Secrets to Renting Out Your Vacation Home

IF YOU'RE THINKING of renting out your vacation home, beware: The rental market is more competitive than ever. My husband and I have been on quite a learning curve since we started renting out our four-bedroom log cabin near Black River Falls, Wis., in the autumn of 2010.

Not long ago, the vacation rental industry was more of a—please pardon the pun—cottage industry. Today, thanks to online services, it's easier than ever for homeowners to publicize their homes. But the technology also has made the vacation-rental market more professional—and homeowners must get up to speed.

In 2005, for instance, just 14% of buyers of second homes said they intended to rent out their properties, compared with 91% of buyers in 2011, according to a 2012 survey by the National Association of Realtors. "Vacation rentals by owners are a significant trend in the travel industry," says Walt Molony, spokesman for the National Association of Realtors.

I've turned wiser and more successful in this rapidly changing vacation-rental industry in the two years since I first wrote about my experience for *Kiplinger's Retirement Report.* My husband, Tim, who is now 60, built the log cabin. Neither he nor I, now 55, intended at the time to rent the cabin out, but the recession knocked us around a bit. Our vacation home became our cash cow.

Indeed, our cabin rental has exceeded our expectations. In the last 12 months, we made about $35,000 in rent, which more than covered our mortgage, taxes and other expenses. Our second home became a part-time job. My husband and I spend roughly 14 hours a week managing the property. Our occupancy rate is 100% during the summer and 90% during the available weekends throughout the year. My husband's labor reduced the cost of construction, thus cutting our mortgage. If you own your vacation home free and clear, your profits could possibly be higher than ours.

To keep the money flowing, I've learned to hire backup housekeepers and plumbers for when the unexpected happens. I keep track of enquiries, so when there is a cancellation, I can easily find a replacement guest. I pick up items such as glasses and pillows when they're on sale, even if I don't need them at the time.

All these efforts at frugality are meaningless if you don't get the word out about your rental. Hundreds of rental-advertising Web sites assist owners in renting their vacation homes. Some are free; others charge annual fees of $100 or more. The sites with the highest traffic in the U.S. are Vacation Rentals by Owner (www.vrbo.com), HomeAway.com and FlipKey.com (which is majority-owned by TripAdvisor), according to Web-tracking firm Alexa. We subscribe to all three.

High-traffic rental sites do have a downside. They tend to have the most listings, making it more difficult for yours to stand out if there's a lot of competition in your area. I periodically monitor my competitors' listings for fees, policies and amenities, to ensure I continue to be noticed.

To increase bookings, I include photographs of the inside and outside of the cabin and surrounding area. I make sure the four seasons are displayed. Some owners use professional photographers. HomeAway and VRBO allow up to 24 photographs on your listing. It's foolish not to use all slots. These sites enable you to link a slide show to your Facebook page.

Luring the Vacation Renter

Owners should respond to enquiries in a timely way. I usually reply within three hours. I've downloaded a HomeAway feature that sends me a text message when I get an e-mail enquiry.

Another HomeAway feature allows me to post an availability calendar on my cabin Web site (www.buckhornlakecabin.com). It also allows me to automatically update all my calendars on other rental sites. Other sites with calendar tools are www.myvrzone.com/home and www.vrconnection.com.

I also boost bookings by securing reviews from guests. I post the reviews on vacation-rental Web sites and on my cabin site. My check-in information e-mail, welcome letter and post-visit e-mail all request that guests write a review. I also instruct guests on how to post a review. Many new guests who have selected our cabin have mentioned these positive appraisals as a reason for choosing us.

To avoid some hassle, you can use a "merchant" site, which advertises your property. Such sites take a percentage of the rental transaction because they collect the rental fee and damage deposits from guests. You only pay a fee if your property is rented, which can run from 3% to 15%. Merchant sites include www.airbnb.com and www.evolvevacationrental.com.

Some merchant sites send the owner the rental fee two or three days after the guests check in, says Emily Glossbrenner, who runs FullyBookedRentals.com, a membership Web site for vacation-home owners. If you rent it on your own, you can get deposit payments at the time of booking and the balances a month or two before the rental date. You should ask about the site's payment policy before you sign up. Glossbrenner recommends getting your own merchant account, at eComMerchantSolutions.com, HomeAway/VRBO Online Payments or eReservationSolutions.com.

It's also important to accept credit cards, which can immediately confirm payment and give you added credibility with cautious travelers, Glossbrenner says.

Allowing strangers in your home can be scary, so good screening is essential. I always talk to my guests at least twice on the phone. I speak with them once during an initial screening and again right before they head up to our cabin to go over issues such as the use of our heating system.

I ask about the composition of the group and what their plans are once they arrive at our cabin. This transforms me into a host rather than a landlord. We use several methods to screen undesirable guests. For example, we don't allow all-terrain vehicles on to the property, because the drivers track too much dirt into the home. And I don't allow smokers, pets or groups of renters under 25 years old. Although these policies shrink our market, we feel it pays off in the long run with less wear and tear on the cabin.

Many homeowners have a local person, such as a housekeeper, who can play a management role. Homeowners will inform guests that the housekeeper will stop by periodically to make sure everything is okay. "You make this visit seem like a benefit, to see if there's anything the guest needs, but it's really a kind of code to make sure guests aren't hanging off the chandelier," says Glossbrenner. **K** —LEAH DOBKIN

ESTATE PLANNING

Living Trusts May Not Be Worth the Money

Living trusts can be an excellent estate-planning tool for managing your property in case you become incapacitated. But all too often they're sold to people who don't need them, says Sally Hurme, a project adviser for AARP. The promoters' sales pitch: Buy a trust to avoid the cost and hassles of probate.

Setting up a trust costs $1,000 to $3,000, versus $300 or less for a simple will. State regulators warn seniors to steer clear of salespeople who market these trusts in telephone calls, seminars or advertisements. Here's what a living-trust promoter may not tell you:

■ **A trust isn't needed to protect assets from probate.** You can arrange for most of your valuable assets to go to your heirs outside of probate. A home or other property that's owned jointly with the right of survivorship goes directly to the joint owner when you die. Likewise, pensions, retirement accounts and life insurance policies automatically transfer to the beneficiary. By setting up payable-on-death accounts, recipients have immediate access to money in bank accounts. And more than a dozen states allow transfer-on-death deeds for real estate, says Mary Randolph, author of *The Executor's Guide* (Nolo, $40).

■ **Probate doesn't have to be a nightmare.** Many states have streamlined probate for small estates. In California, for example, inheritors of estates valued at up to $150,000, excluding property that passes directly to beneficiaries, can skip probate. And in some cases, the supervision that probate provides is beneficial, Hurme says: "Somebody is looking over what the executor is doing, making sure all the assets are found, all the debts are paid, taxes are paid and the terms of the will are being honored."

■ **A trust won't make it easier to qualify for Medicaid.** Promoters often promise that you can qualify for Medicaid long-term-care coverage by placing assets in a living trust. However, the assets put in a revocable living trust are "countable" for purposes of Medicaid eligibility.

A living trust can be appropriate in some cases—for example, if you are concerned that you or a beneficiary will become disabled. Ask your estate-planning lawyer whether a living trust fits your needs. **K** —SANDRA BLOCK