**Advanced Money School Lesson 7: Real Estate Investing Decision Matrix**

So, you’re thinking about becoming a landlord. After reading this lesson, you should have good sense for both the benefits to real estate investing and the risks.

Real estate investing can be lucrative. Many savvy investors have used real estate cash flow as a way to enjoy a great deal of financial freedom – or even retire altogether. But a bad real estate investment can cost you. In the worst cases, it might even land you to court or bankruptcy.

The following questions can help you decide whether real estate investing might be right for you.

1. How much cash do you have available (above and beyond your personal retirement and emergency savings)?
   1. Less than $20,000 *…….. 0 points*
   2. $20,000 - $50,000 *…….. 1 points*
   3. $50,000 - $100,000 *…….. 2 points*
   4. More than $100,000 *…….. 3 points*
2. How’s your credit score?
   1. Excellent (above 750) *…….. 3 points*
   2. Good (700 – 749) *…….. 2 points*
   3. Average or less (Less than 700) *…….. 1 points*
3. How much work are you willing to put into your real estate?
   1. I’m handy and am willing to spend all my nights and weekends doing whatever it takes! *…….. 3 points*
   2. I’m willing and able to do some work, but will need to call in some help now and then. *…….. 2 points*
   3. I’ll screen tenants and field phone calls, but I’ll have to call in pros for everything from fixing a patch of drywall to mowing the lawn. *…….. 1 points*
   4. I’m really looking for passive income. I’ll outsource everything to a property management company. *…….. 0 points*
4. Imagine your investment doesn’t work out as planned. Due to some combination of low rents, unforeseen maintenance, and vacancies, you don’t achieve positive cash flow. In fact, you’re losing several thousand dollars a year on your investment property. Would you:
   1. Be able to absorb the loss for several years knowing that you’re building equity and that things will be better in future years. *…….. 3 points*
   2. Accept the loss for one or two years, but put the property on the market if things don’t turn around. *…….. 2 points*
   3. Put the property on the market, but hold out for a good price and be able to suffer the losses in the meantime. *…….. 1 points*
   4. Want to sell the property asap, even if that means increasing your losses. *…….. 0 points*
5. What percentage of your existing net worth is in real estate (including your primary residence, if owned)?
   1. Between 0 and 15% *…….. 3 points*
   2. 15 – 50% *…….. 2 points*
   3. 50 – 75 % *…….. 1 points*
   4. More than 75% *…….. 0 points*

**Scoring**

Add up all of your answers according to the point values to get your score out of a maximum of 15 points.

If you scored more than 11 points, it looks like real estate investing might be a good fit for you right now.

If you scored between 6 and 10 points, you might want to hold off on buying into a property just yet, but definitely keep learning about real estate investing and test yourself again in a year or more.

If you scored less than six points, real estate might not be for you…at least at this stage in the game. And that’s totally fine! If you know that about yourself, you can turn your focus to other asset classes with confidence.