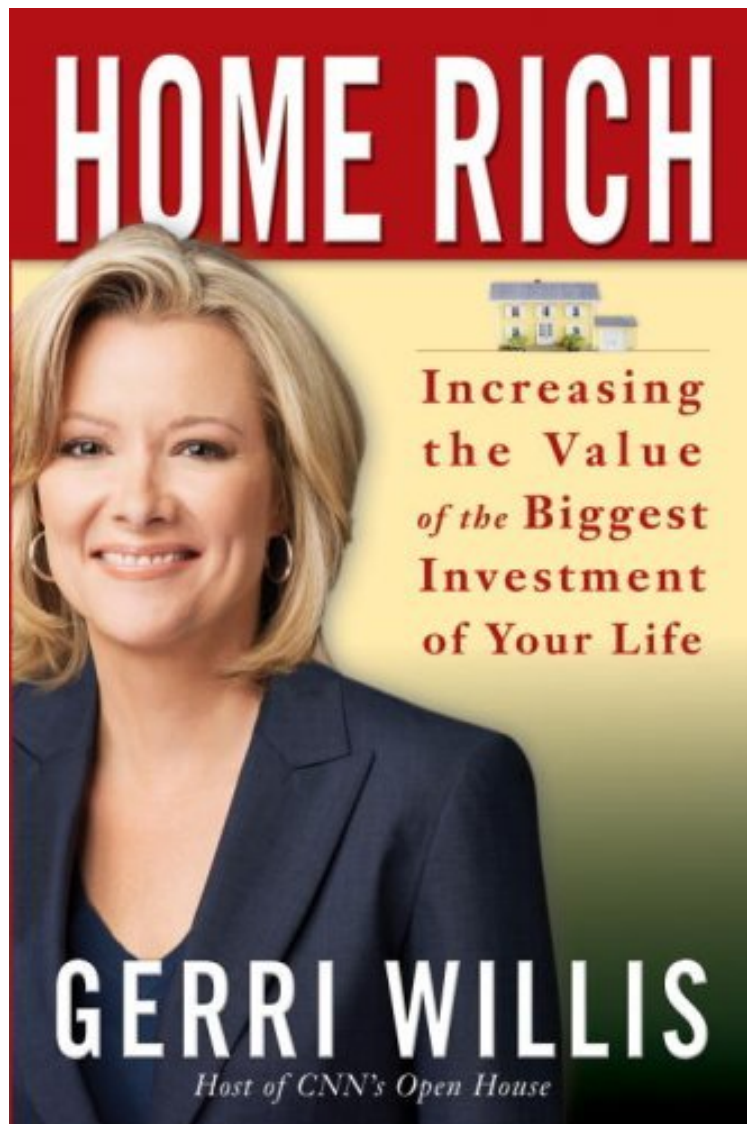


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## Home Rich: How to Buy, Manage, Improve, and Sell the Most Valuable Investment of Your Life

*Gerri Willis*

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**Gerri Willis : Home Rich: How to Buy, Manage, Improve, and Sell the Most Valuable Investment of Your Life** before purchasing it in order to gage whether or not it would be worth my time, and all praised Home Rich: How to Buy, Manage, Improve, and Sell the Most Valuable Investment of Your Life:

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Your home is the single most valuable thing you can own, yet making it pay can intimidate and confuse even the savviest investor. Now, in an indispensable new book, finance expert Gerri Willis leads you step-by-step through the entire experience of buying, maintaining, and selling a home, and shows you how to come out ahead; maybe even way ahead. Americans used to raise their families in one place, knowing that their homes would someday make them wealthy. These days, on average, people spend just nine years in a house; it's become a medium-term investment in a volatile real estate market. *Home Rich* is the first book that offers simple rules specifically designed for this brave new world of home buying and selling. Here are the ways to maximize your profit, from the time you get the keys to the time you hand them over. • before you buy: Learn about the best and safest loans available, how to finance and refinance them, and how to pick the right real estate agent (watch out for the "dual agency" when one agent represents both buyer and seller). • buy right: Understand what size home you need and can afford (it's the features and the fit, not the square footage), and check out location, location, location (a school system is a tip-off to a growing neighborhood). • keep up your investment: Make a checklist by season to determine maintenance expenses and find out how to protect against monster storms, mold, and vermin. • upgrade in ways that count: Be practical (an updated kitchen beats a Jacuzzi), discover the new green improvements, and plant the best trees and shrubs for your zone (landscaping can add 6 to 7 percent to the value of a home). • sell right: Inspect and repair, clear and clean, then set the correct price, advertise, and field the offers. *Home Rich* addresses the needs of homeowners in all regions and at all income levels, featuring helpful case histories, practical charts, and clear instructions. Gerri Willis has written a comprehensive, reader-friendly guide for creating a special personal space that you will love living in; and that others will also value and happily pay for when the time comes for you to sell. From the Hardcover edition.

