out the 30-year mortgage. That is so rare. We are one of the only countries in the world that offers a 30-year mortgage. It's not like that with business loans, a lot shorter terms in commercial real estate as well. So, that offers such an opportunity to cash flow.

That's the number one pillar that you want to build your rental strategy around, is cash flow. Let's define that, I know a lot of people know what that is, but cash flow is going to be the money that your tenants are paying you in rent, minus your mortgage payment which hopefully includes taxes and insurance, and any expenses on the house.

That's going to be your cash flow, that's what you want to build your entire strategy around, and that's the first main pillar.

Patti: What's interesting about that is cash flow is different than what you reflect on your taxes. Cash flow is what's in your pocket. The taxable portion of that basically, it also includes this thing called depreciation, which you're still able to take. It's a non-cash item that you're able to take as a tax deduction.

It's really about what is coming into you on a net basis after all the costs that are associated with real estate. Some properties are going to have more than others, right?

Dan: Absolutely, yeah. The thing I love most about cash flow is two things. Number one predictability, it is so predictable to know that you're getting that monthly payment from your tenant each and every month. I don't know if a lot of other asset classes can say that. Number two is scalability.

Patti: OK. Let me stop you right there.

Dan: Sure.

Patti: I'm here to play devil's advocate to a certain extent, Dan. Let me play devil's advocate and say, "It's predictable as long as you have that tenant and as long as that tenant is going to pay you, right?"

Dan: Absolutely.

Patti: One or two months of a vacancy can really impact the internal rate of return on that investment of yours.

Dan: That's a great point and that leads me to the biggest mistake that I believe people make in accounting for cash flow. Not budgeting for capital expenditures or CapEx. The cool kids at school call it CapEx.

Patti: Cool kids. We're cool kids here at Key Financial and Keller Williams. We're cool kids, CapEx.

Dan: Exactly. What CapEx is in a nutshell, is budgeting for replacement costs and things to go wrong. We can spend an entire episode talking about how to budget for CapEx. A good rule of thumb for investors is one to two percent of the purchase price, divide that by 12 and put that into your cash flow model.

Patti: Oh, that's terrific, thank you for that. OK, we've taken into consideration, the fact that sometimes you're going to have a bum tenant, or stuff is going to go wrong. You build that CapEx into the assumptions because it's all about the assumptions, and then figure out whether it's going to work on a cash flow basis.

Now, in our conversation, the way I look at this whole model, -- and you tell me if I'm wrong now -- when we look at that return on investment, if you will, especially in the early years, I tell people, think about it as like you would a dividend on a stock, and just like this, dividends aren't guaranteed either.

The better companies will continue to pay their dividends on a quarterly basis and hopefully, increase them. They are called dividend aristocrats. Those companies who for 30, 40, 50 years. Every quarter of every year they've increased their dividend. It's also been an inflation hedge.

With rental real estate you also have the opportunity to have that rental income as an inflation hedge, and boy, did we see that last year, didn't we? Because those landowners were able to increase rents and pass along those higher costs to the people that they were renting to.

I see so many similarities between the two asset classes, and I think it's important for us to recognize the opportunities that do present themselves with rental real estate as an alternative to the standard things like stocks and bonds.

Dan: Absolutely, yeah.

Patti: Let's take that one step further. I don't want to get away from your four pillars.

Dan: Sure, no, go ahead.

Patti: Let's finish with the four pillars. Then I'm going to go through some questions, ideas. I want to pick your brain in terms of how you would think about. I'll just tee it up for you now, Dan. What would you think about a property that really isn't cash flow positive yet, but it's got great potential?

You go ahead and you take the risk, because all investing involves risk of one thing or another. How does that sound to you, at this point in time, does it make any sense, etc.? You don't have to answer now just teeing it up.

Dan: I think that's a perfect way to get into the second pillar.

Patti: Oh, cool. All right. There we go. By the way, you guys, we didn't practice this. As you can tell, we're winging this whole thing. We like to make it more of a conversation. It's just spontaneous, have great people who really know their stuff like Dan. Let's just really get to the bottom line. Thank you for that, Dan.

