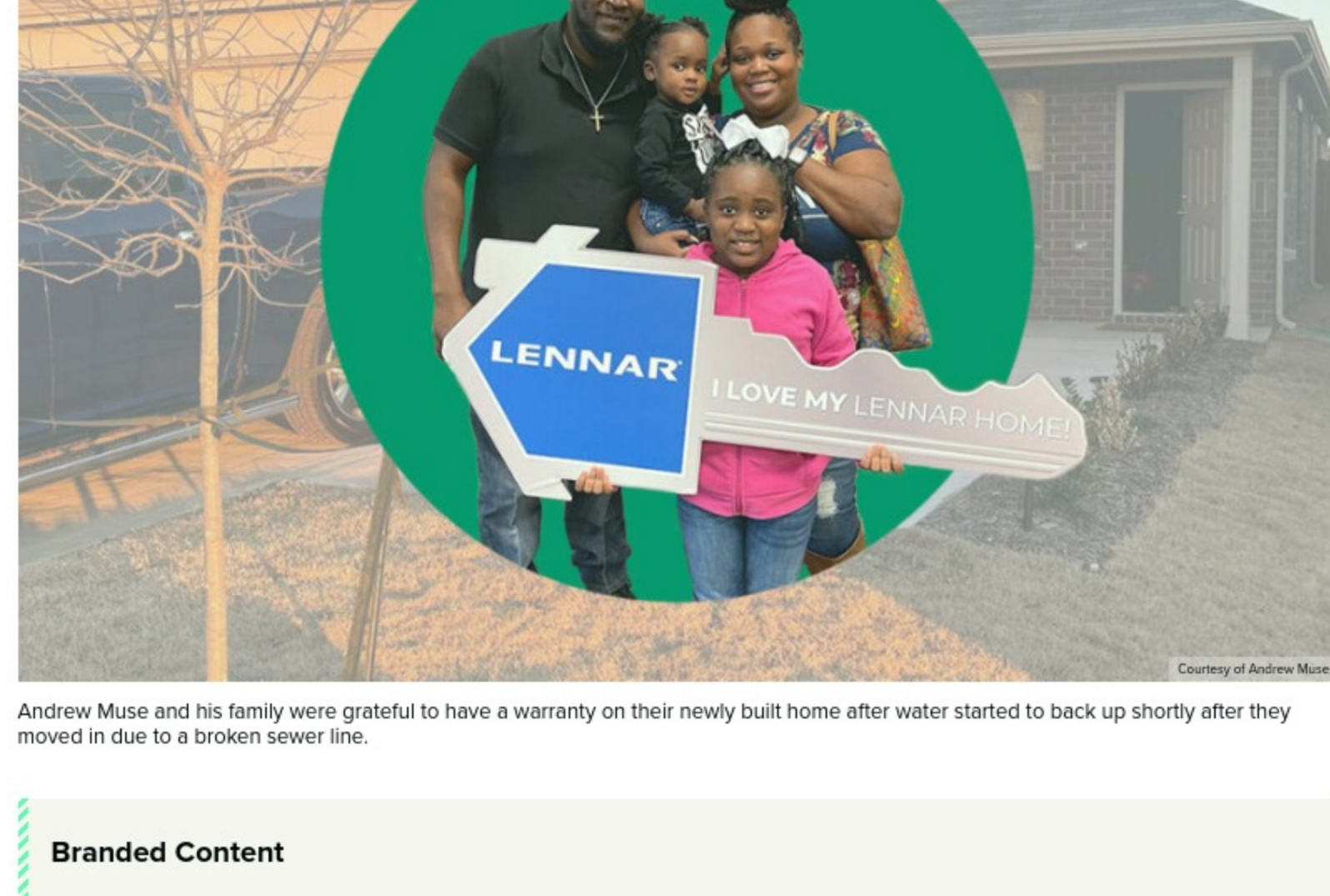


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Owning a Home Never Stops Costing Money. These Expert Tips Can Help You Prepare for Unexpected Repairs

Jon Reed 
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Andrew Muse and his family were grateful to have a warranty on their newly built home after water started to back up shortly after they moved in due to a broken sewer line.

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Less than two weeks after Andrew Muse and his family moved into their newly built home outside Dallas, Texas, water started to back up in the toilet. At first, they didn't think much of it.

But then it got worse.

It came up through sinks and drains. "It was coming up through the floors," Muse says. "It backed up the whole entire house."

