



Property Management Company Success Traits

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[Making End\\$ Meet](#)

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1. **You Have Separate Books.** As a Property Management Company, you have your own set of books that measures your own profit (income less expenses) and equity (assets less liabilities). Use a standard accounting tool like QuickBooks Online or Xero. It does not have to be expensive or real estate related, but it must EXIST.

It is NOT the platform that you use to manage properties and relationships with landlords and tenants. Those tools measure landlord profit and equity, and if you try to use THEIR books to manage YOUR business, even if software providers advise you to do so, you're making the mistake of co-mingling equity. Consequently you'll probably unwittingly pay some of their expenses out of your own pocket, and give them your income.

Prevent this co-mingling by having your own books. To do it right, you need the right structure, and the right procedures, which I've developed. For help, please contact me.

2. **You Know Your Minimum Cash Balance, and Sustain It.** In your Rentals Checking Account, after you've collected rent and paid landlords, landlords' bills, and yourself:

Minimum Cash = Reserves per Unit x Units, + cumulative balance of any landlords who are not taking regular distributions.

So if you have 300 units and your Reserve requirement is \$500 per unit, and you have a couple of oddball landlords who are out of country, not taking distributions, and have each accumulated an account balance of \$30,000, then your Remaining Cash must be greater than or equal to:

$$298 \text{ units} \times \$500 \text{ reserve/unit} = \$149,000 + \$30,000 \text{ balance} \times 2 \text{ oddballs} = \mathbf{\$209,000}.$$

3. **You Know Your Maximum Cash Balance, Too, and Stay Disciplined When You Feel Flush.**

Units x Occupancy % x Average Monthly Rent + Minimum Cash Balance.

Example: 300 units, 63% occupancy, \$2,000 average monthly rent.

$300 \times 63\% \times \$2,000 = \$378,000$ rent receipts + Minimum Cash Balance = Maximum Cash Balance of **\$587,000**.

4. **Your Landlord Books (the PM Platform) Are Impeccable.**

- a) It contains two checking accounts: Rentals Checking, and Security Deposit Escrow. Both accounts contain real transactions that are reconcilable because they match activity on the bank statement.
- b) The Balance Sheet adds up and makes sense.
- c) [You follow these accounting procedures.](#)
- d) No "Balance Sheet Bloat" - a pattern of ever-growing Security Deposit related assets and liabilities that never clear or resolve.
- e) You pleasantly surprise outgoing tenants by refunding their Security Deposits quickly, with minimal withholdings. They rave about you with five star ratings on social media and shower you with referrals.
- f) No "Dummy Properties" that represent your business, because you have your own books. In the

Landlord Books, you are a **vendor**.

- g) No “Zero Transactions”, especially Zero Receipts. This technique arises from fear and ignorance about basic accounting, and wreaks havoc on your ability to reconcile cash and get your income.
- h) All properties are real. No fakes, duplicates, or dummies.
- i) No fake assets or liabilities like “Security Deposits Clearing.” No Twilight Zone, Voodoo Accounting.
- j) Total Cash = sum of Property & Landlord Cash.
- k) Cash is perfectly reconciled with the bank, to the penny. No “forced reconciliations”, otherwise known as fudging or cheating. (If you cheat on reconciliations **you're probably stealing from yourself, unwittingly paying landlords' expenses out of your own pocket, AND giving them your income.**)
- l) There is a real liability account called “Payable to Corporate.” That's you, the vendor. It's used to accumulate your income from both landlords and tenants, and pay you.
- m) No fake transactions that “should wash in theory.”
- n) Enable Accrual Accounting so that when you need to track Receivables and Payables, you can. The alternative is to abuse your checking account, making it do double-duty as a de facto Accounts Receivable and Accounts Payable ledger, causing these fake transactions that “should wash in theory” and confound/frustrate reconciliation.
- o) You pleasantly surprise landlords with complete, accurate financial statements. They rave about you with five star ratings on social media, too, and shower you with referrals.
 - Monthly account statements
 - Balance Sheet
 - Income Statement
 - Trailing 12-month Income Statement (“T12”)
 - Tenant Ledgers on request
 - Rent Roll
 - A sweet emotional gesture of some sort that tugs the heart strings and secures their loyalty by showing that not only are you competent; you're also human. :)

5. **Your Business Is A Success That:**

- a) Grows organically because it's awesome. Its reputation speaks for itself.
- b) Has its own books, also with perfectly reconciled cash.
- c) Has its own budget.
- d) Does not waste money on futile payroll. Labor is spent following correct procedures, building the business, and taking good care of landlords and tenants, not rolling or working around an ever-growing snowball of mistakes.
- e) Tracks both income from landlords, and income from tenants.
- f) Is profitable.
- g) Distributes profits to **you**.

6. **You Enjoy An Upward Spiral Including These Happy Results:**

- a) Appreciative tenants
- b) Appreciative clients
- c) Respect on review sites, social media, etc.
- d) Respect from peers, colleagues, NARPM, etc.
- e) A great reputation.
- f) Abundant referrals from all who respect you.
- g) Approval of regulators.
- h) Haters go away. No more frustrating irreconcilable disputes.
- i) Relief from litigation anxiety and costs.
- j) Sustainable, profitable growth; no more digging a deeper hole. No more snowball management.
- k) Relief from that “death by a thousand cuts” feeling. No more bleeding money.
- l) Peace of mind that comes from being right. No more Security Deposit Angst or Accounting Phobia.
- m) Happy employees who are excited to come to work every day knowing things are looking up and under control.
- n) Relieved stress & related illnesses, setbacks, conflicts, complications, & costs.
- o) Get your life back: more time and money for fun, love, family, friendship, R&R.