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MARKET MATTERS: Turning home repairs into an investment

By Joseph Matthews

Our homes are one of the most personal investments we can make and can provide stability for long-term financial growth. As an investment, you may be thinking about ways to maximize your return on your home. Home improvement projects offer homeowners an option to increase their return on their investment, but just like any type of project, it requires thorough research.

Walk to the curb and take a long look at your house. How does it look? Fresh and well-maintained, or a bit under the weather?

The exterior may look the same as when you first fell in love with it, but it is important to examine things that could increase your home's value. Consider the exterior: are the gutters getting old and rusty, are the windows leaking, could the porch use a revamp or fresh coat of paint? If the exterior features of the property are not sharp and inviting, then that may be the place to start - many outside projects cost less than major interior remodels. The curb appeal can result in an increased listing price and a better return on investment.

Consider identifying priority projects before engaging in the frivolous expenses. Priority projects are considered necessities: leaking windows, broken or damaged roofing, sagging foundation - items that can save you money down the road if repaired or replaced early. Once you are ready to begin home improvement projects, remember cost-effective solutions. Determine whether something can be repaired or if it needs to be fully replaced - the latter can significantly increase costs. Repairing an item is always preferred, but just like your investment portfolio, it is important to recognize a lemon when you see one and consider swapping it out for a more long-term profitable option. Once you have selected which home repairs you are going to tackle, it's important to remember that before spending a penny, take emotion out of the equation. With any financial decision, home repairs included, it is important to view them through an

analytical lens and consider your financial goals. You wouldn't make a change in your portfolio without researching, so why make any impromptu decisions about your home renovations - especially since your home is an investment?

Like investing, home repairs will always have the pull of wants and needs. Beware of purchasing things that may not truly give you the best return. For example, turning your functional bathroom into a hot tub hangout may look good on television, but might not be the wisest use of capital.

The same goes for a complete overhaul of the kitchen. You're less likely to recoup your investment in a major kitchen remodel than you are to get back what you spend on basic home maintenance such as new siding. The projects that are most likely going to recoup 80 to 90 percent of the costs: minor kitchen upgrades, replacing siding, roofs or windows. These are the projects to focus on.

Kitchen and bath updates - fresh paint, updated lighting and finishes - do pay off. But often, the exorbitant price of major remodels simply are not recouped.

If you are not ready to tackle a large improvement or want to work on less expensive projects, there are several options for improving the look of your dwelling: fresh landscaping, new wall treatments, replacing carpeting with hardwood flooring, finishing your basement or attic, and similar projects can add potential value.

Lastly, it pays to remember that your location can have an impact on your investment. Remember to investigate the "comps" (comparable listings) in your area, as they can help you decide what projects to focus on, and how much to spend.

Investing in your home is similar to other investing. It requires research, a solid financial plan that accounts for variables, and shows you the best path to your goal.

Refinancing your mortgage or opening a home equity line of credit are popular ways to fund home improvement projects, but keep in mind the interest payments you'll be making.

Of course, the most prudent way to fund a remodel is saving up ahead of time and having the cash on hand. The good thing about putting your remodel on hold while you save up the money - besides saving on interest payments - is having more time to plan and shop for deals.

No matter how you pay for it, be sure to put together a budget and ask yourself how much you are comfortable spending on the project. Get ballpark figures and estimates

for how much everything will cost. Finally, consider building in at least 10 percent as a cushion, because unexpected costs can break a budget during a remodel.

Owning a home is one of the most important investments you'll ever make and improving on that investment can reap dividends.

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