

## Are You Ready for a Second Home?

*By Marcus McCue, Executive Vice President & Chief Business Development Officer, Guardian Mortgage Company, Inc.*

For so many Americans, there comes a stage in life when purchasing a vacation or second home becomes a tangible opportunity. Depending on your situation, a second home could make sense for a variety of reasons, such as an investment property, a home for your retiring parents, or even as a vacation getaway home for you and your family.

A second home is a great way to expand your real estate portfolio and increase your overall investment profile. However, second home ownership isn't for everyone. Before you consider investing in an additional property, ask yourself a few questions and establish your ability to handle such a long-term investment.

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### **Questions to Ask Yourself Prior to Buying a Second Home**

Whatever your reason for considering the purchase of a second home, there are a few questions you should ask yourself before beginning the process.

#### 1. Are you ready for the commitment?

Unlike a gym membership where you can always cancel your subscription when your best intentions don't result in a long-term commitment, if you don't like how things are going with an additional property, it's not something that is not easily canceled, returned or liquidated. Owning a second home is a significant investment that requires true commitment.

This commitment includes the additional financial obligation of repairs, maintenance and furnishings – or the role of landlord for you or a property manager if you chose to outsource those responsibilities.

#### 2. A vacation or destination home for your family also will require a time commitment. Work and personal schedules full of meetings, travel, sporting events and other activities must be considered. You don't want to come to a post-purchase realization that your busy lives don't provide the opportunity to use the home as intended. How will this purchase impact you financially?

Unfortunately, many homebuyers only consider the down payment and monthly payments when it comes to purchasing an investment property. However, there are additional expenses such as property tax, insurance and utilities that must also be taken into budgetary consideration.

The generally accepted rule of thumb is to set aside 1 percent of the purchase price of your home each year for repairs and maintenance. That means, for example, that if you paid \$300,000 for your second home, you should tuck \$3,000 a year into a special bank account meant for home repairs or related emergencies. (Saving a little each month tends to be easiest.) Add a little extra to that estimate if the home is more than 10 years old.

If the home is more than a couple hours from your residence, you should consider the cost of travel to and from the property. A home within reasonable driving distance still incurs the cost of gas and auto maintenance.

3. Is this investment worth the money?

If you're looking at it as a vacation home, decide if this is a location you are comfortable with coming to for more than 65 percent of your vacations. If you aren't, then you're probably better off renting a property, as the return on investment wouldn't be there.

If the property is more of an investment or rental property, make sure the home is located in a high-demand, financially sound area. Work with your real estate agent to find areas where rental properties are in demand and you will have the ability to sell the property within a reasonable amount of time should the need arise.

With housing market stability returning and interest rates remaining low, now is a great time to consider a second home investment. But before you crawl the Internet in search of a great deal, make sure you are truly the right candidate for second home ownership.

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