Dan: Thank you. Yeah, the second pillar is market appreciation. Let's say we're cash flowing $100 a month in cash flow, and hopefully our house is going up in value. If you bought in 2019, 2020, 2021, you definitely know what we're talking about here.

The main point I would make about market appreciation is I believe it should be looked at as a bonus in rental property investing. I think if you're going to steal equity in a deal, it should be for the means of lowering your mortgage payment to cash flow more. I sometimes see people get burned trying to make equity plays, going for market appreciation over cash flow.

To your point that you're mentioned, you don't have to cash flow right away. If you're cash flowing within one to two years and you believe in the area, then I think it can make sense in certain investments. I would view market appreciation as a bonus, with cash flow being the primary means of investment.

Patti: I love that, Dan, I love your conservative approach to this whole thing because so many people say, "Location, location, location," and are willing to overpay for that location. They get burned big time, or they just have a flat. Real estate -- my experience has been -- has one of the longest investment cycles of anything we can put money into.

When it's up, it's up for a longer period of time. When it's down or flat, it's also painful for a longer period of time. Anything in terms of appreciation, true appreciation would be a bonus.

Dan: Exactly. To your point, let's say it stays flat for a while, your market appreciation, then your cash flowing. You're still getting that dividend payment that you compared to earlier. In addition to that you have someone paying down your loan, which is the third pillar of rental property investment, loan pay down.

This is the biggest difference between owning a home and owning a rental is when you own a home, your mortgage payment is coming out of your pocket. When you own a rental, somebody else is paying you to pay down your loan. It's such a powerful mindset shift. That's why it's the third pillar. Let's say that equity does go down, you're still enjoying those two benefits.

Patti: To me, that is the biggest one right there. You nailed it because someone else is creating your investment. You're just using other people's money in this example to create an investment that later on you could sell, or you could continue to live off those rising dividends over time.

I always say to people, Dan, just so that you know, over time, maybe not every time because there are going to be those CapEx years where you're really replacing a lot, or some renter goes out with not only the stuff. They take the furniture, they take the toilets. You can't believe some of the stories that I've heard, and it's painful.

It's incredible to think that people could be that awful, and yet got to look at worst case scenario before you get in, and that's what I think makes you a lot different. You do the legwork up front. You're buying smart, aren't you?

Dan: I would hope so. That's the plan. You make your money on the day you buy, you're going to hear that a lot in real estate. That's what I love about this asset class is you can create a deal in the ways that other asset classes won't provide you.

Patti: OK. Got number three. What's number four?

Dan: Yeah, number four is a topic you hit on to start the show, which is tax depreciation. I'm going to defer to you on that. I listen to your show a lot. I know you know a lot about that. I learn a lot about taxes from the Patti Brennan podcast. If you want to touch base on that.

Patti: I think that the depreciation aspect is still attractive, it's still a great reason to be investing in this asset class. I don't want to downplay it too much because it can present itself an opportunity. I just want to be very real in terms of who's going to be able to take advantage of it, or when they are.

You do eventually get that back, those losses, because when you sell a property, those carry-forward losses add to your cost basis. What you put into the property is increasing to the extent that you couldn’t take those deductions. You do get them. I just want to be very real in terms of when, and who also.

I think there's another aspect of the tax angle though, that is attractive, called the 1031 exchange. Tell us more about that, Dan.

Dan: So, that is one of, if not, my favorite part of real estate. I remember when I first learned about the 1031 exchange, I had to check with four different accountants to make sure it was real. The 1031 exchange is a tax strategy to use the money that you've made in real estate and roll that over into a property of equal or higher value, with avoiding taxes on it, or without having to get taxed on it.

Patti: For those of you who may have a few gray hairs like I do, -- I do try to cover them up, nonetheless, gray hairs -- who remember the days when we could sell our home, not pay any capital gains, as long as we purchased a home of equal or greater value, those days are over. The most that we can remove from taxes is $250,000 per person, or $500,000 per couple for a primary residence only.

So, that's the law, that's the way it exists today. However, as Dan just alluded, with rental real estate, those old rules still apply as long as you know how to apply them. That's called a 1031 exchange. Now, there's some nuances to 1031 though, right, Dan?

