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| PURCHASE OF NEW OR VACATION HOME GOAL FORM*The purpose of this form is to see what effect a housing change will have on your Retirement Update Letter. This is a Microsoft Word document to be filled out on your computer by you and your spouse. Do not print and fill out by hand. Various tables will have to be expanded to accommodate your additional information.*  |
| Client Name: | Spouse Name: | Date: |

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| **SUMMARY SECTION***This section shows the results from the steps below. Follow through the document to ensure that our understanding of your data is correct.* |
| *Ongoing Home Expenses*-*Shown in Step #11 –* The home being sold is guaranteed not to be identical to the new home purchased. Differences in size, location, condition, mortgage rates etc. mean that the annual cost will rise/decline $(step 11) over the current cost for every year residing in the new home. |
| *One-Time Expenses*-*Shown in Step #12* – There are numerous transition costs in prepping both the property to be sold in addition to the one to be purchased, along with countless fees and expenses along the way. Fortunately, this happens only once, meaning that there is projected to be one-time fees of $(step 12). Unfortunately, this one-time cost does not include the *Ongoing Home Expenses* in the previous line, meaning that in *Year One* $(step 12 +/- step11) in total will be needed to be paid. In *Year Two* and on, only the $(step 11) will need to be paid annually. |

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| **STEP 1 – POINTS TO CONSIDER***For areas of concern or interest, place an “X” in the adjacent box* |
|  | *Budgeting* – What should be the maximum mortgage payment given the suggested debt to income ratio? |
|  | *Budgeting –* What is the relationship between a home’s market value and one-time transition costs (fees, commissions, mortgage payoff, renovation & lost wages)? Is there a relationship which can be quantified in percentage terms? How will these expenses affect taxable assets in general and the emergency cash reserve in particular? |
|  | *Budgeting –* What is the relationship between a home’s market value and annual ongoing expenses? Is there a relationship which can be quantified in percentage terms? |
|  | *Credit History* – Is credit solid enough to obtain a mortgage at a reasonable rate?  |
|  | *Equity* – Will *Private Mortgage Insurance* *(PMI)* (not to be confused with *Mortgage Life Insurance)* be necessary? If required, how will this affect monthly payments? |
|  | *Growth* – What are the long-term growth trends for residential real estate? Can home appreciation be expected to outgrow inflation? |
|  | *Mortgage –* If purchase is not all cash, is there a preapproved mortgage in place? |
|  | *Mortgage* – How does a *Mortgage Life Insurance* provision (not to be confused with *Private Mortgage Insurance – PMI)* that pays off at death compare with a regular term/life insurance policy?  |
|  | *Planning –* If a vacation home, in addition to utilities, insurance, property taxes, what other costs will be incurred? Is it necessary to hire a caretaker? |
|  | *Retirement* – How will the purchase of a primary or second (vacation) home impact retirement planning? |
| *Additional Points or Comments:* |

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| **STEP 2 – CONSOLIDATE YOUR PAPERWORK** |
| The following documents are needed to proceed with this form. When finished send this form to Contour Financial*.* Your latest *Retirement Update Letter* will be updated and then rerun to assess the impact on your retirement projections. |
|  | Credit history report from Experian, Equifax and Trans Union. A free copy from each of the agencies can be obtained from [*Annual Credit Report*](http://www.annualcreditreport.com/). Any errors need to be cleared up immediately.  |
|  | [*FICO*](http://www.myfico.com/) score. This website has a calculator which shows what people with different FICO scores can be expected to pay in interest. |
|  | Appraisal for home to be sold or if not available, obtain from [*Zillow*](http://www.zillow.com/)*.*  |
|  | Current mortgage information |
|  | Value of home planning to purchase |
|  | Pending loan documents including all fees |
|  | Moving costs |
|  | Estimate of expenses for new home |

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| **STEP 3 – CALCULATE YOUR HOURLY RATE**  |
| **(Client Salary**1 | **+** | **Spouse Salary**1**)** | **/** | **(Client Hours**2 | **+** | **Spouse Hours**2**)** | **=** | **Hourly Rate** |
| ($ | + | $ ) | / | ( | + | ) | = | **$** |
| 1Annual compensation comes from last year’s W-2 form. If retired use last year of employment.2Annual hours worked comes from payroll records. If not available, use a best estimate. |

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| **STEP 4 – BACKGROUND INFORMATION** |
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| Address of Home Being Sold: |
| Address of Home Being Bought: |

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| **STEP 5 – PRIMARY MORTGAGE FOR HOME TO BE SOLD** |
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|  |  |  |
| --- | --- | --- |
| 1 | Current Mortgage Balance | $ |
| 2 | Monthly Payment Less Property Taxes & Insurance | $ |

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| **STEP 6 – SECONDARY MORTGAGE OR HELOC FOR HOME TO BE SOLD** |
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| --- | --- | --- |
| 1 | Current Mortgage Balance | $ |
| 2 | Monthly Payment Less Property Taxes & Insurance | $ |

