

Each Spring as the days get longer and flowers begin to bloom, so too do the hours spent by potential new home buyers visiting properties around the country listed for sale. Starting the process of buying your first, second or even third home can be daunting for a homebuyer.



While there are dozens of lists online with considerations for homebuyers, there are also a lot of misconceptions about the home purchasing process. In response to that, we created a list of considerations for you, curated from the perspective of a wealth advisor. Specifically, what are the three key factors, financial and beyond, for you, as a home buyer, to consider when entering the process.

The first consideration when pondering a home purchase is determining financing. Specifically, are you better paying all cash for the transaction or utilizing a loan. There are positive and negative aspects for both options.

In the last few years, all cash offers for lower priced homes have been on the rise among property investors, but is that the best option in areas where average home values are significantly higher? The answer is largely dependent on your specific circumstances. If an all cash offer is possible, utilize the leverage that provides during negotiations.

From a seller's perspective, a financed offer from a buyer is not a sure thing, so there's a benefit to receiving the assurance that an offer is made entirely with cash. That assurance should be worth a premium to the seller, thereby increasing your ability to make a lower offer.

Conversely, if you are looking to finance your purchase, you should take into account not only the terms of the mortgage, but how it impacts your larger financial picture. For example, with the new tax law changes, a couple of key considerations in high tax states became much more important. Under the new law, homes purchased after December 16, 2017, can only deduct mortgage interest on the first \$750,000 of the total loan value. Additionally, a \$10,000 cap was placed on the deductibility of state and local taxes, meaning that buyers looking in areas with high property taxes may not be able to take advantage of those deductions like they have in the past. The combination of these two changes can remove a lot of the benefits itemized filers experienced in the past by financing a home purchase.

Once it's been determined how you will pay for a home, consider hiring an experienced real estate agent who knows the area in which you are looking to purchase your home. In addition, the agent should have familiarity with homes in your price range. Ask the agent how many homes they've sold in that area in the last 12 months and what are some common issues they see with those homes.

Having an experienced agent who is familiar with the nuances of homeowners associations, property taxes, maintenance fees and even the quirks of different types of homes and floorplans in a given neighborhood is an invaluable knowledge base to be able to tap into. Remember, your time has value, so having that hyper-local experience may make up for any commission paid to the realtor or time spent searching for properties, making it a worthwhile investment for all parties. At the same time, remember that a real estate agent is incentivized to help you close on a purchase and, should something come up with the home after closing, there's little they can do to remedy the situation.

The third and final suggestion worth considering in buying a home is trying to find a balance between the emotional investment in the property versus the monetary investment. Buying a personal residence is an inherently emotional process. You, your family, and those you care about are going to be spending a lot of time there and so, presumably, you would like it to be a reflection of yourself. Emotions can lead individuals to purchase a larger or more expensive home than is necessary or practical.

This issue is compounded when people buy homes, then take on additional debt to do significant remodeling after they close. To prevent that from occurring, prior to the purchase, take the time to work through a detailed budget, simultaneously trying to avoid any emotional attachment you may have to the home. A good budget will include



monthly mortgage payments, closing costs, fees, title searches, appraisals, as well as architectural, engineering and construction costs in the event you are looking to make significant changes to the property. If you move forward with significant remodeling after purchase, make sure you aren't pricing your home out of resale value for the neighborhood in which you live. Do your homework on home values.

Many of the horror stories that come from home purchases arise largely in situations where individuals rushed into their purchase, not taking the time to carefully vet the area, the numbers involved, or individuals they would hire to execute the transaction. If there's one piece of advice a wealth advisor would give, it's to do your homework and take your time. Though it's impossible to leave emotion out of it, try to make rational decisions based on your specific circumstances and eventually you'll find the perfect place to call home.

¹ <https://www.irs.gov/publications/p936>

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