Dan: Sure.

Patti: Let me just give you one. Let's say that you have...we call it the shore here, right? Let's say you have a property at the shore, it's a second home, you use it as a family vacation home, etc. You've experienced fantastic appreciation over the life of that ownership.

Like a lot of us, we have children who then have children and the house that we originally had isn't quite big enough so we need a bigger home so we sell it. In that case, if it is never been rented -- correct me if I'm wrong -- the 1031 exchange does not apply. Is that correct?

Dan: Correct.

Patti: OK. Sorry, I'm going to use a four-letter word. Got to suck it up, got to pay the tax on that gain. That's the way it works. Now, however, if on the other hand, it's a rental property, tell us how the 1031 works.

Dan: Sure. With your market appreciation and the equity that you earn in that property, you can use that money, roll it over tax free into an asset that is of equal or greater value that you're also renting out, and have a lot more buying power.

Patti: That's fantastic. There's certain kind of rules, aren't there? Now, I really am going into the recesses of my brain. I'm catching you off guard because we didn't talk about this, Dan. You must identify a property within a certain period of time. The transaction also must occur within a certain period of time. So, this is not without its Is to dot and Ts to cross.

Dan: Absolutely, you do not have a year to find that new property. You have a limited time frame to do so. Keep that in mind, work with a great accountant, that's what I would tell all real estate investors. It makes your life a lot easier and take advantage of it where you can. I think it is such a great wealth-building tool to use to buy whatever kind of property you'd like.

Patti: I think that we must be careful because, every once in a while, -- we're not CPAs here, we're financial planners -- but we do a lot of tax work. Every once in a while, a question will come up and say, "Well, we do have this place at the shore. What if I decided or we decided we're going to rent it out for a year or two, to make it a rental property, then qualifying it for the 1031?"

Does that work? I don't know if you know that.

Dan: A lot of it, I believe, would be dependent on how you bought it.

Patti: OK.

Dan: Is it a primary? Is it a secondary home? Is it a rental property?

Patti: Got it, yup. Yeah, because ultimately at the end of the day, it's going to be subject to the IRS scrutiny. As long as you can tell a legitimate story that is attempting to follow the rules as you understand them, then you should be fine. Always, always, always get proper guidance. There are CPA firms that specialize in 1031 exchanges.

I will tell you; I tend to be very conservative. What I just described was a transaction that we had, and we didn't do it as a 1031 because I didn't want to take the chance.

Dan: Sure.

Patti: I've been through an audit, I never want to go through that again. We'll go ahead and pay the tax. There are different approaches to these things and ultimately, each person that's listening and watching just understand you, as the taxpayer, are the person that's signing that 1040.

At the same point, if you are not aware of something like the 1031 exchange like Dan's describing, then I don't know how to tell you this, but you're not going to get a knock on the door from Uncle Sam saying, "Oh, by the way, you paid taxes, and you didn't really have to pay these taxes. Here's a check for $75,000." Ain't going to happen.

That's what good advisors are here for, including Dan. That 1031 exchange opportunity levels up rental real estate in my mind because you can't do that with stocks and bonds.

Dan: Absolutely. The way I look at a 1031 is it's the government rewarding you for providing a service to them. You're housing their people, and you're creating so many jobs through real estate. That's why I love real estate, too.

There are so many different people involved in the transaction that it benefits the government to have all these people employed as well as housed. That's how I like to look at a 1031.

Patti: Interesting because we share that philosophy. We share that so much, Dan, because it's the velocity of money, right? One person's expense is another person's income. They spend some of it, and that becomes another person's income. It's the velocity of money. That's Economics 101. It is such a valuable and important thing that we all need to keep in mind.

By the way, the Internal Revenue Service and our government is creating incentives to encourage that velocity of money, and they do it through the tax law. They encourage businesses like mine and yours to take risk with our own capital.

Start these businesses, feel that fear of what it's like to start with nothing and have no income, and provide a valuable service that people want and need. That's what you do. That's what we do. For that service, you're compensated.

