



Home to Stay

Scaled Finance Welcome Course: Episode 9

Home to Stay

Part Three: Ownership

Welcome back!

Last episode, we discussed a big-ticket item: automobiles.

Today's topic is another: housing.

Hard Costs 2-5% and Then Some

Buying

It's expensive to buy a home!

- Loan application, home inspection, credit check, title search, origination/underwriting fees, etc.
- There may also be mortgage points
- Hard costs may run 2-5% of the home purchase price

Other funding costs include:

- Down payment and reserves
- Tax impacts of selling assets to fund the purchase
- Opportunity cost of these funds – what else they could have earned

There may be other costs before move-in:

- Renovations, updates, and customization
- New furnishings (ah, the Diderot Effect)
- Moving expenses

If upsizing, there may also be additional expenses for:

- Mortgage interest, property taxes, insurance
- Utilities, maintenance, cleaning, lawncare, homeowner association (HOA) fees, security, and the like

Commission Up to 6% Plus Other Costs

Selling

Selling a home may be even more expensive.

Commissions will likely be the biggest cost and could be as high as 6%

- On a \$400,000 home, that's \$24,000
- On a \$1,000,000 home, that's \$60,000

Pre-sale repairs, remodels, or renovations may be sizable.

Staging is especially common for higher value homes.

Capital gains taxes may apply. There are exemptions if certain criteria are met:

- \$250,000 for single filers
- \$500,000 for married filing jointly

Both? Expensive

Upgrading

Both buying and selling is even more expensive.

If a family moves every 10 years with a 4% buying and 6% selling cost, that is:

- \$4,000 per year for a \$400,000 home
- \$10,000 per year for a \$1,000,000 home

\$40,000 to \$100,000 could pay for some nice equity-building remodels.

Those improvements could enhance and extend the enjoyment of the home.

Popular updates include:

- Remodel bathroom, kitchen, bedroom, basement, or attic
- Upgrade windows or add insulation to improve energy efficiency and sound
- Replace wood deck with longer lasting and lower maintenance composite
- Add solar panels to lower utility bills
- Install a fire pit, outdoor kitchen, basketball hoop, or other recreation
- Plant a garden to enjoy fresh vegetables/herbs and lower food costs

Ongoing

Recurring repairs are typically less than either the purchase or sale expenses.

A decent estimate may be 1% of the home value for maintenance annually.

- \$4,000 for a \$400,000 home
- \$10,000 for a \$1,000,000 home

More expensive homes tend to be larger, fancier, and require more ongoing support.

It's hard to know what may need to be repaired or replaced any year.

Recurring 1%

A hot-water heater, furnace, air conditioner, chimney, driveway, roof, appliance, flooring, fixture, plumbing, electrical, windows, siding, and many more.

However, it'll be something. If not, that's a win!

Finally, do or have regular maintenance done:

- Clean roof and gutters
- Trim bushes, especially those near the home
- Paint wood decks
- Clean or replace furnace air filter
- Keep the yard tidy...

Action!

I hope you found value in this housing conversation!

Were you surprised by the 2-5% upfront purchase fees?

What about the backend commission of up to 6%?

Do you plan for at least 1% in annual repair and maintenance expenses for your current or potential home?

What updates do you find the most appealing?

Which do you feel would have the biggest impact on resale value in your area?

Next Steps

Great work!

This wraps up our discussion of big-ticket items.

If anyone you know could benefit from these episodes, feel free to flip them the course link: scaledfinance.com/welcome-course

Be on the lookout for next week's episode.

We'll discuss opportunities to replace services with products.

If you'd prefer to work ahead, navigate to the course webpage.

See you soon!

**Thank You,
Next!**

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