Plan for Home-Buying Success, Not Paralysis

Buy | By: Anne Miller

It's hard to balance your needs, wants and finances—almost every aspect of your life—when buying a new home. The sheer range of choices and decisions can lead to "paralysis by analysis" for prospective home buyers.

Overanalyzing when buying a home is perfectly understandable, but the crucial question is: How can you get past it?

Stay organized

List what you're looking for in a home, then divide the items into "wants" and "needs."

These items should include your preferred location, home style, size and features, or proximity to friends, work and shopping. Keep this list handy when looking at homes.

Create a list for each aspect of the buying process, and then break out your options and what you hope to get out of each stage. For example, consider the professionals (e.g., REALTORS®, lawyers, mortgage brokers and engineers) you will need to consult. Jot down thoughts on the help you'll require from each of the experts, and then update your notes with the advice they give you.

If you're debating on where to compromise on your home—and if the property is worth it—the experts can help you decide.

Taking some time to think through your concerns and needs, and how to get answers to your questions, can help give your search direction—and ensure you don't forget anything important.

Balance sheet

The financial aspects of buying a home can be daunting, particularly as you try to figure out what kind of house you can afford.

Start by examining your current income, assets and liabilities, and then consider your needs in the immediate and near future. Will you need to pay for preschool, college or retirement?

Consider future sources of income, including any expected promotions or other salary increases.

Weigh the costs involved in purchasing and maintaining your new home, including tax and insurance.

Apply the 20/28/36 rule: Aim for a 20% down payment, then assume a mortgage not more than 2% of your gross monthly income and monthly expenses that hover around 36% of your gross monthly income.

These are guidelines, not rules—there may be valid reasons why your percentages vary—but these simple ratios can guide your decision.

Fear of the future

Finding reasons to worry is easy.

It's natural to fret over making your mortgage payments, whether the place you buy will meet your needs in five years or 10, or whether your investment will increase in value.

Some fears are easier to deal with, such as managing your money well so you can afford to pay off your mortgage. Seeking professional financial advice may help put your mind at rest in this regard.

Interest rates and property prices are beyond your control. However, your best hedge against the future is to keep your home in good condition for when you decide to sell it. Quite often, a well-maintained home will attract a buyer.

As for the difficulty in predicting what your personal situation will be—whether you will have a partner, children or parents to care for—this is where you need to just close your eyes and leap.

Trust that all of your preparation and homework have led you to make the best possible decision you can. That's the best anyone can do.

And it often works out just fine.

Based on an original article by Ben Apple