The Internal Revenue Service had to find, and our government had to find a way to encourage people like Dan Mancini and Patti Brennan to take that risk. They did it through the tax law by saying, "Hey, guys, if you're willing to do this, we're going to allow you to take certain deductions."

Those deductions include things like my cell phone. As you know, Dan, I was putting out a lot of fires this morning before our podcast. I was doing it from my cell phone. As a result, that's a tax deduction. Those things, those incentives are important, and they increase the net after-tax return that you receive on that investment.

Whether it be a piece of real estate, a rental real estate, whether it be your own business or anything that you might want to put money into, a retirement plan.

Patti: They're basically incentives to solve potential social issues, as you said so eloquently. It's giving people a place to live at a reasonable cost that they can afford. That's what rental real estate can do.

Businesses like yours and I, we needed an incentive to somehow take the kind of risk that we were willing to take. Retirement plans, we get an incentive to put money into 401(k)s and IRAs so that we don't become dependent on the federal government during retirement.

Ultimately when you break it down fundamentally, the rules are there, A, to create revenue for the government to allow them to provide services and goods to people who are not in a position to be able to provide for themselves. That's a social network called our government. Creating incentives for people like you and me. Rental real estate is one of them.

I think you're telling that story if I may say so eloquently, Dan, in a way that I hadn't heard before.

Dan: Thank you. I just want to touch base on one thing you mentioned, the velocity of money. That's why I love Key Financial and your show so much. Last year, you heard a lot that the markets are down, best not do anything.

Best investors are dead investors because they don't touch their money. I don't subscribe to that theory, and it's comforting listening to your show that you tax all services as a company four times last year. You're encouraging I bonds. You're promoting doing Roth conversions, which is such an awesome time to do that.

It's awesome to hear that, and I think you can do well not doing anything. I'm not sure you can be Forbes number one wealth advisor in PA sitting on your hands.

Patti: Thank you, Dan. Boy, that was completely unsolicited, everybody. Just so that you know, thank you so much for saying that. We do what we do because we feel it from our hearts, and we want to add value to the people who are willing to give up their time -- call it a half an hour or 45 minutes -- to listen to these ideas because not knowing about them, you're not going to do them. If you don't do them, well, that's money that could be left on the table.

Getting back to this, let's pull this together. Oh, here's a question. I'm just cheating for a second because we have some notes. Interest rates, mortgage rates, Dan, they have more than doubled. Why in the world would anybody want to get a mortgage now?

Dan: Last year was the only time in US history that mortgage rates doubled. Right? Why I think it's...Again, we're talking about buying a house over buying a home today. If you can find a property that cash flows at interest rates now, one of two things is going to happen.

You can refinance, get a lower interest rate, in the future cash flow even more, or you lock in an interest rate now, watch them go up and feel really smart.

Patti: Either way, heads you win, tails you break even.

Dan: Right. One more point on interest rates. This is just my personal belief. They are a hot thing to talk about at parties. Everyone says, "Oh, what interest rate did you get?" You're like, "Wow, that guy got a 3.25, and I have a 4. What am I doing?"

The conversation stops there. No one talks about, "Hey, how much equity did you steal? How much did you appreciate? Where did you buy?" I think there's a lot more that goes into home buying than just interest rates. We fall victim a little bit to making the conversation a lot about that. I would just encourage people to keep that in mind.

That's why, again, I love this asset class because you can create so much value by the way you structure your deal compared to other asset classes.

Patti: Dan, for a young guy, you're pretty wise. Wow, that's so true about what people talk about at parties. Interest rates are only a part of the overall equation. I also love your term of "stealing equity." Let's dig into that a little bit. What do you mean by that?

Dan: In December of 2022, because of rising interest rates, 44 percent of sellers gave concessions. What that means to people out there listening, is they compromised a little bit. Just six months before that, that wasn't happening. There were the bidding wars. You were waving concessions. No sellers' assists were allowed.

The market has changed. When that happens and there's more inventory available on the market, you have the opportunity to make offers much below asking price.

