

TAKING THE PLUNGE: AFFORDING YOUR BIG SUMMER DREAMS

As the thermometer creeps up after a tough winter, thoughts turn to summer fun and the splurges you've always dreamed of taking – a pool, a boat or possibly the vacation home of your dreams. This may not be the year to buy, but it's certainly a great time to start planning. It makes sense to consult a financial planner before you make a move.

Buying a vacation home: Many of us have taken a vacation and found an idyllic spot where we'd love to retire, spend the weekend or telecommute. Some people have actually bought property spontaneously *while* on vacation – and while that's not always a horrible idea, it is better to have a strategy:

- *Know where the money's coming from.* There are plenty of people who finance second homes out of the equity from their first home, but given today's slow real estate market, it's a risky option. Before you even start looking for a property, think about what a second home purchase will do to your overall financial picture. Many lenders require buyers to put down at least 20 percent on a second home. Keep in mind that your primary home lender may not want to tackle a vacation home mortgage. While you're planning, clean up your credit first, shop your lending options and get pre-approved.
- *Understand what you're buying.* Even if you haven't pinpointed a specific home or condo, you need to understand all the cost and environmental issues of owning property in that community. You need to know appreciation rates on similar properties and if there are plenty of sale signs nearby (do people want out?). You need to know about all the potential environmental risks to your property from hurricanes to earthquakes to mold.
- *Planning for upkeep, insurance, taxes:* An unattended structure is subject to crime as well as wear and tear that can accelerate when owners aren't present daily. Talk to your insurance agent about insuring out-of-town property. Also, while there are often qualified paid caretakers in vacation communities to help protect and maintain your property, they can be expensive and you need to make sure they're bonded. Think of anything terrible that can happen to a property and then plan solutions – before you buy. And don't forget the cost of property taxes.
- *Are you going to rent or occupy?* Renting out a vacation home is a good way to cover some of the cost, but lenders often factor in a 25 percent vacancy rate when determining your qualification for the loan. Plus, you have to play landlord with people you may never meet, and that can be risky. Rental property is a business, so treat it as such.

Buying a boat: Whether you grew up on the water or have simply found the notion of owning a boat romantic, boating requires careful study and a plan. For starters:

- *Know the kind of boating you want to do.* You need a different boat if you live by the ocean than someone who lives by a man-made lake. Boat choices are not only dependent on cash, but how and where the boat will be used and your personal skill in piloting and maintaining the craft.
- *Discuss insurance first.* Motorcycle and boat owners know their fun isn't cheap. Most boat insurance covers physical damage to the hull, sails, machinery, furniture, and installed equipment

as well as perils including vandalism, malicious mischief, injury to boat repair people and even damage that results from workmanship defects. Additional coverage is available for damage caused by uninsured boaters or coverage for your personal property or fishing equipment. A small boat may be covered under your homeowner's policy, so check.

- *New or used:* Like cars, many people consider used boats because they're cheaper and the best models hold their value. Boat financing is generally easier to find for new models, but check the recall record on the model you're buying and talk to lenders about financing before you buy.

Buying a Pool: On a 90-degree day, pools are great. But they can be expensive in terms of time and money:

- *Above-ground pools are cheaper:* If you're handy, you can install an above-ground pool for less than \$2,000. In-ground pools typically are installed professionally from materials ranging from pre-formed stainless steel to concrete and start around \$5,000. That doesn't include additional expenses for cleaning, security and pool chemicals.
- *See if a pool adds value:* Not every addition adds value to a home. Check with local real estate agents to see if a pool will actually attract buyers in your area.

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