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MORRISSEY MONEY MATTERS
The Property Management Firm
By George Morrissey Real Estate Broker / Property Manager
January 2018, updated Since 1981 Copyrighted PSI/GM

**WE HELP PEOPLE BUY AND SELL HOUSES TOO AND HAVE
FOR DECADES.**

MORRISSEY MONEY MATTERS RENTAL HOUSE NEWSLETTER

Las Vegas Rental Newsletter –Since 1981 - January 2018 ISSUE, copyrighted George Morrissey/PSI
written by George Morrissey, Real Estate Broker, Investor, Tennis Player, Property Manager,
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MLS

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after consulting with appropriate advisors. Written entirely by George Morrissey (this is not a "purchased" letter from a
provider like many others have).

THE INSURANCE ISSUE

**SPECIAL NOTE – UNLESS YOU HAVE TOLD US OTHERWISE WE SEND
ALL OUR ANNUAL REPORTS ELECTRONICALLY. This is faster, easier to
reproduce and easier to store. AT THE END OF JANUARY, WE WILL BE
SENDING ALL OUR RENTAL PROPERTY OWNERS THE FOLLOWING:**

Here is what we will send you:

- 1) A 1099 SHOWING THE INCOME WE RECEIVED FOR YOU FOR 2017.
This income will also reflect and include all other payments the tenants made
except for paid in security deposits as those are not taxable. We normally send
these on the last day of the month in January.

- 2) A Summary total of all Income and Expenses grouped together. Thus, your income would be “one total number” showing you the total of all the income collected by us.
- 3) A line by line transaction report showing you, EVERY deposit made by all parties and EVERY expense made regarding your account. The security deposit is the only item that would not usually be reflected in these totals and it is not taxable anyway. If any part of the deposit was forfeited it is taxable in the year that it was forfeited, and this is included in our totals.

**SEWER AND TRASH BILLS, WE PLAN TO PAY
ANNUALLY FROM NOW ON INSTEAD OF
QUARTERLY OR MONTHLY.**

We can also pay your HOA monthly dues annually in advance for 12 months so let us know if you want us to – but our default policy is not to pay annually for the HOA.

Of course, if the bills are not mailed to our office we cannot pay them as we would not know about them or be responsible for them. Some owners get those bills mailed to them at the owner’s home – and this is fine -just be sure to keep paying those sewer and trash bills no matter what! Even if the tenant is paying a portion of them, you as an owner (or our office) wants to continue to pay those sewer and trash utility bills. Sometimes the utility gives a slight discount for paying annually too so you as an owner would get that benefit.

**IMPORTANT INSURANCE INFORMATION
TO KNOW, REVIEW AND UPDATE**

Some owners change or update their insurance policies and forget to tell us – or don’t have coverage they should have and/or don’t have coverage they think they have! So now is the time to check!!! Don’t let this be you! Be sure and give us a copy of your policy and/or insurance information to us so our files can be current. A copy makes it easier but if you just want to give us the information you can use this newsletter as a guide and/or fill it out or just write us to update the file. You might want to go through our review of your coverages below, update them and then send us the information. But in any event please update us with your current coverage. And remember you are required to have insurance in place for your rental property. We do have our own Insurance Policy at our company too! We have a variety of coverages for those who visit our office, for our staff, for offsite coverage, business liability, some discrimination coverage and E AND O Insurance too! You should know (a very important question) is to ask any property manager if they have E (Errors) and O (Omission) or discrimination coverage - as most DO NOT! WE do! And it is expensive.

We need the following information about your insurance policy which is:

1) **The address of the property insured: (if you own two or more send us information separately for each property):**

2) **The name of the policy owner** (TIP = this should be the same as the Legal Owner. So, if you have this in a Trust, LLC, or added a family member to the deed - make sure ALL THE OWNER'S ARE LISTED ON THE INSURANCE. Check with your Agent to make sure all the owners and entities are listed on your insurance policy):

Example: If three of you own the property, all three should be on the insurance policy. And if a corporation or other entity owns the property and is on the "title" than that entity should ALSO be on the insurance policy as an insured or additional insured!

3) **THE NAME OF THE INSURANCE COMPANY:**

4) **THE NAME OF THE INSURANCE AGENT AND CONTACT INFORMATION** (the phone #, email, address, website etc.)

5) **A COPY OF THE POLICY** and/or the summary page (called the declaration page):



THIS IS A SUGGESTED CHECKLIST OF SOME INSURANCE IDEAS AND COVERAGE(S) TO CONSIDER. TALK TO YOUR INSURANCE AGENT ABOUT YOUR POLICY AND TO POTENTIALLY CHANGE OR ADD OTHER COVERAGES. WE ARE GIVING YOU IDEAS – ONLY YOUR INSURANCE AGENT CAN GIVE YOU THE INSURANCE ADVICE YOU NEED TO ACT ON SO ALWAYS CHECK WITH THE INSURANCE AGENT. SO, CONSIDER THESE IDEAS:

FIRST - CHECK YOUR LIABILITY COVERAGE:

Liability Amount Coverage amount? (\$500,000 minimum recommended but should be at least \$300,000 minimum.

