Below is a checklist of things to ask yourself before committing to building a rental property passive income stream. It is not an exhaustive list but a starting point.

* Do your homework. Read real estate books. (See recommendations at the end.)
* If you are still interested in real estate as a form of passive income, then ask yourself the following questions. These will give you a starting point on which to build:
  + Do you have cash on hand to invest? Do you have strong credit?
  + Do you have a preapproval letter from the bank?
  + Do you have a Realtor that specializes in rental properties? This is critical as a Realtor can tell you neighborhoods to target and what a potential property can rent for.
  + Are you handy? Will you be making repairs or hiring out? If you’re not familiar with identifying needed repairs, make sure you have someone you trust walk through the home with you prior to the purchase.
  + Are you going to hire a property manager or self-manage the properties?
  + Do you have a good tax accountant that is familiar with rental property tax breaks?
  + Do you have a good relationship with your banker?
  + Are you willing to take on a fixer upper? Are there any repairs you won’t take on? For example, if a property required foundational work, it was a hard pass for me.
* Talk to several Realtors with experience in rental properties.
* Talk with several banks to get a preapproved commercial loan.
* Build a cash nest egg to cover down payments, repairs (there is always some level of repairs), taxes, and insurance.
* Stress test your budget to take on additional monthly expenses like a rental property mortgage.
* Explore options to leverage other assets. For example, open a HELOC against your primary residence.
* If you don’t feel comfortable managing your own properties, hire a Property Manager. Interview different companies or, better yet, get a referral.
* Build a team consisting of a:
  + real estate agent that specializes in rental properties
  + property manager
  + tax accountant
  + financial advisor
  + insurance company to discuss rates and different coverage costs
  + handyman, roofer, plumber, electrician if you decide to manage your own properties
* Make a plan A, B and C then stress test them. What if…
  + You lose a tenant? Can you pay the monthly expenses while looking for a new one?
  + You lose your day job? Can you pay your monthly expenses?
  + The tenant damages the property. Do you have enough savings to repair while potentially losing rent?
* If purchasing three or more rental properties, consider limiting liability by:
  + Purchasing umbrella insurance.
  + Establishing an LLC.

This list is not exhaustive by any stretch but meant to give you a head start in things to consider and understanding the amount of effort it takes. Do your own homework. Talk to others who have rental properties. Knowledge is power.