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| **STEP 7 – MORTGAGE FOR HOME TO BE BOUGHT** |
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|  |  |  |
| --- | --- | --- |
| 1 | Amount of Mortgage Needed1 | $ |
| 2 | Projected Interest Rate2 |  % |
| 3 | Total Number of Payments3 |  |
| 4 | Monthly Payment Less Property Taxes & Insurance4 | $ |

1If unknown, Contour Financial will estimate the amount of loan required.2If unknown, Contour Financial will estimate the interest rate, or reference [*BankRate*](http://www.bankrate.com/)*.com*. Note that if loan value exceeds 80% of the property’s market value, Private Mortgage Insurance (PMI) will be required. PMI traditionally adds approximately 0.75% to the base mortgage interest rate. Reference *Bank Rate –* *The Basics of Private Mortgage Insurance (PMI).*3e.g. – For a 30-year term enter 360.4If unknown, Contour Financial will estimate the monthly payment. |

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| **STEP 8 – CALCULATE CHANGE IN ANNUAL MORTGAGE PAYMENTS**  |
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| --- | --- | --- | --- | --- | --- |
| **Description** | **Monthly Amount** | **X** | **Mth** | **=** | **Yearly Amount** |
| Step 5/Row 2-Sold Home-Primary Monthly Payment Less … | -$ | X | 12 | = | -$ |
| Step 6/Row 2-Sold Home-Secondary Monthly Payment Less… | -$ | X | 12 | = | -$ |
| Step 7/Row 4-Bought Home-Monthly Payment Less… | +$ | X | 12 | = | +$ |
| **Increase (+$) or Decrease (-$) in Yearly Mortgage Payments** | +/-$ |

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| **STEP 9 – UNDERSTANDING ANNUAL ONGOING NON-MORTGAGE EXPENSES** |
| Expenses are steep for the homeowner. History has shown that ongoing non-mortgage expenses average 8% of a home’s current market value annually. For example, an owner of a home valued at $300,000 can expect to pay approximately $24,000 annually in addition to mortgage payments. Although actual percentages can vary widely based on individual circumstances, this table provides an approximate breakdown. Compare this percentage to payments on the current home, and adjust as required.

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| --- | --- |
| **Non-Mortgage Housing Expense Description** | **%** |
| *Taxes*-Property | 2.5 |
| *Insurance*-Homeowners or Renters Policies Including Umbrella Policies | 0.5 |
| *Utilities*-Electric, Water & Sewer, Gas, Phone, Cable, Internet and Alarm | 1.5 |
| *Outside Minor*-Small Projects & Repairs, Mowing, Trimming, Snow, Association Fees and Supplies | 0.5 |
| *Inside Minor*-Small Projects & Repairs, Cleaning, Maintenance and Supplies | 1.0 |
| *Outside & Inside Major*-Large Projects & Repairs, Including Depreciation of Large Items1 | 2.0 |
| **Total Non-Mortgage Expense as a Percent of Market Value** | **8.0** |

1Some items occur regularly such as home cleaning services, landscaping services, snow plowing, supplies, etc. These are covered in the minor repairs & maintenance row of the table. Other expenses to keep the home current are periodic and very costly. As these expenses occur infrequently they are often discarded in calculations done by the homeowner. Yet when these one-time events are depreciated over their useful lives, they contribute substantially to the annual housing expense figure. Examples include new carpeting, wood flooring, bathroom remodeling, counter tops, cabinets, furniture, furnaces, air-conditioning units, sump pumps, refrigerators, ovens, stoves, microwaves, roofing, siding, painting projects, landscaping, decks, and other renovations. As an example, a new roof costing $20,000 and expected to last 20 years would depreciate $1,000 annually. A $1,000 expense will be added this year, regardless that the roof was bought 12 years ago and isn’t scheduled for replacement for another 8 years. This information was produced by research done at Contour Financial. |

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| **STEP 10 – CALCULATE CHANGE IN ANNUAL ONGOING NON-MORTGAGE EXPENSES** |
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| --- | --- | --- | --- | --- | --- |
| **Description** | **Market Value**1 | **X** | **Home Expense**2 | **=** | **Yearly Amount** |
| Home that is to be Sold | $ | X | .08 | = | -$ |
| Home that is to be Bought | $ | X | .08 | = | +$ |
| **Increase (+$) or Decrease (-$) in Annual Housing Expenses** | +/-$ |

1If there is no firm pricing yet, refer to [*Zillow*](http://www.zillow.com/).2Calculated in Step #9. |

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| **CONCLUSION-STEP 11 – TOTAL CHANGE IN ONGOING HOME EXPENSES** |
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| --- | --- | --- | --- | --- | --- |
| **+/-** | **Step 8-Change in Annual Mortgage Payments** | **+/-** | **Step 10-Change in Annual Ongoing Non-Mortgage Expenses** | **=** | **Change in Total Annual Ongoing Expenses** |
| **+/-** | $ | +/- | $ | = | +/-$ |

