FOR FINANCIAL ADVISORS

BEYOND THE PORTFOLIO

A Financial Advisor's Guide to Real Estate Income Analysis

The Rent-to-Price Ratio & Schedule E Framework

ADVISOR NAME _____ FIRM _____

DATE _____ CLIENT(S) THIS APPLIES TO _____

MY GOAL FOR THIS WORKBOOK _____

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Mortgage Planners & Investment Property Specialists

Disclaimer: For educational purposes only. Not investment advice. Consult qualified legal, tax, and financial professionals before making investment decisions.

A Note to the Financial Advisor

As a financial advisor, you already review your clients' tax returns. You see the Schedule E — the supplemental income and loss form that documents rental property activity. You've seen the income line, the depreciation, the repairs.

But have you ever used those numbers to answer a deeper question?

"Is this rental property actually producing what it could — or is the client's equity quietly underperforming?"

That question is exactly what this workbook is designed to help you answer. The rent-to-price ratio is the first filter we use to evaluate any rental property — and the beautiful thing for advisors is that every number you need is already sitting inside your client's Schedule E.



No new data requests. No awkward conversations.

The analysis starts with the tax return they already filed.

> *"A real estate investor who has nothing saved outside of his rentals is a higher risk than an investor who has money saved in retirement accounts. I always encourage my clients to hire a great financial advisor."*
>
> **— Todd Swanson, Mailbox Money**

Our Philosophy on the Advisor Relationship

We believe real estate investing works best when it **complements a solid financial plan — not replaces it**. We actively encourage our clients to work with financial advisors. This workbook is designed to make that partnership more productive and help you add a new dimension of value in your client conversations.

The Metric: Two Languages, One Idea

The rent-to-price ratio goes by two slightly different expressions depending on who you are talking to. Both measure exactly the same thing — monthly rent as a proportion of property value. Think of them like Celsius and Fahrenheit: same temperature, different scale.

THE PERCENTAGE EXPRESSION

Rent-to-Price Ratio (%)

= Monthly Rent ÷ Property Value × 100

Example: $1,000 ÷ $100,000 × 100 = **1.0%**

Benchmark: 1.0% monthly

THE BASIS POINTS EXPRESSION

Rent-to-Price Ratio (bps)

= Monthly Rent ÷ Property Value × 10,000

Example: $1,000 ÷ $100,000 × 10,000 = **100 bps**

Minimum threshold: 65 bps

The Conversion at a Glance

Basis Points	Signal	Percentage	What It Means
< 55 bps	**We need to talk!**	< 0.55%	Equity seriously underperforming — initiate conversation immediately
55–64 bps	**Below minimum**	0.55–0.64%	Awareness needed — below our minimum threshold
65–79 bps	**Minimum threshold**	0.65–0.79%	Further evaluation needed — run full cash flow stack
80–99 bps	**Good**	0.80–0.99%	Approaching benchmark — model full stack and trajectory
> 100 bps	**Awesome job**	> 1.0%	Strong cash flow signal — confirm with full stack analysis

Why Does This Matter?

A San Diego client's million-dollar rental generating $4,000/month scores just **40 basis points** — or 0.40%. That is below our minimum threshold of 65 bps. The same equity redeployed into Midwest properties can reach **100 bps and above**. That gap is the conversation.

The Schedule E Analysis Framework

This is the core process Dan Williams has developed for advisors to use with their clients. It turns the Schedule E from a passive tax document into an **active diagnostic tool** — a first-filter conversation starter that opens the door to a much bigger planning opportunity.

The Goal of This Analysis:

The intent here is not to sell them on any new transaction. It is to **create awareness** of what is out there in other markets — and to help them understand how efficiently their existing equity is working.

The First Filter Worksheet

Use the table below with your client's Schedule E in hand. All data points are drawn directly from the tax return — no estimation required.

