

The Good Books

**Tracking Income & Expenses
Keeping them, Automating
and Outsourcing**



Recap: Module 4

Evictions are expensive, avoid!

Why checks and cash are inconveniences.

Evaluating your property and renters to establish best rent collection practices

Automating the rent

In this Module

Why is bookkeeping so important?

How to get organized/Supporting Documents

Go tech or go home?

What to keep track of?

**Supporting Actors:
Bookkeepers and accountants**

What is Bookkeeping?

Noun: A system used to organize and analyze all of your financials.

This consists of...



What Is Bookkeeping?

- ✓ **The ledger (paper document such as a spreadsheet or digital such as software of application)**
- ✓ **The supporting documents such as receipts, copies of checks, proposals, time and mileage tracking, rent receipts. bank and credit card statements**
- ✓ **Tax returns – federal, state and local**

Why Is Accurate Bookkeeping Important?

Keep yourself audit-proof

Precise recordkeeping

Minimize tax liabilities

Accurate projections of cash flow and ROI

Proper cash management

On time bill paying

Easier for tax preparation and to obtain financing

Getting Organized

Start with:

1. File box or cabinet

2. Hanging and/or manila folders for:

- **Expenses (invoices, receipts, etc.)**
- **Bank and credit card statements**
- **Tax return and documents**
- **Insurance docs, contracts, HUD-1 (settlement statements)**

Getting Organized

Make a folder for each rental property containing:

- 1. Lease**
- 2. All letters, notices and communications**
- 3. Rental application for each renter**



Go Tech or Go Old-Fashioned

The Advantages & Disadvantages

Advantages & Disadvantages of the Old Fashioned Way

DISADVANTAGES

- **Mounds of paper**
- **Easy to lose**
- **Time & cost to file and organize**
- **Takes up space**

ADVANTAGES

- **Readily available in case needed**
- **No worries about computer crash**

Advantages & Disadvantages of Using Technology

DISADVANTAGES

- **Cost of printer and ink**
- **Cloud storage can become unavailable**
- **Cost for storage**

ADVANTAGES

- **Access from anywhere**
- **Not buried under paper**
- **Easy to organize and find**

Tech or Old Fashioned: Which way should I go

- **Best to use both**
- **Cloud computing such as QuickBooks automates this necessary evil. You can even scan receipts right into the software.**
- **Many modern bookkeeping solutions are available as phone apps. This keeps you on top of it, anywhere, all the time.**
- **Always good to have hard copies (just in case)**
- **If you lose one, you have the other**

**WHAT DO I NEED TO
KEEP TRACK OF?**

WHAT

What Do I Keep Track Of?

Income(ing)! ALL income:

- **Rent**
- **Late charges**
- **Returned payment charges**
- **All fees received**
- **AND loss of rent.**

What Do I Keep Track Of?

(Pssst: using SparkRental's online rent collection system keeps rent payment records 😊)

What Do I Keep Track Of?

- 1. Maintenance, repairs and replacements of anything to the property including make-ready including snow removal and landscaping & capital expenditures**
- 2. Utilities, trash, landscaping, condo fees**
- 3. Cost of advertising**
- 4. All administrative costs incl. office costs, pencils, ink, paper & assistants, whether virtual or hired.**

What Else Do I Keep Track Of?

5. Professional costs, accountants, legal, property management, accounting software

6. Property taxes, insurance, interest on loans

7. Your time and car mileage! Keep a log

8. EVERYTHING!

Financial Support: Bookkeepers and Accountants



Financial Support: Bookkeepers & Accountants

Why hire a bookkeeper?

- 1. They are knowledgeable**
- 2. Can save you costly mistakes**
- 3. Save you priceless time**

Financial Support: Bookkeepers & Accountants

Why hire an accountant?

- 1. They are knowledgeable**
- 2. Ensure quality and accuracy of financial reporting.**
- 3. Will maximize deductions and credits at tax time.**
- 4. Great consultants for increasing profit margins.**

Financial Support: Bookkeepers & Accountants

Why hire an accountant?

5. Never take chances on financial reporting or taxes on your own. Always hire a professional!

6. Accountants can end up saving you time and money. (Delegate: Time is money, eh?)

7. IF you face an audit, never go it alone!

Financial Support: Finding Good Bookkeepers & Accountants

How do I find reputable and good financial support:

- 1. Ask your accountant/bookkeeper to refer you**
- 2. Ask mentors, friends, business associates, real estate professionals**
- 3. Ask in Facebook**

Financial Support: Finding Good Bookkeepers & Accountants



Make sure you interview at least 3.

Google (their name) and the word (reviews) and check them out.

Get their fee schedule, never assume!

Bookkeepers charge by the hour or flat monthly fees. It can be \$15/hr + or \$99 per month on up.

Accountants can charge anywhere from \$150 - \$400 or even more per hour – more the reason to keep all paperwork detailed and organized.

Wrap-up & Action Steps



Wrap-up & Action Steps

Keeping good, sound financial records is important.

It is possible to just about automate the entire process.

Hire good supports!

Wrap-up & Action Steps

Check into the various bookkeeping software available. Read reviews.

If you have paperwork spread everywhere, get some files and organize yourself.

Start interviewing bookkeepers and accountants.

Bigger Picture – ADE

Bookkeeping can be partially automated to save time & maintain good records

It can also be almost entirely delegated

Save yourself minor headaches today by automating & delegating, and eliminate major headaches tomorrow by keeping good books!



Coming Up Next:

How slashing turnovers are important

**Make sure you understand market
rents for the area**

**The importance of stable long-term
tenants!**

Module 5 Out

See You on the Flipside!

