5. Not Enough Patience

Professionals take their time and wait for the right property. Novices rush out and hire the first contractor that makes a bid to address work they can't do themselves. Professionals either do the work themselves, or rely on a network of pre-arranged, reliable contractors.

Novices hire a realtor to help sell the house. Professionals rely on "for sale by owner" efforts to minimize their costs and maximize profits. Novices expect to rush through the process, slap on a coat of paint and earn a fortune. Professionals understand that buying and selling house takes time and that the profit margins are sometimes slim.

Bottom Line

Before you get involved in flipping houses, do your research. Like any other business venture, flipping requires time, money, patience, skill, and it will definitely wind up being more difficult than you imagined.

Five Mistakes That Make House Flipping Flop

House flipping has become the day trading of the 2000s. But in the rush to make a profit, far too many would-be real estate moguls overlook the basics and end up failing. In this article we'll look at the five biggest mistakes investors make in this market and how to avoid them.

1. Not Enough Money

Dabbling in real estate is an expensive proposition. The first expense is the property acquisition cost. While low/no money down financing claims abound, finding these deals from a legitimate vendor is easier said than done. Also, if you're financing the acquisition, that means you're paying interest. Although the interest on borrowed money is tax deductible, it is not a 100% deduction. Every dollar spent on interest adds to the amount you will need to earn on the sale just to break even.

Paying cash eliminates the interest, but even then, there are property holding costs, such as taxes and utilities. Renovation costs must also be factored in. If you plan to fix the house up and sell it for a profit, the sale price must exceed the combined cost of acquisition, the cost of holding the property and the cost of renovations. Even if you manage to overcome these hurdles, don't forget about capital gains taxes, which will chip away at your profit.

2. Not Enough Time

Renovating and flipping houses is a time consuming business venture. It can take months to find and buy the right property. Once you own the house, you'll need to invest time to fix it up. Before you can sell it, you'll need to schedule inspections to make sure the property complies with applicable building codes. If it doesn't, you need to spend more time and money to bring it up to par. Next, you'll need to invest time to sell the property. If you show it to prospective buyers yourself, you'll spend plenty of time commuting to and from the property and meeting with potential buyers.

If you are able to make a 10% profit on a house that cost $50,000, you'll make a $5,000 profit. For many people, it might make more sense to get a good job, where they can earn that kind of money in a few weeks or months via a steady paycheck - with no risk and a very consistent time commitment.

3. Not Enough Skills

Professional builders and skilled professionals, such as carpenters and plumbers, often flip houses as a sideline to their regular jobs. They have the knowledge, skills and experience to find and fix a house. Some of them also have union jobs that provide unemployment checks all winter long while they work on their side projects.

The real money in house flipping comes from sweat equity. If you're handy with a hammer, enjoy laying carpet, can hang drywall, roof a house and install a kitchen sink, you've got the skills to flip a house. On the other hand, if you've got to pay a professional to do all of this work, the odds of making a profit on your investment will be dramatically reduced.

4. Not Enough Knowledge

To be successful, you need to be able to pick the right property, in the right location, at the right price. In a neighborhood of $100,000 homes, do you really expect to buy at $60,000 and sell at $200,000? The market is far too efficient for that to occur on a frequent basis.

Even if you get the deal of a lifetime, you need to know which renovations to make and which to skip. You also need to understand the applicable tax laws and know when to cut your losses and get out before your project becomes a money pit.