Muse called the home builder, who had a contractor run a camera through the sewer line. A pipe had collapsed under the driveway.

Between the sales price, **closing costs**, **mortgage interest**, **property taxes**, and **homeowners insurance**, the predictable costs of buying a house are often the biggest checks most people ever write. But a house doesn't stop costing money after closing or after the mortgage is paid off. The roof leaks, tree roots invade the sewer line, the furnace kicks the bucket during a bitterly cold winter, the water heater dies – the list can go on and on. Preparing for those costs can make the difference between an inconvenience and a financial nightmare.

Muse works in construction and knew the sewer line repair would cost thousands of dollars. Contractors had to dig up the driveway again, fix the line, pour yet another driveway and dry out the house with commercial heaters.

But the new house was under warranty, and it was covered. "Make sure that your home comes with a good warranty if you can get it, because the repairs won't be cheap when it does happen," he says.

It's important to prepare for those costs, says **Michelle Gessner**, a certified financial planner and founder of Gessner Wealth Strategies LLC in Houston, Texas. "There are so many systems that need to be fixed or upgraded, you never know what's going to happen next. If you're a homeowner, you really need to build that into your budget."

Here are some ways experts say you can prepare.

How to Prevent Unexpected Expenses

Every home has its own quirks, and one way to prepare is to know when you're buying the house what you're getting into. A **home inspection** is the best way to understand what might await, from an aging roof down to a questionable foundation.

Angie Diaz, a real estate agent in Arizona, says she always recommends a home inspection, even in a hot market when some buyers want to waive them to get a **competitive edge**. "You always want to make sure that you know ahead of time what the problems are," says Diaz. "If they're minor you know you've got to take care of it. Maybe it's a maintenance issue. If it's major, maybe you want to **back out of the contract** then."

PRO TIP
Prepare for unexpected home costs by knowing what you're getting into. Get a home inspection, but also check in with neighbors, including through social media apps and channels, to see if your area is prone to certain issues.

Along with a home inspection, consider the weather and other conditions where you live. A roof might not last as long in a state with intense weather as it will in a place that gets few storms, for example, and that should factor into insurance and other preparations, says **Rebecka Zavaleta**, founder of the financial education platform FirstMilli.

It will take a year or two to determine exactly what needs your house might have, Zavaleta says. Some of those environmental factors will reveal themselves, either through maintenance on your place or through discussions with neighbors. She recommends keeping an eye on local social media communities for neighbors to see what issues those around you are facing.

Find Out What Homeowners Insurance Will Cover

If you're getting a mortgage, your lender will probably require you to have **homeowners insurance**. That's great protection against things like fires and natural disasters, but it doesn't cover everything, such as if the air conditioner cuts out after two hard decades of service. Insurance is focused on the truly unexpected, Diaz says. Read your homeowners insurance policy carefully to understand what it does and doesn't cover.

Shopping around for homeowners insurance can help you get the best deal, Zavaleta says. She doesn't recommend going just for the cheapest plan, instead getting the one that has the right coverage for your home. For example, if a homeowners association (HOA) membership includes coverage for roof repair, don't buy more insurance just to get **roof coverage**.

When shopping around, an insurance broker can help you find the right fit, Zavaleta says. "I like relying on experts who can do this all day to do my shopping."

Brokers can also help you find a contractor when it comes time for that big repair, she says.

Decide If a Home Warranty Is Worth It

While homeowners insurance likely won't cover an appliance such as a furnace, water heater, or dishwasher when it kicks the bucket, a home warranty might. They're often included in a home buying contract and are one of the bargaining chips between sellers and buyers. Some people recommend home warranties, saying they can save money during big repairs or replacements, while others say they aren't worth the hassle.

Homebuyers, already faced with the largest purchase of their lives, are often hesitant to tack on an extra \$500 or so for a year of a home warranty, Diaz says. She encourages her buyers to get it, to the point that she'll sometimes buy it for them as a gift if they are truly strapped for cash. "It's just the peace of mind," she says.

Not everyone recommends home warranties. Gessner says they often come with a lot of caveats and coverage limitations. For example, one might say it will only cover the furnace if it's been inspected every coverage year, she says: miss a year and you're out of luck. "There's all this fine print that you really need to understand," she says.

The warranties might also have limited contractors you can work with, meaning you might not be able to get one that comes highly recommended by neighbors and others, she says. They also might do the minimum repair needed, meaning it could take more calls and problems to get the issue resolved.