From Publishers Weekly Written by the anchor of *Open House*, CNN's weekly half-hour real estate show, this book is like having a good friend on call to answer all of a first-time home buyer's questions about the process. Willis covers questions you might be embarrassed to ask: How much house can I afford? or What kinds of maintenance do I need to do to my home each season? Divided into four sections—Buying, Maintaining, Upgrading, and Selling—this book walks the reader through the whole process, from providing formulas to calculate an affordable mortgage to landscaping. (Willis provides tables that list names of shrubs and their growing regions.) Bold headers allow the reader to dip in to each section as needed. With a straightforward style and concrete advice—Willis doesn't just tell you that you should interview your real estate agent or general contractor; she lists the questions you should ask—this book will help those who are completely new to the housing market approach the field with confidence. (Feb. 26) Copyright © Reed Business Information, a division of Reed Elsevier Inc. All rights reserved. About the Author Gerri Willis is the anchor of CNN's weekend business program *Open House*, which provides how-to essentials on all things real estate. She is also the personal finance editor for *CNN Business News* and offers viewers worldwide financial advice in her daily "Five Tips" segment. Prior to joining CNN, she was the senior financial correspondent for *SmartMoney* magazine and a 1992 Columbia University Knight-Bagehot fellow. She is also the author of *The SmartMoney Guide to Real Estate Investing*. Excerpt. Copyright © Reprinted by permission. All rights reserved. 1 The Rules When Greg was transferred to Washington, D.C., his wife, Stacey, knew immediately she wanted to move to Fairfax County, Virginia. Her family had lived in the area for years and the commute into Washington was a breeze. Unfortunately, the couple had to start their search right in the middle of the spring buyers' frenzy and were competing with other families eager to get into a new home before the school year started. Soon after their search began, they discovered a neighborhood that boasted a pool and tennis club that residents automatically belonged to. And, days later, the couple walked into an open house for a cozy ranch with skylights and new carpeting in every room. The only downside was a strange mildewy odor; but the sellers assured them they had taken care of the

