



Developing a Financial Action Plan to Buy Your First Home



HOST: Stephanie Treasure
Publisher, Jamaica Real Estate Guide



GUEST: Cherryl Hanson Simpson
Personal Finance Consultant & Money Coach

This Action Guide is presented by
Jamaica Real Estate Guide, *Serving Jamaica's Real Estate Marketplace*

Website: <http://www.JaRealEstateGuide.com>

YouTube Channel: <http://www.YouTube.com/JaRealEstateGuide>

Facebook Fan Page: <http://www.facebook.com/JamaicaRealEstateGuide>

Twitter: <http://www.Twitter.com/JaRealEstate>

Financially Free Network

Financial resources for you! - www.financiallysmartonline.com

FREE money advice! - <http://financiallysmartadvice.com>

Follow us on Twitter! - <http://twitter.com/FinanciallySMRT>

*** INTERVIEW ACTION GUIDE ***

Developing an action plan towards the purchase of your first home

Question [Stephanie Treasure]: *What is the biggest obstacle towards buying a home in Jamaica, besides coming up with the down payment? I know it's doable because many people have done it, but what really prevents some of us from ever reaching that goal?*

Answer [Cherryl Hanson Simpson]: Most persons don't realize that getting what they want out of life is not as hard as they think. However, many people never succeed in owning a home or in getting other goals because they don't work out a plan of action to get it. Here are some key steps to achieving any goal:

1. Envisioning your dream, which is the ability to create a vivid image of something that has not yet occurred, is the first task in goal attainment. You should be able to see in your mind as if it already existed. Visualize yourself in your own home – what do you see around you, what do you hear and smell? Use all your senses to actually feel the experience of living in your house.

2. Then you need to express the vision in your mind in a tangible way on paper. You must clarify what your dream entails and when you want it to come into being. This is what transforms a dream into a goal. You need to set SMART objectives to achieve your dreams. Goals that are more likely to be attained are specific, measurable, actionable, relevant, and time-based. If you say "I want to own my own home someday," that's only a vague wish. To express your dream as a SMART goal you could state "In two years time, I want to purchase a two bedroom house in St Catherine valued at \$7 million dollars."

3. Just setting a goal is not enough; you have to figure out the steps you need to take to achieve your objectives. To create a workable action plan, you should get help from an expert advisor. You will need to calculate how much money you will need to save over time to get the downpayment for the house, and decide on an investment strategy that will work best for you.

4. Dreaming big and making plans won't get you to the goal line if you don't act immediately, enthusiastically and consistently, so you need to commit at once to do something to further your goal. Call a realtor or visit the National Housing Trust to become compliant - take some small step to let your brain know you are serious. Keep going despite the setbacks, obstacles and negativity that you might face in your quest for home ownership. Be realistic about how long it will take, be flexible and realize that there may be more than one way to achieve your goal.

Question [Stephanie Treasure]: In the throes of an economic crisis when there is insecurity, increasing oil prices which affect our monthly utility bills and more, what advice would you give to someone to stay on track with their financial goals and deal with the present situation at the same time?

Answer [Cherryl Hanson Simpson]: In these challenging times, it really is much harder to find the money to stay on track. The only solution is to look for ways to earn more money. Apart from the fact that many people do not earn enough from a regular salary to cover their basic expenses, they need to generate more money in order to achieve their financial goals.

To create extra income when your time and other people's money are in short supply, you have to get creative. Look around your workplace, school, community or church for opportunities. Are people having problems that you could solve? Can you introduce a product or service that would make their lives more comfortable or convenient? Do you have any natural talents that can be used to generate income?

Question [Stephanie Treasure]: How can you determine how much house you can afford? Is it as complicated as most people think?

Answer [Cherryl Hanson Simpson]: It's important to examine all the costs of buying a home to see if you can really afford it.

1. Upfront costs:

Down payment- This will be your biggest initial cost in trying to buy your home. Estimate that you'll need to have 15%-20% of the property cost in hand before you're ready to purchase.

Closing costs can vary, depending on if you're buying the property with a mortgage or not:

- a) Attorney's fees: preparing the sales agreement, fee for transfer, preparation of closing documents, miscellaneous charges;
- b) Government fees: stamp duty, registration fee, stamp duty on mortgage document;
- c) Professional fees: valuation report, surveyors ID report;
- d) Mortgage processing fees: commitment fees, mortgagee's attorney fee.

2. Relocating costs:

Moving to a new home usually brings many added expenses. You may need to make repairs or enhancements to the house, and you may require new furniture and appliances. Remember to factor in the cost of delivery of your possessions. Calculating your relocating expenses can be tricky, as many times hidden costs crop up that were not planned for. It's best to add a 5%-10% contingency figure to your relocating budget.

3. Recurring costs:

Even if you have a lump sum to take care of your deposit, closing costs and relocating expenses, if your income doesn't allow you to cover the recurring costs of home ownership, you could be heading for financial trouble. Some of the costs to consider are:

- Mortgage payment- These must be paid on time or you may be in danger of losing your investment.
- Peril insurance premiums- The mortgage company will require you to insure the property for the value of your mortgage. These costs are usually included in your monthly mortgage payments.
- Life insurance premiums- Most mortgage companies require you to insure your life to the value of the mortgage, so that in the event of your death, your indebtedness will be cleared.
- Home insurance will help to ensure that you're able to replace your home in the event of a disaster.
- Strata fees- If you're buying into an apartment or townhouse complex, you'll be required to pay a monthly maintenance charge.
- Property tax- Don't neglect to pay your taxes, as there are extra charges for late payment and it will have implications when you want to resell.
- Security, maintenance, emergency repairs- These should also be considered when budgeting for your home.

Now that we have reviewed some of the major costs, how do you know if you can afford to buy? The first step is to obviously accumulate the funds needed for the upfront and relocating costs. The more difficult decision is if you can afford the recurring expenses. As with any other financial decision, you have to use a budget to see if your income is capable of meeting all of these additional expenses.

Question [Stephanie Treasure]: Do you have any resources that people listening to this call and use to supplement what they learnt from you today and take action towards buying their first home?

Answer [Cherryl Hanson Simpson]: Yes we do. We have a home goal checklist that helps you to itemise the different costs involved in purchasing a home. We have also designed a real estate calculator where you can calculate all the real estate transaction fees involved in buying or selling a property in Jamaica. Our personal budget form can also help you to streamline your finances to be able to afford your home. You can email advice@financiallysmartonline.com to get these free tools.