

Taxes & Investments Series

9 To-Do's When Buying A Home

With the ever-changing landscape of taxes, it is growing increasingly difficult to understand how legislation affects clients and could possibly impact their financial future. As a leader in the financial services industry for the past 30 years, we get it. That's why HD Vest Financial Services® is constantly seeking ways to share the latest knowledge with you. We've created the Taxes & Investments Series to share timely information and provide our Advisors and their clients with practical educational information.

Buying a home is one of the most significant purchases the average individual makes in their lifetime. Therefore, it's important to make smart financial decisions to help avoid any unnecessary costs. Below is a list of nine to-do's when buying a home:

- 1. Determine how much you can afford:** It is very easy when looking at houses to want to overspend. That is why it is important to determine how much you can afford in advance. Create a budget and find out exactly how much you can allocate to a mortgage. It is a good idea to do a test run for a few months where you live within your new home budget to be sure you can truly afford your desired home.
- 2. Pay down debt if necessary:** In order to obtain a favorable mortgage rate, most mortgages companies like to see a debt-to-income ratio of 36. That means that your monthly debt payments, including your new mortgage, divided by your monthly income is no more than 36% of your budget. If your new mortgage pushes you beyond 36%, consider paying down your other debt.¹
- 3. Check your credit score:** Once you determine how much you can afford to spend on a home each month, make sure you check your credit score to be sure everything is correct and to get a feel for what kind of rate you may expect. If there is anything incorrect on your report, contact the credit reporting agency to get it corrected.
- 4. Make sure you have an emergency fund:** In the event something unexpected occurs, it is important to have an emergency fund set aside so you can pay any outstanding bills. This will put you in a healthy financial situation before you buy your home.
- 5. Research types of mortgages and get pre-approved:** There are many different types of mortgages and it is important to research what they are and which one is right for you. You may enlist the help of a professional to determine which type is appropriate. Once you have determined the type, get pre-approved so you truly know how much you can afford.

- 6. Save for down payment and closing costs:** Most conventional mortgages require a 20% down payment and additional closing costs. Once you are ready to find your dream home, start a savings plan to pay for these expenses.
- 7. Research homeowner's insurance:** An additional cost of owning a home is homeowner's insurance. This insurance protects your property and in some cases people on your property should something happen. Costs for homeowner's insurance can vary depending on levels of protection, deductibles, and replacement costs of your home. It is important to research this in advance so you can add this as a line item in your budget.
- 8. Adjust your tax withholding:** If you have a mortgage, you may be eligible for additional deductions on your Schedule A that will reduce your required tax withholding. Work with your trusted tax advisor to determine if you should adjust your tax withholding.
- 9. Review the amount of your current life insurance policies:** Any time your liabilities increase, it is necessary to review your current life insurance policies to make sure your heirs are protected in the event something should happen to you. Ensure the death benefit amount, type of insurance and beneficiaries listed are correct.

By completing the steps above you put yourself on the path to financial success and may be able to save yourself from unnecessary higher expenses. Consult a qualified Advisor to help you along the way and make sure you make an informed decision before this important purchase.

If you are not currently an HD Vest Advisor but are interested in learning more about partnering with us to offer financial services, contact a Business Development Consultant at (800) 742-7950.

¹Source: <http://www.bankrate.com/finance/mortgages/how-much-house-can-you-buy--1.aspx>

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