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| **CONCLUSION-STEP 12****ADDITIONAL TO STEP #11, *ONE-TIME EXPENSES* TO BE PAID THIS YEAR** |
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| --- | --- | --- | --- | --- |
| **Description** | **Calculated** | **Input Amount** |  | **Amount For Year** |
| *Sold Home-*Sale Price  | Step 10/Row 1 | ======= | = | == | = | -$ |
| *Sold Home-*Commission1 | Step 10/Row 1 X 6.0% | $ | X | .06 | = | +$ |
| *Sold Home*-Closing Costs2 | Step 10/Row 1 X 3.0% | $ | X | .03 | = | +$ |
| *Sold Home-*Prepping Property for Sale3 | Step 10/Row 1 X 2.0% | $ | X | .02 | = | +$ |
| *Sold Home-*Potential Capital Gains4 | See Footnote | $ | X | .15 | = | +$ |
| *Old Mortgage*-Primary-Payoff Current B | Step 5/Row 1 | ======= | = | == | = | +$ |
| *Old Mortgage*-Second-Payoff Current B | Step 6/Row 1 | ======= | = | == | = | +$ |
| *Bought Home*-Sale Price | Step 10/Row 2 | ======= | = | == | = | +$ |
| *Bought Home*-Closing Costs5 | Step 10/Row 2 X 3.5% | $ | X | .035 | = | +$ |
| *Bought Home*-Prepare & Renovate6 | Step 10/Row 2 X 10% | $ | X | .10 | = | +$ |
| *New Mortgage*-Amount of Loan Needed | Step 7/Row 1 | ======= | = | == | = | -$ |
| *Transition*-Moving Costs7 | Step 10/Row 2 X 1.0% | $ | X | .01 | = | +$ |
| *Transition-*Lost Personal Time & Wages8 | Step 3 X Estimated Hrs | $ | X | 250 | = | +$ |
| **Additional One-Time Expenses To Be Paid This Year** (in rare cases may be negative)9 | **$** |

1Usually 6 percent, but commissions vary. Reference *BankRate.com – Real Estate Agent Commission: The Cost of Selling Property.*2Approximately 3% of the sale price of the home. This charge covers fees such as *Escrow, Home Owners Association Transfer, Lien, Notary, Pre-Inspection Report, Recording, Release,* and *Title* fees at 2%. This also includes *Concessions* and *Warranty expenses*, which can be 1%. Reference *Realtor.com – Costs of Selling a Home: How to Estimate Closing Costs and Net Proceeds.* 3Varies according to condition of the home, but even if home is in good shape, curb appeal is important. Items include Painting, Window Washing, Minor Repairs, Staging and Landscaping. Reference *NOLO.com – Home Seller’s Checklist: Expenses to Expect When Selling Your Home.*4Net of expenses, if profits exceed $250,000 if single or $500,000 if married filing jointly on the sale of the home, capital gain taxes will need to be paid. For a rough estimate, take the net profits over $250,000 or $500,000 and multiply by the capital gains tax rate. Reference – Search for *IRS.gov – Publication 523-Introductory Material.*5Between 2% & 5% of the purchase price of the home, averaged to 3.5%. Charge covers fees such as for *Application, Appraisal, Closing/Escrow, Courier, Credit Report, FHA Up-Front Mortgage Insurance Premium (UPMIP)*, *Flood Determination/Life of Loan Coverage, Home Inspection, Homeowners Insurance Pre Pay, Lenders Policy Title Insurance, Lead Paint Inspection, Loan Discount Points, Owner’s Policy Title Insurance, Origination, Pest Inspection, Prepaid Interest, Private Mortgage Insurance (PMI), Property Tax Due, Survey, Title Company Search, Underwriting* and *VA Funding*. Reference *Zillow.com – What are Closing Costs and how Much are They?* 6Although not buying a fixer upper, expenses in getting any high-quality home in line with personal tastes need to be included. Costs of new flooring, window treatments, painting, furniture, appliances and landscaping are a few examples. Also include unforeseen repairs (guaranteed to have some) and other miscellaneous items. Use 10% of market value. Although seems high, this percentage is based on extensive past client records of home purchases, for any home new or old. If home is in less than optimal condition, this percentage will rise, perhaps significantly. If uncertain, contact a contractor before buying in order to get a firm handle on costs. 7Average moving costs are $3,300 ($4,300 interstate & $2,300 intrastate), while the average home costs $287,000. Therefore, moving costs come to roughly 1% of market value. Use either the bought or sold home for market value, whichever is greater*.* Reference *My MyMovingReviews.com –* *What is the Average Moving Cost* and *HomeAdvisor.com – How Much Does it Cost to Build a House*.8Time is valuable, so factor in lost time both professionally and personally. Think of all the time needed from house hunting to putting final decorating touches in place, and the myriad of small tasks in between. How many hours just to declutter existing home?**9In year one this figure will be in addition to the yearly amount in step #11. In years two and later, only the expenses from step #11 will be applicable.** |