



Should I Rent The House Or Sell It

One of the tough questions that faces many newly married couples is what to do with the real estate properties they own when they get married. It's almost a certainty that if both of you own a home, you'll end up moving into one of your properties as a couple. This begs the questions of what will happen to the remaining piece of real estate once movers have packed the

boxes and the house is empty. Newly married couples often grapple with the challenge on whether to rent the empty property and keep it as a rental property or just move on and sell the property to get whatever equity is available. With a great deal of homes still underwater in value, here are some smart money moves to consider when you make this big decision.

? Questions To Ask Yourself

Do you want to be a landlord?

Keeping a rental property can be advantageous to your long term investment plans if you are consistent in keeping a quality renter in the property without damaging your property at all. Even if your cash flow is neutral after paying all of your bills, you have the long term potential of having someone else pay off the mortgage on your rental property. This means at some point you will have a debt free asset to sell or an income producing asset to keep in retirement. However, if you run into a situation where you have bad renters or cannot find a consistent tenant to pay rent, you run the risk of negative cash flow which can be a drain on your family finances.

What kind of upkeep will the house need?

Remember that if you cannot be cash flow positive, the property will ultimately need some level of upkeep. Many people maintained a position that your home will need somewhere between 1% to 2% of the overall value of the house for ongoing maintenance and upkeep. This means if your rental property is \$200,000, you'll need a side cash fund of \$2,000 to \$4,000 in case you need a new water heater, air conditioning units, or something else that may go in the house. Most people who own rental properties do not plan for these types of emergencies that may come up over the course of the year.

Is there equity in the house?

Real estate in general is a long term asset class to hold. You generally shouldn't buy real estate unless you have 5 years or more to hold the property and in today's market it may be more like 10 years. There are experts who know how to property flip, but the odds are it isn't you. If your spouse's property is underwater, it may make sense to hold on to the house for several years to see if you can get a rebound in the value of the home rather than try to short sell it which can damage your credit as a newly married couple. If the property has equity in the house, consider the overall trajectory of growth of the value of the house compared to the cash you have in your hand to invest in other ideas.

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Can you refinance?

You may have looked into this option already, but one of the questions before you turn it into a rental property is to see whether you can refinance. Typically, rates are a little bit higher on rental properties than on your primary residence. With rates around all time lows, you should check into a refinance to see if you can lower your overall costs before you explore the idea of renting.

Can you actually rent the house?

One of the very important items to do some research on before you consider selling or renting is to see if you are even eligible to rent. It is possible that your homeowner's or condo association only allows for a certain amount of homes or condominium units to be rented out within the development or building. Renting may not even be an option which could force your hand toward other alternatives.

Will you get any additional tax break?

You should check with your Certified Public Accountant on this one, but depending on your overall adjusted gross income and how the property is structured you may or may not be eligible for a tax break. Most people will use straight line depreciation on the property over the life of the property, so you may run into a situation where you are cash flow neutral and actually have a tax loss on paper. This is a critical piece of the equation when you start looking at the math.

The Clash wrote and performed a track called, "*Should I Stay or Should I Go?*" You should consider making a smart money move and enlisting a financial advisor, CPA, or a top real estate agent to discuss these important money decisions before you decide to lean one way or another. You'll have a lot going on as a newly married couple just by deciding whose house you will live in when you get married. Renting or selling that empty property can be one of the first difficult decisions as a couple, so make sure you do your own inspection with pros and cons so you can make the right call.