#	Data Point (from Schedule E)	Client's Number / Your Notes	
1	**Property Value**	Check Zillow, Redfin, or Homebot. Ask the client — recent upgrades may not be reflected online.	$ _____
2	**Fair Rental Days (Schedule E)**	Is it less than 360? If so, note why. Days ÷ 30 = months rented.	___ days ÷ 30 = ___ months rented
3	**Rents Received (Line 3)**	Divide by months rented (#2) to get true monthly rent.	Annual: $_____ Monthly: $_____
→	**Monthly Rent-to-Price Ratio**	`Monthly Rent ÷ Property Value × 100`	**= _____ %**
→	**Basis Points (Schedule E language)**	`Monthly Rent ÷ Property Value × 10,000`	**= _____ bps**
4	**Interpret the Result**	< 55 bps: We need to talk | 55–79 bps: Further evaluation needed 80–99 bps: Good, keep going | ≥ 100 bps: Awesome job	

Secondary Filters: Beyond the First Number

Once you have the basis point result, the Schedule E has more to tell you. These secondary filters help you dig deeper into the quality and efficiency of the investment — and often reveal the most productive planning conversations.

Secondary Filter	Key Questions to Ask	Your Notes & Next Step
Interest Expense Schedule E line 12	Is there none? Strategic or accidental? Does the number seem high — why? Is leverage being used efficiently?	Notes / Action: _____ _____
Repairs Schedule E line 14	None — when was the last major repair? High — is this a pattern? How are major repairs being financed?	Notes / Action: _____ _____
Depreciation Schedule E line 18	Is it missing entirely? Does the client know this is a tax shield? Is depreciation being captured correctly?	Notes / Action: _____ _____
Legacy / Attachment Emotional dimension	Is there emotional attachment to this property? Would they consider selling and reinvesting? If not, how do we maximize what they have?	Notes / Action: _____ _____

The Depreciation Conversation: The Tax Superpower Most Clients Miss

Depreciation is one of the most powerful — and most misunderstood — line items on a Schedule E. The IRS allows the **building value** (not land) of a rental property to be written off over 27.5 years. This creates a paper expense that can shield rental income from tax.

- A $300,000 building (in a $400,000 property) generates roughly **$10,909 in annual depreciation deduction**
- That deduction may make the rental income **effectively tax-free**
- If expenses exceed rental income, the loss **may be deductible against other income** (subject to income thresholds and passive activity rules — consult a CPA)
- If depreciation is **missing** from the Schedule E, it is worth asking why — and whether it can be corrected

Does your client understand that depreciation may be making their rental income tax-free? If not, that conversation alone is worth the review.

Which of your clients have rental income on their Schedule E that you have not yet evaluated using this framework?

Real-World Results: What the Numbers Look Like

The following are actual properties purchased by Todd Swanson. They illustrate what different basis point results mean in practice — and how the metric connects to real mailbox money.



Example 1: The California Problem — 40 Basis Points

A San Diego client owns a $1,000,000 rental free and clear. It generates $4,000–$4,500 per month in rent.

Variable	Value
Property Value	**$1,000,000**
Monthly Rent	**$4,000–$4,500**
Basis Points	**40–45 bps**
Rent-to-Price Ratio	**0.40–0.45%**
Annual Rental Income	$48,000–$54,000
Return on $1M Equity	< 5.4% gross — before all expenses
Advisor Signal	**Well below 55 bps — we need to talk**

The Return-on-Equity Problem:

If this property is owned free and clear and net cash flow after taxes, insurance, management and reserves is $30,000/year, the return on equity is just **3%**. That equity is working harder in a savings account — and dramatically harder in a Midwest cash flow property.

Example 2: Horn Lake, Mississippi — 86 Basis Points

Purchased February 2022. A single-family 3-bedroom home — purchased just before rates rose.

Variable	Value
Purchase Price	**$151,000**
Monthly Rent	**$1,295/month**
Basis Points	**86 bps**
Rent-to-Price Ratio	**0.86%**
PITI Payment	$528/mo (40-yr, 3.99%)
Gross Monthly Spread	**$767/month**
Advisor Signal	**Passes, good return but needs monitoring**

Example 3: Warren, Michigan — 149 Basis Points

Purchased November 2023. A 3-bedroom Section 8 bungalow. Purchased with cash for maximum financing flexibility.

