

Home Building/ Home Remodeling

Money Saving Guide



Home Building - Money Saving Guide

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Choose Money Saving Home Plans

One the most exciting, but hardest, aspects of building your own home is choosing the plans. You probably have an idea of the type home you would like to have, but does it fit both your lot and your budget? Often, the answer is no, so an ability to compromise is important here. The following are key points to keep in mind when deciding what type house is best for you and your situation.

Consider the lot characteristics. First, consider the size and lay of the land. If your building lot is small and narrow, for example, a two story home with a garage projecting to the rear or front is most appropriate. If the lot is large and flat, you can build a sprawling ranch style home on a slab foundation if you want to save the expense of a basement. The more you're able to accommodate the house to the natural lay of the land, the less you'll spend in grading and excavation costs. A lot that requires major grading work and truck loads of dirt to create a viable building site often does not justify the costs. Of course, in some instances this type lot can be a bargain if you've bought it for a reduced price and it's located in a desirable area.

Consider the overall "footprint" of the house. A footprint refers to the size of the foundation of your house. A two story home has a smaller footprint than a ranch style one level home, for example. That means that the foundation for a 2,000 square foot ranch home will be bigger than the foundation for a 2,000 square foot two story home. In simple terms, your foundation for the two story home would likely be half the size of the ranch home's foundation. In some situations--if you are building on a slab rather than a basement, for example-- this won't matter much. But when you are planning a full basement foundation, you could save substantial money by choosing the two story design over the ranch plan.

Consider the basic design of the plan. Homes that are rectangular in shape are cheaper to build than homes with juts and jogs and features such as bay windows, dormers, and complicated roof designs. A classic Colonial design, for example, is cheaper to build than a Victorian farmhouse with a wrap around front porch and numerous gables and exterior trim.

Consider the foundation system. Homes without basements also are considerably cheaper to build. A concrete slab is probably the most efficient and economical foundation. Of course, in some instances a basement offers viable living space, but if your basement will be completely underground and without much or any natural light, you might consider a slab or crawl space option to save money.

Find
more information
about design options
and descriptions on
our website.



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Choose a design that uses standard size material. Almost all building material comes in standard sizes and lengths. Framing lumber, for example, comes in even lengths (10', 12', 14', 16') and so on. If a plan calls for a 15' wide room, then you'll end up cutting off a foot from every joist. And since standard carpet comes in rolls that measure either 12' or 15' wide, you'll end up wasting material in a room that's 17" wide. Another example is windows. Manufacturers make them in standard sizes which are the most economical to purchase. But some designs call for custom made window sizes...a much more costly option. And try to steer clear from specialty windows such as arched windows or transoms (small windows placed over the main window). While these windows add charm, they are also very expensive.

Consider the size of the kitchen. While large kitchens are all the rage for most people, kitchens and cabinets are two of the most expensive items in a home. This doesn't mean that you have to have a tiny kitchen, though. In fact, simple square footage is one of the cheaper items. But if saving money is your main criteria, you can choose a plan that doesn't require a large number of cabinets and counter tops. These items alone can add substantially to your overall costs. A growing trend in kitchen design these days includes open shelving in place of upper cabinets. This option saves money now and allows you the opportunity to add more cabinets later.

Consider looking at bargain names rather than brand names. Just because you've heard of the manufacturer of a product doesn't always mean that it's better than its lesser known competition. Sometimes all it means is that the manufacturer has spent more money advertising and that's what you are paying up for. Be sure to compare the actual features of the products you are buying. A faucet, for example can range from \$30 to \$500 and both provide the same function. You can often find bargains and no one but you will be able to tell the difference. Items to compare include windows, plumbing fixtures such as faucets and toilets, light fixtures, appliances and flooring.

Leave some of your "wish-list" items for later. Undoubtedly one of the reasons you are building your own home is because you want to pick and choose all the extras that matter most to you. But, obviously, you're building it yourself to save money as well. To this end, you can plan for extras but hold off on some during the initial construction and then budget for them as time and money permit. Items such as fancy moldings and trims, for example, can be added later. The same goes for elaborate landscaping. In fact, you can often get a landscape designer from a local nursery draw up a master plan for you and then put in the minimum and add to it each year.

Find
more information
about energy saving
systems at our web-
site.