(TIP = The difference in cost from \$300,000 to \$500,000 is usually NOT EXPENSIVE AT ALL. IT IS A NO BRAINER to get the extra liability coverage. Know that if you lose a lawsuit for \$500,000 and you only have \$300,000 in coverage, you pay OUT OF

POCKET the EXTRA \$200,000 difference. So, for a couple of hundred dollars more you could have the extra coverage.

Therefore, most pro investors have \$500,000 of liability coverage - and many have an umbrella of \$1,000,000 or more. (Umbrella policies usually - ask your agent) pick up the coverage above a certain amount like \$500,000 and cover you for all other properties, where you live, your car etc.). Usually you need to have all your policies with only ONE Insurance Carrier to do this, but generally they are not expensive. Check with your Agent for all the costs and coverages to consider.

YOUR LIABILITY COVERAGE AMOUNT IS? _____

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SECOND – CHECK YOUR DEDUCTIBLE AMOUNT:

TIP: If you raise your deductible to a higher amount, this will lower your premium cost. But many times, the amount lowered is not worth the risk or trouble to raise the deductible. That is up to each owner individually. Check with your agent for specific costs). Pro owners have high deductibles; conservative ones have low.

YOUR DEDUCTIBLE AMOUNT IS \$ _____

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THIRD – CHECK YOUR MEDICAL EXPENSES MAXIMUM COVERAGE. This is usually from \$1,000 to \$2,000. This is usually built in the policy. So, ask your Agent.

YOUR MEDICAL EXPENSES COVERAGE IS: _____

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FOURTH – CHECK YOUR PERSONAL PROPERTY COVERAGE AMOUNT (sometimes called the “contents”). Tip= This would cover your carpet, blinds, cabinets, appliances, ceiling fans, fixtures, and all other items besides the building should there be a loss. Considering the rental is usually unfurnished this coverage can usually be less than a personal residence type of coverage. Ask your Agent for details). \$25,000 or so may be a suitable number. Check with your insurance agent!

YOUR PERSONAL PROPERTY COVERAGE IS: \$ _____

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FIFTH - CHECK HOW MUCH OF THE POLICY COVERS YOUR DWELLING AND IS IT A 1) REPLACEMENT COVERAGE POLICY (USUALLY GOOD) OR B) A DEPRECIATED VALUE COVERAGE (USUALLY BAD)

This coverage can be tricky. TIP= Some policies pay for replacement value. Some don't.

Example #1 If you have a 10-year-old \$10,000 roof with a complete loss of a roof that had a 30-year life, you would get the whole roof paid for (you would get \$10,000) because of the "replacement coverage". You get a \$10,000 new roof less the cost of your deductible amount.

Example #2 depreciable value coverage! (they call this by other names too). In this second example - Other policies depreciate (lower the value) of the roof over time- so if you have an older roof "not worth as much" you only get the (lower value) of the roof paid back to you NOT the whole cost of a new roof! So, if your roof was 10 years already old with a 30-year life, then it's life was 1/3 used up leaving 2/3 left in value or \$6,660 approximately of the \$10,000 cost of the roof. So, you would come OUT OF POCKET and pay the difference for a new roof since the insurance company would only pay for the \$6,600 and not the whole \$10,000. This means you would pay the difference which would be \$3,340 in this example – AND you would have to pay the deductible too! So, you might WANT the replacement cost coverage instead of the depreciated coverage. This is an IMPORTANT distinction of your coverage so be sure and check this with your agent to understand EXACTLY what type of coverage you have with your agent on this subject.

YOUR DWELLING COVERAGE AMOUNT IS: _____

YOUR DEWLLING COVERAGE IS REPLACEMENT OR DEPRECIATED

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SIXTH – CHECK YOUR PET POLICIES AND COVERAGE
and know the rules about pet coverage.

TIP - Most policies will **NOT COVER** a variety of potentially dangerous pets such as pit bulls and Rottweiler's. Not to worry. We have specific language that blocks most tenants from being allowed these and other big pets – as we do not normally allow Anita's, chows, German shepherds + Dobermans). We also do not allow visiting pets. This should lower some liability too. We also have language in our lease stating the tenants are responsible for mishaps and pet liability, and that they are supposed to have renter's insurance as well. We cannot guarantee that tenants renters insurance is in force, or does not get cancelled but we have found many tenants (especially good ones) WANT renter's insurance and so many get it. This lowers liability. Ask your agent specifically about pet's coverage and be sure to tell us what that is and make sure you know which pets are NOT covered.

_____ YES, YOU ARE COVERED FOR PET BITES AND LIABILITY

_____ NO, YOU ARE NOT COVERED FOR PET BITES AND LIABILITY

YOUR PET COVERAGE AND TERMS ARE:



SEVENTH – CHECK YOUR VANDALISM / VACANCY COVERAGE.

