

New home owners must budget carefully

New owners are often taken by surprise at the additional costs that come with a home and need to carefully consider their budget before becoming over-indebted with unnecessary expenses such as new furniture.



Image: www.freedigitalphotos.net

"While it is very exciting to take ownership of your first house you need to take particular care to budget as a new home comes with lots of new expenses," says Dr Simphiwe Madikizela, head of projects at FNB Housing Finance.

In FNB Housing Finance, FNB's affordable housing division, 96% of all purchases are first-time buyers.

"First time home owners are not always aware of the additional cost pressures that come with home ownership," says Madikizela. "One of the most common mistakes we find is that new home owners, in their excitement, acquire unnecessary and dangerous amounts of debt buying furniture on account."

Plan accordingly

Don't be tempted to buy everything for your house on hire purchase.

"What you may not realise is that these furniture accounts can lock you in for another 12 to 24 months before you are able to pay them off," warns Madikizela. "This causes a great amount of unnecessary pressure on your budget and could put you at risk on defaulting on the more important costs, such as the bond."

Look at borrowing the bare essentials or get family to donate old furniture that you will need to start off.

"Taking your time buying furniture, hunting for second hand items and the best deals," suggests Madikizela. "And save for special items that you may want rather than buying them on account."

There are a number of costs that are unavoidable and it is necessary to budget for over and above bond repayments.

These responsibilities include water, lights and municipal rates. Water and electricity will be a factor of your own usage but

municipality rates are the taxes that are paid to the municipality for providing essential services such as road maintenance. This is a fixed cost depending on your building size.

Home owners insurance will also be a new bill. It is important that the structure of your home is insured. It is also a good idea to insure your home contents and work this into the household budget.

"Another cost that new home owners don't take into account is the ongoing maintenance of a property," says Madikizela.

Properties require care nearly all the time as wear and tear take effect, so consumers need to be budget for this on an ongoing basis. It is critical to take care of the smaller problems, such as a leak, before they develop into a bigger problem and put the value of your property at risk.

"While it is easy to be swept away in the excitement of owning your first home, do your sums and don't be tempted to load yourself up with unnecessary debt," concludes Madikizela.

For more, visit: <https://www.bizcommunity.com>