



## **Buying a Home Can Make You Rich Slowly**

David Bach's latest book, *The Automatic Millionaire* Homeowner, speaks to the question about real estate values today.

Buying a home is the smartest investment you can make during your lifetime, according to Bach.

"According to the National Association of Realtors, the median home price in America hit \$220,000 in August 2005--a more than 55% increase in less than five years," he writes.

And while experts warn that the real estate market might be overheated, he dismisses naysayers. It doesn't

Dickson Development Corporation offers to our clients the service of building a new home or remodeling an existing home. The following discusses the role of remodeling. Whatever your building needs, we at Dickson Development want to be your builder.

### The Value of Remodeling

Among the many virtues of remodeling your home, one of the most prominent is the ability to update or remake your living space without the expense and hassle associated with moving to a different home in order to suit your lifestyle needs.

Sure, any remodeling job costs money, but how does that expense compare to the process of moving to another house? Considering various real estate, utility, title insurance and mortgage fees related to the selling and buying of two properties (your existing home and the one to which you're moving), there's also the likelihood of a more expensive home with a heftier monthly mortgage payment (including higher taxes and insurance premiums), the costs of moving your belongings and probably a few cosmetic changes at the new place.

Even if you need a home equity loan or other financing to pay for the remodeling it is possible your current mortgage holder is likely to offer an attractive loan program with more favorable terms (and less time, hassle, and extra processing fees) compared to a completely new mortgage loan package associated with buying a different home.

Even the little stuff adds up: While you may have to order in or eat out while your home is being remodeled, that cost pales in comparison to the myriad of expenses associated with moving your entire household to a new address.

matter if prices are up or down right now. Over time, they will likely go up steadily, he says.

U.S. real estate values have been going up steadily for nearly four decades--an average of 6.3% a year since 1968, according to the National Association of Realtors.

But let's be clear: There's nothing "automatic" about becoming a millionaire by purchasing a home. Bach does not fantasize about getting rich overnight in real estate. Neither should you.

This is about investing in real estate over the long haul. In Bach's scenario, you live in the house or rent it out for a period of time, possibly years. You're not buying a house just to flip it and make a quick buck.

All of those numbers still don't include the time required to meet with real estate agents, mortgage brokers, and title officers, not to mention the time to get your house in shape to "show well" and inspire a buyer, and the time to search for a new place to live, and pack up and unload all of your stuff.

In addition to money and time, there are other considerations to calculate. Even if all of the expenses associated with moving to a different home match up with the cost of remodeling your existing home, you may be giving up precious "intangibles," such as a neighborhood that's close to your work, schools, shopping, and other amenities; the new house, in fact, may be farther away from other aspects of your lifestyle, resulting in more commute...and gas money.

In addition, your existing house may be in an area of town in which home values are appreciating at a steady rate, whereas the location of the new home may not be as favorable or mature in that respect. In the long run, you may be losing money, or at least not building equity as fast as you might by staying put and improving your existing home; your remodeling project, if fact, is likely to boost your home's value even more than normal market conditions and appreciation.

Add it all up, and you might be surprised to find the balance of even an extensive remodeling project, such as a room addition or kitchen renovation, is a more affordable option than moving to a new or different home.

Warm regards,

*Richard*

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