

Are you Financially Prepared?

Certain things in life are done one step at a time. Putting on your socks before your shoes for example. There is usually a good reason for the steps involved. Before you jump headfirst into home ownership take a look at your whole financial picture. No one can do this but you. No one else will care how the purchase of a home will affect your particular situation the same way you will.

What Are Your Spending Habits?

Most people have a spending pattern. They earn an income each month and either spend all of it, some of it, or maybe even more than they are earning. The average American saves less than 5% of their take-home income. This is considerably less than the average industrialized country. If you intend to buy a home, it is best to be the type of person who consistently saves more than 5% of their income.

First, you need to save money for a down payment. You can try to obtain the money you need from relatives. Unless you are putting down at least 20%, most lenders will require that you have at least 5% of your own money into the purchase. With some relatives there can be strings attached to a gift, so make it clear up front if there is anything expected of you.

After you buy your home there will be additional expenses each month. If you have already developed a pattern of setting aside money to go into savings, it will be less difficult to come up with the extra money needed for these additional monthly expenses.

Collect the data

Go over your spending habits for at least a 3-month period. Analyze what you are spending in a typical month on housing, clothing, and other miscellaneous expenses.

Once you've collected your spending information, take into consideration what new costs will occur after you purchase the home, such as transportation. Use the following table to assist you in this task.

Item	Current Monthly	Expected Monthly
Gross Income	_____	_____
Taxes		
Social Security	_____	_____
Federal	_____	_____
State/Local	_____	_____
Housing Expenses		
Rent	_____	N/A

Mortgage	N/A	_____
Property Taxes	N/A	_____
Gas/Electric/Oil	_____	_____
Water/Garbage	_____	_____
Phone	_____	_____
Cable TV	_____	_____
Furniture/Appliances	_____	_____
Maintenance/Repairs	_____	_____

Food and Eating

Supermarket	_____	_____
Restaurants and Takeout	_____	_____

Transportation

Gasoline	_____	_____
Maintenance/Repairs	_____	_____
Registration Fees	_____	_____
Tolls and Parking	_____	_____
Bus or Subway Fare	_____	_____

Appearance

Clothing	_____	_____
Shoes	_____	_____
Jewelry	_____	_____
Dry Cleaning	_____	_____
Haircuts	_____	_____
Makeup	_____	_____
Other	_____	_____

Debt Repayments

Credit/Charge Cards	_____	_____
Auto Loans	_____	_____
Student Loans	_____	_____
Other	_____	_____

Fun Stuff

Entertainment	_____	_____
Vacation and Travel	_____	_____

Gifts	_____	_____
Hobbies	_____	_____
Pets	_____	_____
Health Club or Gym	_____	_____
Other	_____	_____

Advisors

Accountant	_____	_____
Attorney	_____	_____
Financial Advisor	_____	_____

Health Care

Medical	_____	_____
Pharmacy	_____	_____
Dental & Vision	_____	_____
Therapy	_____	_____

Insurance

Homeowners/Renters	_____	_____
Auto	_____	_____
Health	_____	_____
Life	_____	_____
Disability	_____	_____

Educational

Courses	_____	_____
Books/Supplies	_____	_____

Kids

Day Care	_____	_____
Toys	_____	_____
Child Support	_____	_____

Charitable Donations

_____	_____	_____
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Other

_____	_____	_____
_____	_____	_____

Total Spending	\$ _____	\$ _____
Net Income*	\$ _____	\$ _____

*total spending obligations subtracted from Gross Income