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THE BOCA BEACH REPORT

Things That Buyers And Sellers Must Know

Whether you are a first-time homebuyer or a move-up buyer who has owned several homes before, there are a few basic things that apply to anyone looking for a home (or selling one).

Here are the ten most important things that a buyer must consider in the 2005 market.

- 1. How’s your credit?** Questionable credit always means making you a loan risk — and a risk means higher interest and bigger monthly mortgage expenses. Be sure you pay credit card bills, auto loans, rent, and other payments on time, in full, all the time.
- 2. Consider taxes and Interest.** A home owner’s home mortgage interest and property taxes are generally deductible from income taxes. Even though monthly housing costs may seem larger when you own than when you rent, what you save in

taxes usually will make up some or all of the difference. A tax advisor can show you why.

3. Know who the broker represents. In most real estate transactions there is a real estate broker, or maybe two. We can show you what a broker does, who is being represented in your purchase.

4. Try to zero in on the general location of the new home. Think about schools, ➔



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Privileged information about your real estate

This publication is not a solicitation but is an information service from this real estate office.

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Please Clip and Mail or Call Me for More Information

As your real estate professional, I am available to assist you in your planning. Simply complete and return the following request for information or contact me today for immediate assistance.

- Purchasing a home or second home Long distance Relocation
 Selling a home or second home Other _____
 Purchasing or selling Investment Property Please contact me between these hours _____
 Checking on current value of my property

Name _____

Address _____

City _____ State _____ Zip _____ Phone _____

E-mail: _____

If your property is now listed with a broker, please disregard this offer. We will cooperate with other brokers.

(Continued)

shopping, recreation, commuting and anything else that affects your family.

5. **Arrange for a home inspection of your new home.** Don't skip the inspection even if the home is newly built. Builders make mistakes, too. The inspection can help you understand the condition of the property and the repair bills you could face in the next few years.
6. **How much house can you buy?** See a lender and get pre-approved so that you generally know how much you can borrow, what you can afford, and so sellers will see you as a serious buyer.
7. **Be realistic about the amount of money needed.** In addition to the down payment, you will need money for closing costs, moving, and other expenses. If your dollar amounts are tight, save by delaying vacations and luxuries until after you are in your new home.
8. **We can show you the loan options available.** There are loans available that do require less down payment such as FHA or VA loans. Ask us to explain seller-financing in detail.
9. **First time buyers may get gifts and grants.** Some first time buyers receive gifts from relatives and friends. Some employers offer incentives to employees who are buying a first home. Community groups may also have programs and financing such as special programs for teachers and police officers.
10. **Don't hurry. Let us help you.** Never think any question is too far out or silly. Whether it is your first transaction or the twentieth, we can help. We have been in hundreds!

Tips For Sellers

We will assist the seller in the same way that we assist and counsel the buyer. Since we represent buyers and sellers in our transactions, when you are ready to sell, remember:

There's A Prospect For Your Home. We work closely with our other office associates to make available a list of pre-screened prospects. These are not lookers, but serious persons interested in buying a home.

We Know The Territory. It is our job to know the community in which you live. We're familiar with zoning codes, schools, churches, shopping, transportation and other pertinent information important to prospective buyers & sellers. This expertise goes a long way towards making the sale.

A Third-Party, Unemotional View. That is what is needed between buyer and seller. We have no ties to the property and can objectively answer all questions from the buyer regarding value and condition of your property.

Marketing Expertise At No Extra Cost. We are experts at selling property. It is our only business. We know how to best market a particular piece of property in order to bring top dollar to you, the seller. We can give suggestions on how to make your home more attractive, more salable to those prospective buyers.

Closing The Sale. We assist the buyer and seller in the necessary paperwork, and with other professionals, will help guide you through the proper execution of title evidence and other necessary documents. We're specialists in all phases of selling, then closing the transaction. ♣

The Tax Deferred Exchange Is A Problem Solver

Recently we took a listing on a home for owners who were moving across the country. The husband had been offered a great job with a big raise, but in a location in another state.

He mentioned that the tax on the gain from the sale of the home was not a problem since the amount would be less than the \$500,000 allowed a married couple. Their worry was the small apartment property that they also owned here. They were concerned with having someone else managing it, since the move was to be a permanent transfer. Since the gain on the rental property would be substantial, he asked if a sale of that property and quick reinvestment could avoid the capital gains tax?

I explained that the income property could be exchanged and could avoid the capital gain tax.

Under **Section 1031** of the **Internal Revenue Code**, you can "exchange" your rental property here for another rental property at the new location. Under that section, any property held for business or investment purposes can be

exchanged for any other property to be held for business or investments, without incurring a tax on the gain.

Making an actual exchange of the apartments for others at some distance can be difficult. It might be better to make a Starker "delayed" tax-deferred exchange, which is also authorized by the same section. You sell the apartments, and have the cash proceeds held by a third-party intermediary such as an attorney or bank, then they use the money to purchase the apartment (or other real estate investment property) for you at the new location.

No owner should attempt this transaction without advice from a real estate professional and a real estate attorney. There are very short periods of time (**within 45 days**) to choose the second property and definite time limits (**within 180 days**) to close the transaction of sale and repurchase. To avoid all of the tax, the new property must be of equal or higher cost than the original to avoid all of the tax. You cannot receive any cash or "unlike property" or it will be taxable at least to the amount of that "boot". The proceeds of the sale must be held by the intermediary and the property purchased for you by the intermediary after you choose it. However, don't let these steps deter you. They are quite routine and are handled by professionals all of the time. ♣

The Best Things About Home Ownership

Some renters feel that there are benefits to renting that outweigh the problems of owning and keeping up a home. There may be a few advantages to renting—about the only one that we can think of is the advantage of lower costs if the person must move often. It would take a few years of ownership to offset the closing costs on a sale if you must move regularly. On the side of the benefits of home ownership, here is a list that a renter can never have in his wildest dreams.

- The property taxes and mortgage interest payments are exceptional annual tax deductions.
- If any financial emergency strikes the family, the home owner can investigate the possibility of a home equity loan.
- There is a saving plan in making payments on a home. Each month, part of the monthly payment on an amortized loan goes to pay off the principal and the equity grows. Probably the home is also increasing in value.
- If the owner has a fixed rate mortgage,

there is the security of knowing that the payment will not increase and no landlord can start an eviction. The renter has no control over rent increases and the possibility of eviction.

- The homeowner has the freedom to paint any room in whatever color, no matter how it looks. The property can be remodeled any time as long as the proper permits are secured; the garden can be changed to suit personal tastes. If any improvements make the value of the property go up, the owner gets the benefits of the increase at the time of the sale.
- If you want a pet, have one. Within reason, no one will dictate whether or not you can have one, nor how much additional deposit must be paid.
- The change in the tax laws on the gain when a home is sold makes most capital gains for the average homeowner totally tax free. Many owners are planning the strategy of serial buying and selling. This can add many thousands of dollars to your net worth before retirement. ♣