Variable	Value
Purchase Price	**$95,000**
2024 Section 8 Rent	**$1,420/mo — govt guaranteed**
Basis Points	**149 bps**
Rent-to-Price Ratio	**1.49%**
Year 1 Mailbox Money	$343/mo ($4,125/yr)
Cash-on-Cash Return	**15.5%+ in Year 1**
Advisor Signal	**Excellent — model for what we target**

Note: Basis points and percentage are shown for each example so advisors can immediately see how the Schedule E number maps to the investment benchmark.

The Geographic Gap: California vs. the Heartland

The single biggest driver of the basis point gap is geography. High-appreciation markets like Southern California price appreciation into properties far faster than rents can follow. The result: low basis points, trapped equity, and cash flow that often fails to keep pace with expenses.

Head-to-Head: $1,000,000 of Capital

	San Diego (Appreciation)	Midwest / Heartland (Cash Flow)
Capital Deployed	$1,000,000	$1,000,000 (5 properties)
Monthly Rent	$4,000–$4,500	$10,000 total
Annual Rental Income	$54,000	$120,000
Basis Points (Monthly)	40–45 bps	**100+ bps**
Rent-to-Price Ratio	0.45% monthly / 5.4% annual	**1.0%+ monthly / 12% annual**
Vacancy Impact	100% if 1 tenant leaves	**Only 20% if 1 of 5 tenants leaves**
Diversification	None — single asset	5 properties, 5 tenants
Cash Flow (after PITI)	Negative to break-even	**Positive on each property**

The same million dollars of capital, deployed in cash flow markets rather than appreciation markets, generates more than double the annual rental income — with diversification across five properties instead of one.

When a client's Schedule E shows 40 basis points on a $1M property, and you know Midwest markets are producing 100+ basis points — that is a planning conversation worth having.

The 1031 Exchange: Repositioning Low-BPS Assets

For clients with low basis point scores and high embedded equity — often California clients — the 1031 exchange is the most powerful repositioning tool available. It allows them to sell the underperforming property, **defer ALL capital gains taxes**, and reinvest into high-basis-point markets without writing a check to the IRS.

What the 1031 Does:

- Sell the low-basis-point, high-equity property — defer all capital gains tax
- Reinvest into multiple higher-basis-point properties (often 2–5x the income)
- Dramatically increase monthly cash flow — from 40 bps to 100+ bps
- Increase portfolio diversification (one property becomes three to five)
- Taxes continue to defer — potentially until death, when basis may be stepped up for heirs
- After the exchange, client can refinance to access equity — tax-free

Real Dollar Impact — Example:

Client sells a $1M San Diego rental with $500K gain. Federal capital gains + California income tax + depreciation recapture could total over **$146,000**. A 1031 exchange defers all of it. That $146,000 stays invested and generating basis points — not sent to the IRS.

The Schedule E Connection

The 1031 opportunity often reveals itself directly from the Schedule E review:

- Low basis points on a high-value property = equity not working hard enough
- High property value with modest rental income = appreciation trap
- No depreciation on a valuable property = possible missed deductions and tax inefficiency
- All of these signal: this client may benefit from a 1031 repositioning conversation

Matching Clients to the Opportunity

Use this matrix to identify which of your clients are most likely candidates for a rental property conversation — and which Schedule E signal should trigger it.

Client Situation	Bps / Ratio	Signal	Conversation Starter
Owns CA rental, high equity, low Schedule E income	**< 55 bps / 0.55%**	**We need to talk**	1031 exchange into high-ratio markets — defer ALL taxes and double income
Has investable savings, wants income stream	**Target: 80+ bps / 0.8%+**	**Strong cash flow**	Identify Midwest markets, arrange financing, model monthly income
Near retirement, needs reliable monthly income	**Target: 100+ bps / 1%+**	**Mailbox money**	Portfolio of 3–5 properties for diversified, growing income
Business owner, high taxable income	**80+ bps / 0.8%+**	**Cash flow + depreciation shield**	Depreciation from rentals can reduce ordinary income tax burden
Has CA rental, emotional attachment, won't sell	**Varies**	**Legacy hold — optimize**	Review financing, depreciation, reserves — maximize what exists

Based on the matrix above, which 2–3 clients will you review a Schedule E for in the next 30 days?

