**Campaign Topic- Turning Your Home into an Investment Property.**

What exactly is an investment property, and what are the downsides and benefits to owning one?

**What is an investment property?** An investment property, in the traditional sense, is a property usually not inhabited by the homeowner, or is inhabited on a part time basis. The ultimate goal of an investment property is to generate a profit. This is primarily done by listing your home as a rental property, or making an income through capital gains.

**What are capital gains, and how can I make them work in my benefit?** As first-time homeowners, buyers are often inclined to start smaller with a starter property, keeping in mind the potential of upsizing in the future. We often associate our first-time home as a starter home, and because of this, first time buyers may be more inclined to purchase homes that need slight or significant remodels. Capital gains are not limited to homeownership, but in the context of homeownership it means this; investments that are put into the home, making it more profitable come resale time.

**You may be familiar with the term *flipping houses*, capital gains are a distant cousin to flipping.** In the real estate business, many investors will take homes that need drastic remodels, buy them, and resell them at a higher price. Say you purchase a new home, not with the intention to immediately flip it, but decide that over time you will funnel money into its remodel. This is a way to yield profit with capital gains. Certain remodels may drastically alter the price point of your home. Some examples of investment remodels are: adding landscaping, replacing the roof, installing hardwood flooring, or redoing major rooms like bathrooms, or the kitchen.

**You will not immediately have a return on capital gains, but come sell time, these upgrades will increase a home’s overall value.** Money that you put into your house, will likely be a major selling point when it comes time to price your home. On a real estate listing, you’ll often see an emphasis on remodels being mentioned. Take note of significant changes that you make to the fabric of your home. These changes may potentially help you make a profit when it’s time to sell.

**The most significant way to make return investments on a property, is through renting it out.** Over the duration of living in your home, your financial and personal circumstances may start changing. Perhaps you have purchased an additional property, and would like to make that your full-time residence? Typically, this would be the point at which you look into selling. However, if you’re looking for a way to turn a profit on a home you no longer want to live in, renting it out is a way to do so, without losing the property.

**However, before deciding on renting your home out, weigh the pros and cons of such a serious decision.** Renting is not like capital gains, in the sense that, you are still legally responsible for various aspects of the home as a homeowner turned landlord. A rental property is a long-term investment which legally puts you on the hook for issues with the property. You will also have to deal with tenants. Finding the right tenants can make a colossal difference in your renting experience. On another note, at worst, the legal system can get involved in your affairs if things go south. If you wish to rent out a home, be prepared that you may find yourself at the receiving end of a lawsuit if you’re not efficiently and ethically renting out your space. However, as long as you have your ducks in a row, and remain vigilant about your rental property, the chance of matters escalating to this degree are significantly lower. At minimum, it’s important to be aware of all the potential downsides of renting out a home before making a commitment.

**On the flipside, there are many benefits to renting out your home, and they are typically financially motivated.** Finding a decent tenant can make a significant difference in your renting experience. Renting out to people you trust is a way to significantly minimize risk. Because it’s your property, you will have the opportunity to design the rules; to a certain extent that is. Remember to keep in mind city ordinances and laws you’ll need to adhere to as a landlord. These may differ from city to city, so ensuring you do the proper research is key. At the same time, renting out your home may yield a significant profit. Not only will you be receiving profit from rent, but you can write off certain tax deductions such as, repairs, repainting, cleaning and gardening, professional services, etc.

**Pros and cons aside, be mindful that an investment property is a big and often long-term commitment.** While capital gains are to be expected for those who remodel, turning your home into a rental property is an entirely different animal. The best thing to do in this scenario is to heavily research what it means to be a landlord in your city. Talk to the necessary people, and get second opinions when relevant. Renting out is not for everyone, but it can be a major source of lucrative profit if done correctly.

<https://www.gocompare.com/landlord-insurance/pros-and-cons-of-letting/>

<https://diseasecalleddebt.com/the-downside-of-being-a-landlord/>

<https://www.letsrenovate.com/2017/07/05/upping-the-worth-top-remodeling-tips-that-will-increase-the-value-of-your-home/>

<https://www.moneycrashers.com/five-tips-for-effectively-flipping-a-house/>

<http://money.com/money/collection-post/2954483/should-i-buy-an-investment-property/>

<https://www.quickenloans.com/blog/converting-home-rental-inside-look-benefits-challenges>