

# The cost of a home more than mortgage

Since my wife, Georgina, and I moved to a new beachside home in 2001, our "house payments" have gone up to \$1,226 a month, from \$838.

And that's without a mortgage. I'm talking about the money we set aside for the homeowner's, windstorm and flood insurance premiums, the property tax bill and homeowners association dues.

Throw in the electric bill, and our monthly cost to live at home has gone up another \$34, and that's without counting repairs and upkeep.

I bring up these numbers because, as the mortgage woes of overextended home buyers capture headlines, other significant home costs can be overlooked.

"Your readers need to hear some of the traps of home ownership," said Thomas Haunty, a certified financial planner in Madison, Wis. I had quoted Haunty in an earlier column on savings tips that included his advice not to buy more house than you can afford.

Haunty's comments prompted me to review our ever-growing home-related bills: Windstorm insurance, \$3,742 a year versus \$19,139 in 2001; homeowner's insurance, \$703, up from \$594; flood insurance, \$317, up from \$301; homeowners association dues, \$1,180 a quarter, compared with \$681 at first. In addition, the average electric bill runs about \$125 a month, up from \$91 in 2001. One bright spot: Our property tax bill this year is projected to be \$5,228, less than the \$5,298 we paid our first full year in the house.

But we also incur other periodic costs, including more than \$2,500 for repainting the house and pressure-cleaning the roof and driveway over the past two years.

Bottom line: Home ownership entails costs beyond principal and interest payments on a mortgage. The bigger and more expensive the home, the bigger those costs. And you can expect them to keep rising, often above the overall rate of inflation.

Fortunately, we've always bought less house than we could afford (but still satisfied



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our needs), beginning with a "starter" two-bedroom in 1978, then two bigger houses in South Florida, and finally our 2,290-square-foot home in Vero Beach, our biggest. Each time, we chose one of the least expensive houses in a new neighborhood. For our last two homes, we considered only those we could buy for cash.

I realize most people don't buy homes with cash, and I'm not advocating everyone pay off the mortgage, but our approach underscores our resolve to stay away from unnecessarily large, cash-draining purchases. Today, we hear horror stories of home buyers who, egged on by lenders and expecting home values to always keep rising, got themselves way above their heads.

"Most people have multiple goals in life," Haunty said. "A house is just one of them, yet they blindly forge ahead depleting their ability to meet those multiple goals because one, the house, drains the cash flow."

**Solution:** Consider all ownership costs and buy only a home that leaves you enough cash to meet your other goals, including building your retirement savings. Think of your home as a place to live rather than an investment.

One welcome trend: After rising for more than a decade and hitting a high of 2,302 square feet in the first quarter this year, the median size of a newly built single-family home in the United States has begun to decline as buyers seek lower costs. I wonder whether we need more than the 1,560 square feet that was the norm in 1974. In our home, we don't use more than that.

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