What objections do you anticipate from clients about out-of-state investing — and how would you address them?

Step 2: Full Cash Flow Evaluation

When the Schedule E first filter shows 55 basis points or higher, the next step is to model the full cash flow stack. **Basis points tell you whether to keep looking. The full cash flow stack tells you what you will actually put in your mailbox.**

Basis points tell you whether to keep looking. The full cash flow stack tells you what you will actually put in your mailbox.

The Full Cash Flow Stack

Item	Amount
Monthly Gross Rent	$_____
Less: Property Management (10% of rent)	– $_____
Less: Vacancy Reserve (5% of rent)	– $_____
Less: Maintenance Reserve (5% of rent)	– $_____
Less: Capital Expenditure Reserve (5% of rent)	– $_____
Less: Property Tax (monthly)	– $_____
Less: Insurance (monthly)	– $_____
Less: Mortgage Payment (P&I;)	– $_____
= Net Monthly Cash Flow (Mailbox Money)	**= $_____**

Step 3: The 10-Year Income Trajectory

At the historical 4% annual growth rate for rents, the mailbox money compounds over time while the mortgage payment stays fixed. This expanding spread is one of the most underappreciated dynamics in buy-and-hold real estate.

Year	Monthly Rent	Mortgage	Growing Spread
Year 1	$1,295	$528	**$767**
Year 5	~$1,574	$528	**~$1,046**
Year 10	~$2,600	$528	**~$2,072**

Based on the Horn Lake, MS example. Projections use the 4% historical average annual rent growth rate. Actual results will vary.

Rents grow. Mortgages don't. That expanding spread is how mailbox money becomes retirement income.

Step 4: Cash-on-Cash Return

Cash-on-Cash Return = Annual Net Cash Flow ÷ Total Cash Invested × 100

Total Cash Invested = Down payment + closing costs + initial repairs

Compare this to dividend yields, bond yields, and other income-generating assets in the client's portfolio. At 100+ basis points and proper financing, **Cash-on-Cash Returns of 10–15%+ in Year 1 are achievable** — as the Warren, MI example demonstrates.

Working Together: Our Partnership Model

We view financial advisors as essential partners in helping clients build complete financial pictures. Real estate and traditional financial planning are not competing disciplines — they are **complementary ones**.

What We Bring

- 24+ years of personal single-family rental investment experience
- Financing expertise across 17 states with investment property loan knowledge
- The Schedule E analysis framework and market selection process
- A vetted network of property managers, inspectors, and real estate agents in target markets
- Individual investment property guidance and a structured group real estate syndication for qualified clients
- California Real Estate Broker and Certified Liability Advisor credentials

What You Bring

- Access to the Schedule E and your client's complete financial picture
- The trusted relationship that makes difficult financial conversations possible
- Expertise in the traditional financial products that provide the foundation
- The ability to model how rental income fits into a comprehensive retirement income plan

The Complete Client:

A client with a solid financial advisor AND a high-basis-point rental portfolio is our ideal outcome. The advisor handles the foundation; we help build the income stream. Neither replaces the other — together, they create financial resilience.

Your Action Items & Master Checklist

What is the single most valuable thing you learned from this workbook?

What specific question do you want answered before introducing this to clients?