Shopping around is important if you choose to go with a home warranty, Diaz says. Home warranty contracts identify what kind of items are covered, what limits there are on coverage, and what steps the company will take.

Save Up For Home Repairs

Whether it's a separate home repair fund or factored into your main **emergency fund**, having a rainy-day fund for when the roof leaks, literally, on a rainy day, is a good idea. Gessner recommends homeowners put away a little bit every month in a fund for home repairs and maintenance. "Set a budget that you can afford," she says. "I recommend \$3,000-\$5,000 [per year]. If you can't afford that, put something aside because it is going to happen."

Your attitude toward savings might determine whether that account should be combined with other savings goals or separated, Zavaleta says. If you pull money out of savings often, having multiple accounts can help you avoid running afoul of **limits on withdrawals** for savings accounts. It can also help you avoid having the thought that, if you have a certain amount in savings, you might get more lax about putting money away, she says.

Homebuyers have often been putting away money to cover the upfront costs of the home purchase. Diaz recommends they continue the habit of saving even after closing day. "When I talk to buyers who are past that process and now they're homeowners, I always stress to them, always save, have a safety net for any major things that could go wrong in the home."

Alternatives to Funding an Unexpected Home Repair

If you can't get someone else, like an insurance or warranty company, to pay for a big expense, and if you don't have the cash handy to pay a contractor, loans are also an option. That could include **home equity loans** and home equity lines of credit, or **HELOCs**, in which you take a loan out against the equity in your house.

Homeowners should be careful when considering those loans, Diaz says. "For people that are having a hard time coming up with those expenses, to pull out money from your home, you've got to make sure it works for you, the numbers work." A **home equity loan or HELOC** means another loan payment tied to the house, she says.

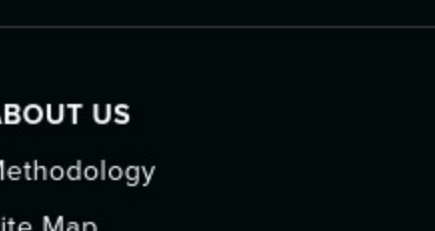
Another possibility is to get a **personal loan** to cover the cost of the repair, but that means taking on more debt, and you should take on as little as possible. That might be a better option if your only other choice is, say, putting it on a credit card, which likely has a much higher interest rate. That can turn an expensive repair into a very expensive credit card bill.

Taking on any debt, especially one against an important asset, is something homeowners should be careful about. "Don't do it unless you really need it," Zavaleta says. "Are you doing it just for hard necessities or are you doing it for nice-to-have renovations?"

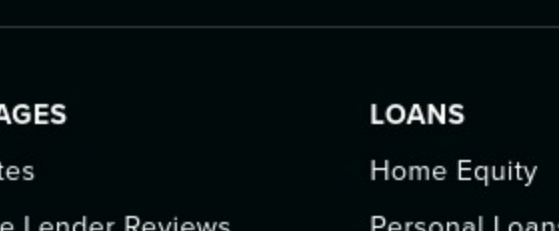
When it comes to emergency repairs, you can prepare ahead of time by ensuring you have the cash on hand to take care of them or the protection in place to avoid having to pay entirely. Muse says he's glad his house had a warranty that covered the sewer repair. If he had to do it again, he'd still go with a new build because of that protection.

"I've seen the good, the bad and the ugly when it comes to a house," he says. "It gets expensive and it gets expensive fast."

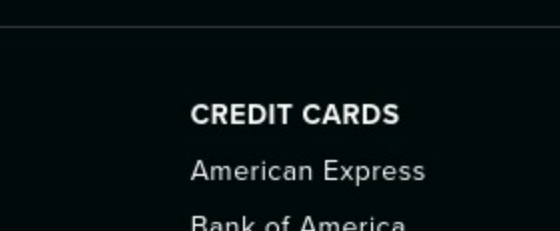
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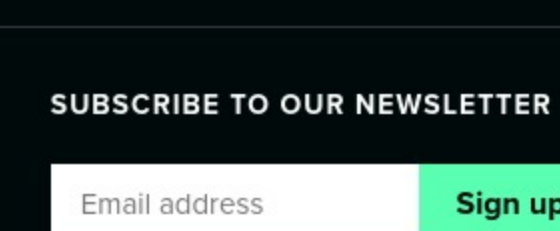
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