problem. The pressure to move quickly was high. Seven other couples at the open house were eager to buy. Greg and Stacey decided they would have to put together a strong offer quickly to compete. They bid the asking price of \$669,000. Stacey even wrote a thank-you note to the owners to improve the chances of their bid being accepted. The price tag was a little more than they had anticipated spending, but the two agreed they could afford their prize if they kept their spending on extras to a minimum. They won the bidding war, but just a month after they moved in, they discovered that the mildewy odor was a symptom of a much bigger water problem: water soaked the basement carpet. They gutted the room down to its studs and installed a new drainage system, as well as a new carpet, wainscoting, and furniture. But that was only a prelude to the problems created a year later by a massive rainstorm. "At five o'clock on a Sunday morning I heard water running," Stacey recalls. "I went downstairs, and it was like a levee had broken; there was water coming through the wall, up from under the floorboards, everything." Greg and Stacey worked like a bucket brigade emptying the house of water. More renovations ensued. In the first two years of owning the house, they had to replace several skylights, fix leaky soffits, and excavate the backyard to install French drains. The price tag—a total of nearly \$36,000—was sizeable and unexpected. Because the two were stretching to buy the house in the first place, they had little room in their budget to finance the repairs. Greg tapped his retirement fund to pay for the biggest repairs, but the problems left the family strapped. Had the two been in less of a rush and hired an inspector, they would have been spared the setback. Compare their situation with that of Ted and Barbara. At the time the two decided they had outgrown their Queens, New York, condo, the market couldn't have been more hostile to buyers. Prices were on the rise in Westchester County, where they had decided to move. Attractive homes were drawing multiple bids and bidding wars. If ever there were a time for buyers to hold up and wait, this was it. But the couple came up with a strategy that allowed them to find a home that fit their needs yet didn't break their budget. They started by investigating neighborhoods. They quickly ruled out the most expensive ones, such as Scarsdale and Bronxville, where competition was the most heated and the potential for overbidding high. And they knew they didn't want to move too far away from their jobs; Ted worked in Queens, while Barbara worked in Manhattan. When Ted's boss suggested they check out his commuter town, Sleepy Hollow, they liked what they saw. Prices in the town were high but not stratospheric. When they found a quaint bungalow with some maintenance issues, they pounced. Exterior paint was peeling and interior hardwood floors had been badly damaged by renters. The kitchen hadn't been updated in years. Rhododendrons had been allowed to grow nearly to the eaves, and the overall appearance from the outside caused many potential buyers to drive past without even seeing the interior. After confirming the house had no structural issues, the two decided to buy—driven mostly by the idea that the house was well priced for the neighborhood at \$475,000. Because the two were able to purchase the house at such an attractive price, they could spend money on upgrades. They had the cramped kitchen stripped out and updated with roomy oak cabinets and stainless-steel appliances. They repainted the house, warming up rooms with rich colors to replace the faded creams and whites. The floors were refinished. The exterior was painted a sophisticated gray-green and the shrubs trimmed or removed altogether. Within a few short months of buying, the house was transformed. "We were enthusiastically welcomed by our neighbors," said Ted. "Most commented they really had never been able to see just how beautiful the house was beneath all those overgrown shrubs. One neighbor even said she would have bought the house long ago had she known what was hidden beneath. That's a great feeling." After the two had completed the transformation of their home, they set their sights on a real eyesore house in the neighborhood to buy, fix up, and sell—an investment they never would have been able to even consider had they not bought so advantageously in the first place. Greg and Stacey's failure to investigate the musty odors they smelled during their initial visit ultimately cost them tens of thousands of dollars, stealing any money they might have used for upgrades, while Ted and Barbara's careful investment will likely reap strong returns. Most of the pair's gains will come from sweat equity, but it's no small part of the equation that they also simply bought right, hedging their risks by buying well within their budget and carefully choosing both their neighborhood and their house. Over the years, Americans have discovered that home ownership is one of the most reliable methods for building wealth in this country. You may have seen this firsthand in your own family. Did your grandparents retire on the proceeds of selling their house? Did Mom and Dad finance a second home or your education by tapping their home equity? A consumer survey regularly conducted by the Federal Reserve reveals that the biggest nest egg owned by people entering their retirement years isn't a 401(k) or IRA, it's their house. And it's little wonder that our homes are the single most valuable thing we own. A mortgage is an enforced savings plan. Unlike investing in your 401(k), for example, you can't stop paying your mortgage because there's another, more pressing bill on hand. But it's not just the consistency with which we pay for our homes that ultimately makes them an attractive investment. Home values have increased an average of 6.6 percent each year since 1968, according to the National Association of Realtors. That's less than the returns on stocks and bonds during the same period. But to make a true comparison, you need to take into account all the financial benefits you get from home ownership. The mortgage interest deduction is the fattest tax break most households enjoy. Plus, Uncle Sam also lets you exclude as much as \$500,000 in gains when you sell. The point isn't that you shouldn't invest in stocks or bonds—you should be well diversified,

and that means investing in all three: stocks, bonds, and real estate; but you need to think of your home not just as the place you live but as an investment you can use to your advantage. To be sure, real estate can experience negative price appreciation. Prices can and do go down as well as up. Still, housing returns over the long haul compare favorably with anything else you're likely to put your money into, plus there is also a unique advantage to investing in real estate: personal control. For most of us, mutual fund managers or brokers decide when to buy and sell our stock and bond investments, but with real estate, you decide when to get into a market or leave it. Likewise, you decide when to make upgrades to your home and how much to spend. You determine how much money goes into maintenance. It's these decisions that will make the difference between a poor investment and a great one. We live differently than our parents did; we move more often, we don't buy and hold for decades. For that reason, we have to be much savvier, whether we are buyers or sellers. The stakes in managing your investment intelligently are higher than ever because people stay in their homes an average of just nine years, according to the American Housing Survey for the United States: 2005. In other words, these days homes are more of a medium-term investment than a long-term one. That means if you make a mistake, time isn't on your side. Covering up mistakes becomes difficult because you won't have thirty years of appreciation to make up for a misstep. What's more, the homes you're likely to encounter when you buy may have few, if any, of the features on your wish list. The average home in this country was built thirty years ago, and its architects could hardly anticipate our desires for open floor plans and light-filled rooms, or the fact that many of our homes now accommodate multiple generations. This book will show you how to make smart decisions about your home, from buying it to living in it, changing it, and selling it. Home Rich presents a plan you can follow whether the market is rising relentlessly or falling fast. In the end, if you follow the rules of this book and manage your investment wisely, your home will become the best investment you ever make. To use this book effectively, you can either follow its advice through the entire process of home ownership or dip into it when you need help. It helps, though, to make the right choices from the beginning. Nothing is more important to becoming home rich than choosing the right home to buy in the first place. Price, of course, is critical. Pay too muc...