Master Advisor Checklist — Schedule E to Mailbox Money

FIRST FILTER: Schedule E Pull
Pull the client's Schedule E before or at your meeting
Record Property Value (Zillow / Redfin / Homebot / client estimate)
Note Fair Rental Days — flag if less than 360 and ask why
Calculate Monthly Rent from Rents Received ÷ months rented
Calculate Basis Points: Monthly Rent ÷ Value × 10,000
Calculate Percentage: Monthly Rent ÷ Value × 100

FIRST FILTER: Interpret the Result
< 55 bps (< 0.55%): Schedule conversation — other options available
55–79 bps (0.55–0.79%): Further evaluation — full cash flow stack needed
80–99 bps (0.80–0.99%): Good — model full stack and project trajectory
> 100 bps (> 1.0%): Awesome — strong cash flow signal, confirm with full stack

SECONDARY FILTERS: Schedule E Deep Dive
Interest Expense: Is client using leverage strategically?
Repairs: Normal or pattern? How financed?
Depreciation: Is it present? Does client understand the tax benefit?
Legacy: Any emotional attachment that would preclude selling/repositioning?

FULL CASH FLOW STACK (for any property scoring 55+ bps)
Complete the full cash flow model (see Step 2 framework)
Factor in 10% management, 5% each vacancy / maintenance / capex
Project 10-year income trajectory at 4% annual rent growth
Calculate Cash-on-Cash Return: Annual net cash flow ÷ cash invested × 100

FOLLOW-UP ACTIONS
For low-ratio CA property with high equity: initiate 1031 exchange conversation
For client wanting to add real estate: identify Midwest markets, arrange intro with Todd
For depreciation gap: refer to CPA or raise in next planning meeting
Coordinate with Todd & Dan for financing strategy and market-level analysis

Schedule a Conversation



We keep time available every month for advisor conversations — whether you want to walk through a specific client's Schedule E, understand our investment approach in more detail, or discuss a potential referral. No pressure. Just a productive conversation.

Email Dan at daniel@sandiegolending.us or call 858.688.6813

Disclaimer: Investing in financial markets involves risk. Past performance is not indicative of future results. This workbook is for educational and informational purposes only and does not constitute investment advice. Please consult qualified legal, tax, and financial professionals before making investment decisions.

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APPENDIX

25 U.S. Markets — Rent-to-Price Ratio Reference Guide

The table below compares 25 U.S. markets across the cash flow spectrum — from the highest-yielding Midwest and Southern cities to the high-appreciation coastal markets. All figures are expressed in both **basis points** and **monthly percentage** so you can apply either framework instantly.

Data is based on Rentometer's analysis of average single-family home rents and Zillow average home values for 3-bedroom single-family homes, published April 2025. Markets are organized into three tiers by cash flow signal.

Basis Points	Monthly %	Signal	What It Means for the Advisor
> 100 bps	> 1.0%	**Strong**	Awesome — strong cash flow signal. Proceed to full stack analysis.
80–99 bps	0.80–0.99%	**Good**	Good — approaching benchmark. Further evaluation needed.
65–79 bps	0.65–0.79%	**Borderline**	May cash flow with right financing. Requires full stack analysis.
< 65 bps	< 0.65%	**Low**	We need to talk. Explore 1031 exchange or market redeployment.

Important Context for Advisors:

These are city-level averages and serve as a directional guide, not a guarantee of any individual property's performance. Specific neighborhoods, property condition, financing terms, and management quality all affect actual cash flow. Use this table to open the market-selection conversation with clients — then apply the full Schedule E analysis framework to any specific property.

25 U.S. Markets — Rent-to-Price Ratio Comparison (2024–2025 Data)

#	City / Market	Avg Home Price	Avg Mo. Rent	Basis Pts	Monthly %	Ann. Yield	Signal
STRONG CASH FLOW | Midwest, South & Heartland | 80+ basis points							
1	Detroit, MI	$72K	$1,308/mo	**183 bps**	1.83%	22.0%	**Strong**
2	Jackson, MS	$70K	$1,197/mo	**171 bps**	1.71%	20.5%	**Strong**
3	Cleveland, OH	$110K	$1,500/mo	**136 bps**	1.36%	16.4%	**Strong**
4	Birmingham, AL	$120K	$1,490/mo	**124 bps**	1.24%	14.9%	**Strong**
5	Toledo, OH	$115K	$1,172/mo	**102 bps**	1.02%	12.2%	**Strong**
6	Peoria, IL	$125K	$1,266/mo	**101 bps**	1.01%	12.2%	**Strong**
7	Memphis, TN	$209K	$1,400/mo	**67 bps**	0.67%	8.0%	**Borderline**
8	Beaumont, TX	$151K	$1,603/mo	**106 bps**	1.06%	12.7%	**Strong**
9	New Orleans, LA	$225K	$2,400/mo	**107 bps**	1.07%	12.8%	**Strong**
10	Baltimore, MD	$182K	$1,862/mo	**103 bps**	1.03%	12.3%	**Strong**
11	Philadelphia, PA	$214K	$1,857/mo	**87 bps**	0.87%	10.4%	**Good**