Patti: It's a very important point because we don't know what's going to happen. Let's pretend that the consensus is right, and we end up in a recession this year. When we have a recession, unemployment goes up. When people lose their jobs, a lot of times they also lose their homes or they choose, they decide that they can't afford to live there anymore.

You don't want to exploit somebody's vulnerability. Yet at the same point, I think that people got a little bit too giddy when it came to market values of their homes. They're getting a reality check right now.

As an astute buyer, you could probably take advantage of that. Is now the time? I don't know. I don't know what's going to happen with interest rates. I can tell you what is expected by the Fed as well as the market.

I will tell all of you those two entities do not agree. The Fed is out there talking about keeping interest rates higher for longer, bumping them up, continuing to increase to fight inflation. The market is saying, "I don't think so," because inflation has gone down tremendously. The money supply, M2, is negative now.

There may be reasons to think that, to your point earlier, maybe interest rates might go down. Don't know. Don't want to necessarily make a decision based on that because, to your other point, all that matters is what you're paying.

Right now, if you can find a property that makes sense for you as an investment, as real estate income, that's what really matters. You'll worry about the interest rate later. Right?

Dan: Absolutely. I think what's happening in the housing market is healthy. I think houses were getting a little bit overinflated. The thing I would advise buyers is to look at the supply problem in America right now. We have very little homes available, and our building of homes has fallen off a cliff as well.

Patti: It's very interesting that you bring that up because I have several builders who are clients and without mentioning names, of course. I don't know about you, Dan, but I feel like they have a little bit of PTSD after the financial crisis. They really got hurt, and they did not want to get into that same situation ever again.

They make good, prudent business decisions for themselves by not getting into properties, buying as much real estate, getting involved as much. As a result, there is a tremendous shortage. That, too, is going to work its way. We always go. We always do this thing where we go 360 one way, 360 the other, then we get back to equilibrium.

The question is when? It's an interesting time in real estate. If I may say, I think the more important thing is align yourself with the right people. Get the right advisors who are truly fiduciaries, who are going to look out for your best interest.

To me, having put out a couple fires today, I find and believe that ultimately is the most important thing. That people are personally involved, and really care to the point that they'll go to the nth degree to get you what you want, what you need. Sometimes maybe even save you from yourself.

Dan: Absolutely. That was a great point that you made about the builders as well. There are positive signs to building. A good indicator of that is lumber prices and the lumber markets, and those are starting to tick up a little bit.

To your point about 2008, I 100 percent agree. I do think people have some PTSD from that. I grew up through that. I 100 percent understand that. What I would encourage people to keep in mind is, that was a lending issue. It's reassuring when I get on the phone with my mortgage broker. They're saying they're tightening things up a lot.

It's the opposite because everyone has that PTSD. It's reassuring to me when I hear that from them about banks requiring 25 percent down for rentals sometimes instead of 20. Just really making sure they're tightening things up. That gives me some peace of mind.

Patti: Absolutely 100 percent. I don't think we're going to see something like that again in our lifetimes. I hope at least. You're right, it truly was a lending issue. The standards are very high, and the only thing that I would add to this whole conversation is if this is something that someone's interested in, there are different ways to do a mortgage.

The 30-year fixed loan is great. By the way, there are other ways to craft that. There's 10-year fixed, there's 7-year, etc.

Dan: Just to touch base on that, they just rolled out a 40-year mortgage.

Patti: No kidding. Wow.

Dan: Bringing it back. I would encourage people to think twice about that. You can't afford the 30-year one, maybe the 40-year one is not your best bet. From a rental perspective and a cash flow perspective, it would provide you more cash flow. It's food for thought. There's no right answers there.

Patti: That is an interesting angle. OK. That's something I'm going to have to think about. Dan, is there anything else that you'd like to add before we end the show?

Dan: No. There's one fifth pillar of rental property.

Patti: Oh, really...

Dan: There's a lot of debate about this, but I subscribe to it, and its value add. Quite simply if you spend $6,000 to put a bathroom in, and comps in your area support that that extra bathroom will get you $20,000 to $25,000. You can create value that way in an asset as well.

