



# SPECIAL REPORT

## **The 4 Crucial Steps you Need to Understand when Buying your Next Home**

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## Introduction

There are four crucial steps you need to consider when you are buying your home. A successful transition to your dream home relies on you managing each of these steps. What we generally find is that most buyers are very good at one of the steps, but lacking on the other three. Let's have a look at what they are....

- 1. Clarify**
- 2. Find**
- 3. Assess**
- 4. Negotiate**

As one highly experienced Buyers Agent in our team says; "it's simple but it's not easy". So let's break each point down so that it can become a little easier for a homebuyer to execute the right purchase.

## Clarify

### Needs and Wants list

Most buyers can nominate nice "wants" but they generally struggle to recognise the difference between needs and wants; and often they prioritise aspects which are not really all that vital. To compound this, they also overlook the aspects which should be non-negotiable.

To commence building the "list", the best start is to consider the following points -

- Where is "home"? (i.e. Suburb preference, family/friends, familiar neighbourhood)
- Where is work? (more importantly, how far do you want to travel to work and how do you like to get to work?, and do you need easy access to the airport for your work?)
- What do social and lifestyle things do you enjoy right now? (ie. Do you eat at cafes, frequent bars, meet friends at external places? Do you enjoy cycling, sports, movies, shopping etc?)
- Do you have a partner or children or extended family who have specific social or lifestyle needs in relation to location? (i.e. Partner's work, child care, schools etc)
- What are tomorrow's needs? Many buyers don't think about where work and relationships could take them. Many home owners find themselves upgrading or selling to buy a bigger property when their lives evolve. Partners and children aren't always predictable but if you are

already in a sound relationship and are thinking about having children, you should think about tomorrow's needs before you buy a one bedroom apartment.

- What work are you prepared to carry out on the property? Many buyers underestimate the amount of work and renovation cost home can require.

These points take into account the fundamental needs. The following aspects of the "list" define the "wants". It is fair to say that these are aspects which ultimately won't force you to sell as your life evolves;

- Style, age and era of home
- Recreational rooms/spaces, e.g. movie room, billiard room, etc
- Garden/car port
- Style
- Garden (s)
- Shed

## Finance

The advantages of having your finance sorted prior to commencing the search are numerous. For starters, you can determine what your maximum spend (or borrowing capacity) is. Many buyers make the huge mistake of searching or formulating a list, only to find that they have to adjust their search because their budget restricts them. Likewise, some buyers don't realise what sort of buying power they actually have and regret not buying an alternative home which better meets their needs once they realise that their budget could have stretched higher.

The next, and obvious advantage of having finance sorted is that the buyer can buy with confidence. Lenders are prepared to offer pre-approval to eligible finance applicants and the types of pre approval can vary from fully pre-approved (i.e. credit checked and assessed by an assessor) to preliminary pre-approved (i.e. Automatically assessed based on information given). All loans are subject to lender's valuation on the purchase property and some a subject to lenders mortgage insurance (LMI) and it is for these reasons that it is important for buyers to have a good relationship with their lending consultant.

There are many elements of finance that a new buyer should consider before the search commences. These include;

- **Structure:** an experienced lending or finance consultant will be able to discuss the implication of loan structuring, from the explanation of deductible and non-deductible debt, through to a demonstration stating how a deposit and purchase will take place. The cost of getting this wrong can be high and it's important to make sure your lending/finance consultant understands both investment lending and loan structuring; particularly the use of offset accounts, lines of credit, cash flow provisioning and the debt reduction strategy.
- **Interest Rate:** interest rate is important but it's not the MOST important part. Obviously everyone loves a low rate but the savings associated with correct structuring, implementation



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