MODERATE CASH FLOW | Midwest, South & Mid-Atlantic | 55–79 basis points							
12	Indianapolis, IN	$248K	$1,825/mo	**74 bps**	0.74%	8.8%	**Borderline**
13	St. Louis, MO	$181K	$1,525/mo	**84 bps**	0.84%	10.1%	**Good**
14	Kansas City, MO	$260K	$1,800/mo	**69 bps**	0.69%	8.3%	**Borderline**
15	Pittsburgh, PA	$207K	$1,580/mo	**76 bps**	0.76%	9.2%	**Borderline**
16	Chicago, IL	$312K	$2,100/mo	**67 bps**	0.67%	8.1%	**Borderline**
17	Columbus, OH	$285K	$1,850/mo	**65 bps**	0.65%	7.8%	**Borderline**
18	Oklahoma City, OK	$252K	$1,600/mo	**63 bps**	0.63%	7.6%	**Low**
19	Dallas, TX	$370K	$2,100/mo	**57 bps**	0.57%	6.8%	**Low**
20	Houston, TX	$315K	$1,900/mo	**60 bps**	0.60%	7.2%	**Low**
LOW CASH FLOW / APPRECIATION MARKETS | West Coast & Mountain West | Below 55 basis points							
21	Phoenix, AZ	$418K	$2,000/mo	**48 bps**	0.48%	5.7%	**Low**
22	Denver, CO	$565K	$2,950/mo	**52 bps**	0.52%	6.3%	**Low**
23	Seattle, WA	$835K	$4,000/mo	**48 bps**	0.48%	5.7%	**Low**
24	San Diego, CA	$1.00M	$4,250/mo	**43 bps**	0.43%	5.1%	**Low**
25	San Francisco, CA	$1.35M	$5,265/mo	**39 bps**	0.39%	4.7%	**Low**

Key Observations for Advisors

A few patterns worth highlighting when you use this table in client conversations:

- The Midwest dominates the top of the table. Detroit, Cleveland, Toledo, Indianapolis, St. Louis, Columbus, and Kansas City all appear in the top half. Low acquisition costs combined with stable rental demand create the basis point spreads that generate real mailbox money.
- The California story, in numbers. San Diego at 43 basis points and San Francisco at 47 basis points are not just below our 65 bps minimum — they are less than half the threshold. This is the data that makes the equity trap conversation concrete.
- The middle tier is where conversations get interesting. Dallas and Houston score in the 68–72 bps range — below ideal but workable with strong financing and the right sub-market. Chicago at 81 bps is a notable example of a major metro that clears the benchmark.
- Annual yield and monthly basis points tell the same story. Detroit's 22.0% annual yield (183 bps) versus San Francisco's 4.7% annual yield (47 bps) is not a subtle difference — it is a 4x gap in income production from the same capital deployed.
- High yield does not mean low diligence. Cities at the very top of the table often require more careful neighborhood selection, thorough inspections, and experienced property management. This is exactly why the process — the right community, inspections, financing, and management — matters as much as the ratio itself.

The ratio tells you where to look.

The Schedule E framework tells you how a specific property is already performing. Together, they give you and your client a complete picture.

Data Sources: Rentometer 'Best and Worst Cities for SFR Investors by Rental Yield' (April 3, 2025); Zillow Home Value Index (SFR, Feb 2025); Rentometer 2025 Annual Single-Family Rentals Report (January 2026). Average figures for 3-bedroom single-family homes. Individual property results will vary.

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