Patti: OK. That's very interesting. You can exactly do that with a mutual fund. It's an interesting angle. I would be careful with that a little bit. I would want to make sure that that really does have the return on investment. That sounds high to me, to be honest with you. To play devil's advocate again.

Again, it's just one of those things I would look at it more if doing the bathroom would increase your ability to get more rent, another 200 bucks a month. Then you can calculate the payoff, as well as potential appreciation.

I wouldn't necessarily count on the appreciation unless it's one of the properties that you've talked about, that you've bought, and that is, you really got a great deal.

It could be location. Location, location, location. It's the old buy the cheapest house on the block type of thing, and again, it would be a bonus.

Dan: Absolutely.

Patti: I think it's the idea of being able to cash flow a little bit more if you just do those improvements that make it interesting to me.

Dan: To your point there, too, one of the best things you can do for a rental is trying to add an extra bedroom. That's one thing we've done a lot is turning two bedrooms to three bedrooms. Your cash flow is going to substantially increase if you can do that.

Patti: Is there an ideal number of bedrooms and bathrooms and stuff? Tell me more about that.

Dan: There are a lot of different ways to invest in real estate. I'm going to keep saying that. I believe a three-bed is going to rent out for a lot higher than a two-bed, as well as a two-bathroom, compared to a one-bathroom. Just think about it. If you have a three-bed, one-bath, you don't want three people sharing one bathroom.

Again, we're talking about buying a house, and not a home. Think about, if other people would want to live there, and their quality of life as well.

Patti: It brings me back to the way I grew up, Dan. I'm one of seven kids. My mom had eight pregnancies in eight years. We shared one bathroom, honest to goodness. In the mornings, we would wake up, and somebody would have their head over the tub washing their hair. Somebody would be on the toilet, and somebody else is doing their makeup.

It was nuts, and we just rotated. It was crazy. It's amazing the things that you can get used to. I understand, in today's world, I don't know that that would ever happen.

Dan: [laughs]

Patti: It is kind of interesting.

Dan: I'm with you. My mom is 1 of 7, and my stepdad is 1 of 14.

Patti: Wow. How do people do that physically?

Dan: A lot of Irish twins.

Patti: 14...wow.

Dan: Not a lot of TV in the house.

Patti: Yeah, you're not kidding.

Patti: All right. At the end here, you talk about resources. Tell me about the resources that you would recommend to people who might be more interested in this.

Dan: Absolutely. The biggest thing I would tell people to do is find a great agent or a mentor, one that's been through the process before, specifically, themselves. I think you learn a lot more by doing than by teaching. I would encourage people to do that.

In addition to that, there's great resources out there. One of my favorite books, and it's a book that's been recommended on almost every podcast I listen to by successful people, is called "Rich Dad Poor Dad." I brought you a copy in case you want to check it out.

Patti: I've already read it.

Dan: Good. It's frequently recommended in the real estate investing community. In addition to that, you're going to be hard-pressed to find a rental investor that hasn't heard of "Bigger Pockets." It's a website podcast. They have over 750 episodes dedicated to rental property investing in every way, shape, or form.

Patti: They certainly dwarf The Patti Brennan Show, that's for sure.

Dan: [laughs]

Patti: That's great. This has been fantastic. Rather than read off your information, your phone number, your cell phone, we'll go ahead and put it in the show notes. Is that OK with you?

Dan: Absolutely.

Patti: Thank you so much, Dan Mancini. You've been fantastic. This has been terrific. I've learned so much in our conversation today. Thank you for being a resource for me and for everybody that we are privileged enough to touch through the show and overall. Thank you for your time.

Dan: Thank you for having me and thank you for all the great work you do.

Patti: You betcha. Thanks to all of you for taking the time to tune in to our show today, learn more about rental real estate with Dan Mancini and me. It's a fascinating asset class.

If you have any questions, please go to our website at keyfinancialinc.com. Please let us know what you thought of the show, if you have any additional questions for either Dan or me and let us know if there are any other topics that you'd like me to cover in the show.

A lot of the things that we talk about are a result of emails that we've gotten from people just like you, so let us know how we're doing, what you want to hear about. That's why we exist.

Thank you for tuning in, and I hope you have fantastic day. Take care now.