



# 5 RULES OF BUYING A HOUSE

## ★ HOME PURCHASE

Buying a house can be a great way to build wealth and feel like part of the community. But it's also a huge financial decision with far-reaching implications. Here are five rules that can help you avoid common pitfalls:

### ★ RULE 1: HAVE AN EMERGENCY FUND

Home ownership comes with an almost never-ending list of expenses. Many of them are unexpected and large. To avoid unplanned debt when things occur — and they will occur — be sure to have some money set aside. A good goal is three to six months' worth of your committed expenses in most situations.

### ★ RULE 2: CREATE AND FOLLOW A SPENDING PLAN

Home buying doesn't just mean swapping a rent payment for a mortgage payment. There are a lot of other ongoing expenses to pay. You will have real estate taxes, homeowners insurance, utility bills, maintenance and repair expenses among others. Furthermore, consider the costs of other protections such as life insurance since you will be taking on a mortgage.

### ★ RULE 3: SAVE FOR A DOWN PAYMENT

Even if you can get a loan that allows you to get by with little or no down payment, making a down payment — or at least having the money available — is typically a good idea. This may help reduce the risk of having to sell your home for less than you paid for it or having to rent it out because you can't afford to sell it (i.e. down market).

### ★ RULE 4: CONSIDER YOUR JOB SECURITY

Household expenses consume more than any other expense category for many homeowners; add in the long-term commitment of owning a home, and the need for job security becomes pretty clear. You should try to limit your housing expenses to Basic Allowance for Housing (BAH) or 25% of gross income.

### ★ RULE 5: BE ABLE TO KEEP THE HOUSE FOR A LONG TIME

Getting stuck with a home you can't sell when you have to move can be a big blow to your financial well-being. Therefore you should think of homeownership as a long-term proposition. Three or four years might be long enough in some locations. In other markets it may take longer.

Of course, following these five rules doesn't guarantee financial success nor does breaking them necessarily doom you to a life of financial woe. Still, it probably won't hurt to keep them in mind as you look for a new house.

