



Fee-Only Financial and Investment Planning
(888) 320-9993



On Course

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Welcome! Now that spring is here, it's time for our annual real estate newsletter. This year we're focusing on how to buy a house. While real estate markets vary across the nation, the northeast is still a tough market to buy in because of the competition for good houses. Below are some suggestions on how to be successful.

If you want to buy a house and need help with financial planning, remember we're here to help you stay *On Course!*

-Jennifer Lane, CFP

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Jennifer's Hint

Guide to Buying a House

Everyone wants to find and buy a house that they just love. And, while that is important, it's also important to understand that buying a house is, first and foremost, a business transaction. Before you even get to the point of making an offer, you have some work to do to ensure that your decision is a good financial one. Without that planning, you may end up in a house you love but can't afford.

Knowing what you can afford

- The first rule of thumb is that you can spend 30 percent of your gross income on housing expenses. Develop your budget to make sure that the 30 percent covers mortgage payments, taxes, insurance, and association fees (if applicable).
- You should also assume 1-2 percent of the value of the house in yearly maintenance, e.g., if your house is worth \$300,000, you should use a budget number of \$3,000-\$6,000. You may not spend that every year but you'll have capital expenditures over time.
- Don't forget that saving for retirement should be a high priority. If you have to delay saving, then the house is probably too much.
- Make sure you have six months spending in an emergency fund - even more important if you have a mortgage to pay.

Before you buy

The decision whether to buy a vacation home or continue renting is about lifestyle and disposable income. As with a year-round home, owning your retirement property means that part of your vacation budget is being applied toward maintaining and updating your vacation home. If the cost of owning the vacation home eats into other things you'd like to be doing, then it might not be your best option.

Get more tips in Jennifer's book

- Be sure your credit rating is the best it can be, e.g., probably not a good idea to buy a new car just before you're going to buy a house. Your credit rating can affect your mortgage interest rate.
- Save for a 20 percent down payment. Otherwise you'll need to get PMI (private mortgage insurance), which will add additional expense to your monthly payment.
- Get pre-qualified for a mortgage – good for you and the seller.
- Shop around for a mortgage. Use Bankrate.com as a starting point for your search.

Finding the right realtor

- Given the current real estate market, finding the right realtor has become so important. The right person can guide you through every phase.
- Location, location, location. As in many things, find a realtor who knows the area where you want to live. You can use Realtor.com to do your research.
- Be frank about what you're looking for and what you can spend.

Buying the house

- Be prepared and be able to walk away from a house that doesn't fit your budget. Remember this is primarily a financial decision. Don't make a decision that will adversely affect your long-term finances.
- When you go to open houses and showings, don't make decisions immediately. Take some time to discuss and think through your next step.
- Talk with your realtor if the seller refuses an inspection. It may not make sense to proceed.
- If the inspection comes back with many issues, work with your realtor to decide what you want done prior to the sale and what you can live with.

And, last, good luck! If you do your homework and find a good realtor, you have a great chance of finding a house that you love – and that is also a good financial decision.

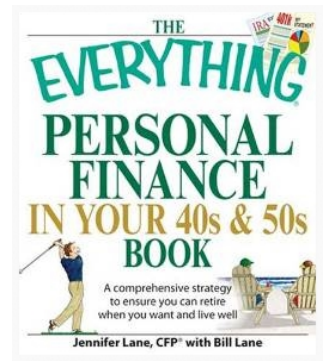
Q&A

Q: Does giving your kids a home down payment make sense? We have a son graduating this year and a daughter next year.
– Agnes, Boylston

A: Agnes, because your children will be just starting out, their lives won't be settled for a bit. They may move for jobs or marry and have children. A better idea would be to help them make an investment that will benefit them in the future. A Roth IRA is a good place to begin.

What's New

- Financial Planning's recent article, *When to Use Stop-Loss Strategies*, includes comments from Jennifer. Click [here](#) to read the full article (registration required).
- Jennifer recently answered NECN viewer questions about *protecting your identify during tax season*. Click [here](#) to watch the segment on her blog.
- Follow us on Facebook! Visit www.facebook.com/AskJennifer and like us!

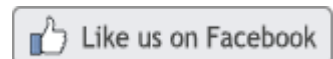


([click here for link](#))

Helpful Websites

Bankrate.com

Realtor.com



- Jennifer appears on NECN every other Monday morning at 9:30 am in addition to her Tuesday 6:30 pm appearance.

Compass Planning Associates helps families, individuals, and small-business clients achieve financial security, knowledge, and control over their money. Our **fee-only, client-centered approach** provides education and guidance for achieving financial goals and dreams.

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