

# How First-Timers Can Make a Wise Buy

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**Buying your first home is a big step and one that is likely to impact your financial future for years to come. Follow these steps to determine where to begin.**

## **How to Make a Good Buying Decision**

1. *Establish a Realistic Budget.* The costs of owning a home are more than meets the eye. In addition to mortgage, taxes and insurance, a little savings should be set aside for maintenance and unexpected emergencies. Remember, you will eventually need to repair or replace many items in the home, including appliances, HVAC and roof.
2. *Buy What You Need.* While real estate is often considered an excellent investment, it's important to purchase only as much home as you actually need. Bigger isn't always better; sometimes it's simply more expensive. Higher taxes, bigger insurance bills and more maintenance can eat away at even the best budgets.
3. *Plan for Growth.* First-time home buyers can also be too modest when it comes to purchasing their first house. If you intend to start a family, you may quickly outgrow the home. Plan for growth to ensure that you will be as happy in the home tomorrow as you are today.
4. *Understand Appreciation.* Although you don't want to base the purchase of your home solely upon appreciation, it's equally important to understand how the future value of your home is likely to impact your ability to move up later in life. When the time comes to sell, rent or exchange the current property, a home with long-term appreciation provides greater buying options in the future. Search for neighbourhoods expected to rise in value over time.
5. *Work with a Reputable Agent.* A great real estate agent or broker is often worth his or her weight in

gold, which is why you will typically find that investors would never think of going it alone. Unfortunately, many first-time buyers are under the mistaken impression that they can save money by helping the seller eliminate or reduce the commission. Research shows that this is rarely the case. Most agents help negotiate a lower sales price and ensure that funding, necessary paperwork and other important legal considerations are all taken care of.

### **How to Avoid the Most Common Buying Blunders**

1. *Get to Know the Neighbourhood.* One of the biggest mistakes new home buyers make is to fall in love with the home without taking the time to critically evaluate the neighbourhood. Do your homework to make sure schools, amenities and other important factors meet expectations. Remember, it's a decision likely to impact your entire family for years to come.
2. *Always Obtain an Independent Inspection.* Don't be penny-wise and pound-foolish by trying to save a few hundred dollars on an inspection. In fact, it's typically a good idea to pay out of pocket for additional inspections to ensure that you won't be confronted with expensive repairs or hidden defects.
3. *Obtain Insurance Quotes Prior to Making an Offer.* Obtain insurance quotes on each and every home of interest; two homes of the same age and quality of construction can differ dramatically on the cost of insurance coverage due to prior claims, neighbourhood and other factors. Calculate the total cost of home ownership, not just the minimum monthly mortgage payment, when comparing homes.

4. *Verify New Tax Rates.* Don't assume the tax rate enjoyed by the current homeowner will be your new tax rate; many areas have caps that limit the amount of property tax increases at any given time. If the seller has owned the home for several years, it is entirely possible the new tax rate may be substantially higher despite the recent reductions in sales price.

### **Where to Begin**

**If you have been contemplating the purchase of a home but aren't sure where to begin, it's actually easier than you might imagine. Just follow these simple steps to get started.**

1. *Sit Down and Put Two Headings on the Top of the Page: Needs and Wants.* Allow each person in the family to offer ideas about what is needed versus what is wanted. Common examples of needs might be a specific number of bedrooms or bathrooms for a growing family, a fenced yard for the dog and children to play, or a shed for holding gardening tools. Common wants might include a pool, a porch or a corner lot. Allow the needs and wants to reflect your specific desires and goals for the family for a minimum of five to seven years into the future.
2. *Get Prequalified.* Find out for certain how much you will be able to borrow and at what rate. Ask if you are eligible for any special programs to help reduce down-payments or other costs.
3. *Shop Online.* View properties in your price range and desired zip code to see what is available. Take time to explore nearby neighbourhoods to see if they will also meet your needs. Sign up for email notification of new listings in order to keep track of what is on the market.

4. *Find an Agent.* By this point you will begin to notice that some agents tend to specialize in your desired area of interest. Set aside time to call and email for more information. Remember, the agent is one of the most important

factors in the buying process. Many specialize in certain areas, work with specific lending programs or have other expertise that can make the difference between finding the home of your dreams versus living through a nightmare.

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