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Buying Your First Home

Decide When to Buy

Is this the time to become a buyer rather than a renter? Here are some issues to consider:

Basically, the longer you are likely to remain in a residence, the more advantageous it is to own rather than rent. If your job and family status are likely to be stable for the next few years, then your housing needs should also be stable. This means that it is time to think in terms of buying.

In general, if your salary just shot up by 20 percent or more, now is not the right time to buy a house. Instead, use the extra income to save up for a year for a down payment, and you will find yourself in a much better position to buy at that time.

(Note: the opposite advice applies if you have just received a one-shot bonus or capital gain. With a large lump sum, now is a good time to consider buying a house.)

Generally, if the price of a house is not more than 20 years' rent on a comparable residence, market conditions are reasonable for buying. Compare the rent on a residence with the price of a comparable home for sale, and figure out how many years of rent is represented by the house price. For example, if the house costs \$90,000 and a comparable residence rents for \$500 a month, then the house price represents $\$90,000 / \$500 = 180$ months = 15 years of rent. It is a good time to buy when this figure is less than 15 years. It is a good time not to buy when this figure is more than 25 years.

This simple formula does not apply to condominiums, because it does not include condominium fees. Personally, my inclination is to recommend that people who are buying their first home should shy away from condominiums altogether. Condominium complexes that appeal to first-time homebuyers have a tendency to turn into rental communities, because of the high degree of overlap between young renters and young buyers. Therefore, as an investment, condos can be highly speculative, and the price easily can go up or down 20 percent in a hurry depending on luck and timing.

Decide Where to Buy

The next big question about your first home is deciding where to buy. As the saying goes, what matters is, "location, location, location."

The first step is to identify a neighborhood where you would like to live. People take into account factors such as crime rates, school quality, commuting time, and neighborhood amenities. Also, families with young children want to make sure that there will be other

children in the neighborhood. List the criteria that are important to you, and focus on neighborhoods that meet those criteria.

Many people find that they cannot afford the perfect house in the perfect neighborhood. This means that you have to compromise. In the long run, most people find it easier to live with a less-than-ideal house in the right neighborhood than the other way around.

The best time to engage the services of a real estate agent is when you have identified the criteria that matter for you in choosing a neighborhood. Once you can articulate the factors that you consider important, the agent can tell you which neighborhoods meet your criteria and help identify houses that fit within your budget.

Make Sure You Get What You Pay For

You can remove a lot of the risks of buying a house by taking sensible steps well before the property changes hands. Issues that might be resolved easily if they are addressed early in the process can become very awkward as settlement gets closer.

When you buy an existing home, two precautions to take are to hire a real estate attorney and to hire an inspector. Spending between \$250 to \$750 for an attorney is a small price to pay when you're making the biggest investment of your life. Smart brokers always advise their buyers to have the home inspected by a professional inspector or someone you know is knowledgeable about construction matters and issues involved in residential properties.

When you buy a new home, keep in mind that many of the complaints that people have about new homes could be avoided by making small improvements in design. You can be much happier with the home that you buy if you understand design issues and work with the builder to implement designs that are right for you.

Moving Hints: From Packing to Paying

Finding a Moving Service

We recommend that you select a carrier five to eight weeks before you move. When talking with a potential moving company, keep in mind whether you are moving locally, intraprovincial (within a single province), or interprovincial (from one province to another). The type of move you are planning is important; it will determine what regulations, licenses, and pricing structures under which the van line must operate. Ask friends, your employer, and co-workers for recommendations, and check with the Better Business Bureau about the company's standing.

Get several written estimates. The only way to get an accurate estimate is for the mover to come to your home and see everything you want moved. Be sure to ask if there is a charge for an estimate. Remember, unless you get a binding estimate, the final cost may be higher than the original quoted price.

When comparing estimates, remember the cheapest company won't necessarily do the best job. If one firm's estimate is lower than the others, then find out why. Are the services and the mover's experience equivalent? Are all the estimates binding?

If one or more of your items requires special handling, like a piano, make sure that the mover has the experience and equipment to do the job. Find out what they will not move, generally high value items like coin collections, jewelry, or stocks and bonds. Movers also will not move dangerous items such as corrosives, explosives and other flammables.

To keep down the cost, dispose of unnecessary or hard-to-move items before you get an estimate. Reconsider taking appliances, motor vehicles (boats, campers, motorcycles, etc.). If you have been wanting a new refrigerator, now may be the time to sell.

Be sure you understand the moving contract. Write "subject to further inspection for concealed loss or damage" on the contract when you sign it to protect yourself in case you find damage while unpacking.

Ask to see a copy of the mover's annual performance report. Movers are required to provide information about past performance and complaint handling procedures. They are also required to provide you with a copy of your moving rights and responsibilities.

Moving

Make an inventory list and label the contents of all boxes.

When the van arrives at your new location, be ready to pay the charges so the crew can unload your shipment. Carefully check your inventory list and mark any discrepancies on the driver's inventory list before you sign it. Note any damage to the outside of cartons.

Unpack any items of high value, such as silver or works of art, immediately.

If you want the movers to unpack for you, be sure to inform them prior to delivery. Ask if they will dispose of empty cartons, etc.

Do-it-Yourself Packing

If you choose to use a moving company, you can save hundreds of dollars by packing some things yourself; however, the mover probably will not accept liability if the items you packed are damaged during the move when there is no visible damage to the exterior of boxes.

Pack heavy items in small boxes.

Protect mirrors, glass-framed pictures and artwork with a protective glass tape and bubble wrap.

Label all boxes clearly. Mark breakable items "Fragile."

Pack glassware in a carton specifically designed for that purpose. Pack plates on their edges, not flat.

Insure Your Valuables

There are three types of insurance coverage that are industry standards. Be sure to ask movers to price out all the options so you can make an informed decision. Make sure you understand claims procedures.

Full Value Replacement, provides the most comprehensive coverage (replacement or full repair) but requires a larger additional fee. Some movers offer special deductible options that cost less but may leave you paying for small losses outright.

Depreciated Value (or standard protection), an additional charge, insures your shipment based on the weight and value of your possessions; however, with this type of insurance, the mover is only responsible for the determined depreciated value of each item.

Basic Liability, is often included at no additional charge, but does not cover the full repair or replacement of a damaged article.

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