



# COST OF HOME OWNERSHIP

After facing a challenging real estate market for the past five years, we are beginning to see signs that the market is stabilizing. While many seniors may be inclined to wait to sell their home until values increase, in most areas this stabilization means that prices will remain stagnant for quite some time. The senior homeowner may also not realize the costs incurred by staying in their home and delaying the home sale until the market rebounds.

Senior homeowners might not recognize two key factors of value and cost that could change their mind about staying in their home: 1) the home itself has performed as a depreciating asset for several years, declining on average 35% from the 2006 peak and will continue stagnant for several more, and 2) even if the loans are paid off, some significant costs remain, detailed in the following table:

## Estimated Home Maintenance Costs Assuming a Home Value of \$250,000

Typical Home Expenses	Monthly	Component	Design Life (Years)	Replacement Cost	Monthly
Property Taxes <sup>1</sup>	\$313	Carpeting/Decorating	10	\$8,000	\$66
Housekeeping	\$125	Roof	20	\$15,000	\$63
Heating Fuel	\$125	Siding	20	\$15,000	\$63
Electricity	\$125	Furnace	15	\$5,000	\$28
Insurance <sup>2</sup>	\$111	Central Air	15	\$5,000	\$28
Landscaping/Snow	\$75	Misc. Fixtures <sup>4</sup>	10	\$2,000	\$16
Cable/Internet	\$75	Range/Oven	15	\$2,500	\$14
Water/Sewer	\$50	Water Heater	10	\$1,000	\$8
Home Telephone	\$50	Refrigerator	15	\$1,500	\$8
Waste Disposal	\$50	Dishwasher	10	\$1,000	\$8
Miscellaneous <sup>3</sup>	\$50	Washing Machine	10	\$800	\$7
Security	\$25	Dryer	10	\$800	\$7
<b>Monthly Maintenance</b>	<b>\$1,174</b>	<b>Prorated Component Replacement Costs</b>			<b>\$316</b>

<sup>1</sup> Assuming tax rate after homestead and/or senior exemptions roughly 1.5% of the property value.

<sup>2</sup> Average U.S. annual premium \$800 for average home value \$150K.

<sup>3</sup> Household items, cleaning supplies, paper goods, etc.

<sup>4</sup> Replacement plumbing, electrical, other system components.

Estimated Monthly Homeownership Costs: **\$1,761**

While the costs of simply maintaining a lifestyle approach \$1,200 for a home valued at \$250,000, most homeowners may neglect to consider the additional costs related to the components of the home that over time must be repaired or replaced. Budgeting for these costs pushes the total housing expense to almost \$1,500 per month.