Most policies automatically will NOT cover you if your property is vacant longer than 30 days and vandalism or other random losses occur at the property. Most owners do NOT have this coverage AS IT IS OPTIONAL. Most owners do NOT get this coverage. If you are conservative, don't like surprises, have a property in a tough neighborhood or rough market you may consider getting this coverage – AND YOU MAY WANT AN ALARM TOO. Some owners get air conditioning cages too. We can help. Ask your agent if they offer this coverage, the benefits, and the costs. This is somewhat expensive and may be \$400-600 or more per year for vacancy or vandalism coverage. Most owners don't get this coverage. And you want to cancel the vacancy coverage once the property is occupied anyway. So, ask and check with your agent to see what this EXTRA COVERAGE WOULD COST AND IF IT IS OFFERED. In a rough or high density or low security area we recommend an owner put in an alarm as it can be well worth it, and helps protect against vandalism, squatters, and theft. This alarm would also be considered an additional "feature" that may help your property get rented faster! So, consider it.

YOUR VACANCY/VANDALISM COVERAGE BY DEFAULT IS USUALLY NOT COVERED SO DO YOU HAVE THIS TYPE OF INSURANCE COVERAGE AND IF SO WHAT IS IT?



SEVENTH – CHECK YOUR LOSS OF RENTS COVERAGE (also called by other names): Most owners do not have this coverage. Most don't get it frankly. This means if your house burned down and needed ten months to be rebuilt - even though you would have no tenants living there - the insurance company would pay your "rent" for those ten months (usually monthly) until the house is rebuilt. This can really help an owner with a tight budget so consider this coverage. The house I grew up in that I manage for my family had this happened in 2010. After my father passed away I went over all the insurance coverages for our family rentals and found out what we had (and did not have) and updated all the coverage. We did NOT have LOSS OF RENTS coverage, so we added that too. I think the cost was \$6 a month for one property. Sure, enough we had a fire as described here and it took about ten months for the insurance company to rebuild the house, so my mom got a \$1,000 check each month for ten months while the house was rebuilt! Nice huh? Ask your agent about this coverage, the benefits and the cost. This is usually not expensive.

YOUR LOSS OF RENTS COVERAGE DOES EXIST – YES OR NO?



EIGHTH – DO YOU HAVE AN HOA, CONDO, TOWNHOUSE AND/OR A BLANKET HOA/CIC POLICY PROVIDED BY THE ASSOCIATION? IF SO THAT IS NICE, BUT YOU ARE STILL USUALLY “NOT COVERED” AND HAVE NO INSURANCE FOR INSIDE YOUR UNIT FOR LIABILITY AND OTHER POTENTIAL CLAIMS – SO YOU ARE BEING REMINDED YOU NEED A SECONDARY POLICY FROM YOUR FAVORITE INSURANCE AGENT OR YOU DON’T HAVE COVERAGE!

TIP = Many owners think they do NOT need other insurance coverage if the HOA already has a policy. THIS IS DEAD WRONG! The HOA blanket policy will NOT cover you for anything inside your unit. So, if there was a gunfight (liability), or fire at your rental unit (contents like appliances, carpet, stairs, doors, closets, bathroom fixtures), or someone slipped and got hurt inside (injury) you would NOT BE COVERED BY THE HOA POLICY! THE REGULAR HOA POLICY DOES NOT COVER YOU FOR ANYTHING INSIDE YOUR HOME. So as an owner with a condo/townhouse or a property that has an HOA/CIC you ALWAYS need (check to make sure) a second policy to cover yourself for liability, personal contents, and those other optional coverages mentioned above. The HOA/CIC blanket policy only covers you if someone slips at the playground, or has a car accident (and all other incidents) on the HOA OUTSIDE (THINK POOL AREA OR CLUBHOUSE OR PUBLIC) property –of which you are a part owner. But you will NOT be covered by their policy for anything INSIDE YOUR UNIT OR IN YOUR YARD. The good news is that these Secondary policies are not usually expensive for you as an owner. BUT YOU NEED TO BE REMINDED THAT YOU NEED A FULLY INSURED “OTHER” “SECOND” INSURANCE POLICY TO BE PROPERLY COVERED. Ask your Agent for coverage, details, and costs.

Example: One client in the past was paying \$95 a year for the HOA required blanket policy, had a dog bite lawsuit and found out HE WAS NOT COVERED FOR LIABILITY from the HOA policy! AND had no other insurance! He had reached out and had a secondary insurance company policy quote but never signed up for the coverage! So, he had no coverage for personal liability and had to come OUT OF POCKET for the defense for this \$200,000 lawsuit. So, he paid for a lawyer to defend him out of his own personal pocket -for all costs. His secondary insurance annual premium cost was about \$600 a year for his condo (this was in years past). Again, this is NOT EXPENSIVE BUT NEEDED!

SO, CHECK WITH YOUR INSURANCE AGENT IF YOU OWN ANY CONDO, TOWNHOME, ATTACHED UNIT, APARTMENT, FOURPLEX, OR ANY PROPERTY WITH AN HOA OR CIC TO MAKE SURE YOU HAVE YOUR OWN INSURANCE POLICY THAT COVERS YOU FOR LIABILITY AND OTHER COVERAGES MENTIONED BEFORE – OTHERWISE YOU ARE WHAT THEY CALL “NAKED” OR “SELF INSURED” AND NOT COVERED!!!

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