Saving Money with New Energy Systems

(adapted from The US Department of Energy recommendations)

According to the US Department of Energy, you can achieve energy savings of 30 percent or more while improving your home's comfort level by adopting energy-efficient building practices. The greatest opportunities for incorporating energy efficiency and sustainability into a home come in the design and build process. This section discusses a few of the issues related to this process – such as home site considerations – as well as building elements, components, and systems that can separately or collectively increase a home's performance:

Site Design: Site design and site planning have a large impact on how energy-efficient a home will be. The sun is the main source of heat in all homes. By looking at how houses receive sunlight, site planning can help optimize how much solar energy is available to heat a house and how much heat must be removed with air conditioning.

Insulation. Properly installed insulation is designed to keep heat where it's wanted. Adequate insulation is essential for controlling home cooling and heating costs. Any interior insulation type that has vapor permeability is acceptable, including cellulose, fiberglass, and foam. Foam can also serve as an air retarder, but air sealing must be accomplished by a separate component or system.

Windows and doors are prominent features of any home. They can also help or hinder a home's energy efficiency. Quality, efficient windows will add cost, but they also provide tremendous value in comfort, durability, and energy savings. Lower heating and cooling bills are one benefit of high-performance windows. They may also lower peak loads for heating and cooling a home, which allows for smaller heating and cooling equipment that costs less to purchase and operate. These types of savings go a long way to recovering the cost of installing energy-efficient windows.

ENERGY STAR® is a voluntary labeling and recognition program sponsored by the U.S. Department of Energy (DOE) and the U.S. Environmental Protection Agency (EPA) that seeks to accelerate the adoption of clean and efficient domestic energy technologies. Look for the Energy Start label on everything from appliances to windows to HVAC systems to lighting sources and more. Again, we have more information about this on our website.

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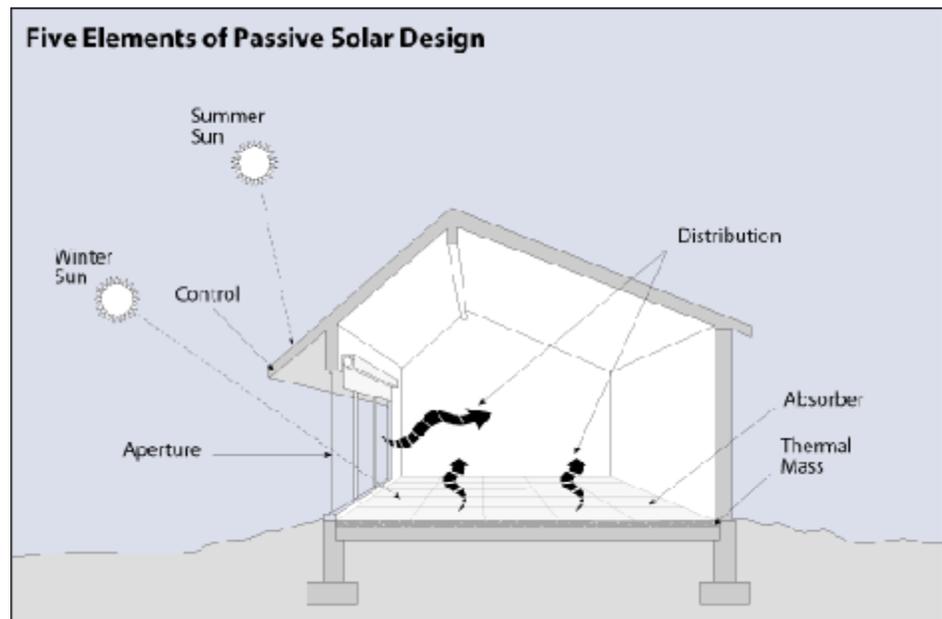
Note that there may be neighborhood restrictions or strict covenants for the use of certain types of solar energy system in subdivision developments. Be sure to find this out if these systems appeal to you.

The ultimate goal is to design and build a house where all the elements work together for greater energy efficiency and comfort, while ensuring healthy indoor air quality.

People who want even more dramatic reductions in utility bills can install on-site energy production methods such as passive solar or active photovoltaic systems along with other forms of renewable energy (wind, geothermal and microhydropower). We discuss solar energy here. Find links to more information on the latter three on our website.

Solar Energy. The warmth and light of the sun can be captured and used to increase the energy efficiency and comfort of a home. Incoming solar energy from the sun is a clean, renewable source available at no cost. Solar energy can be harnessed in two basic ways, active and passive.

Passive Solar. Passive solar refers to using the sun's warmth and light to help heat and illuminate a home. Passive solar homes are designed to take advantage of the sun's energy, lessening reliance on electricity or other types of energy for space or water heating. The design of a passive solar home uses the windows, walls, and floors to collect, store, and distribute the sun's energy. Passive solar design does not rely on mechanical or electrical equipment to function.



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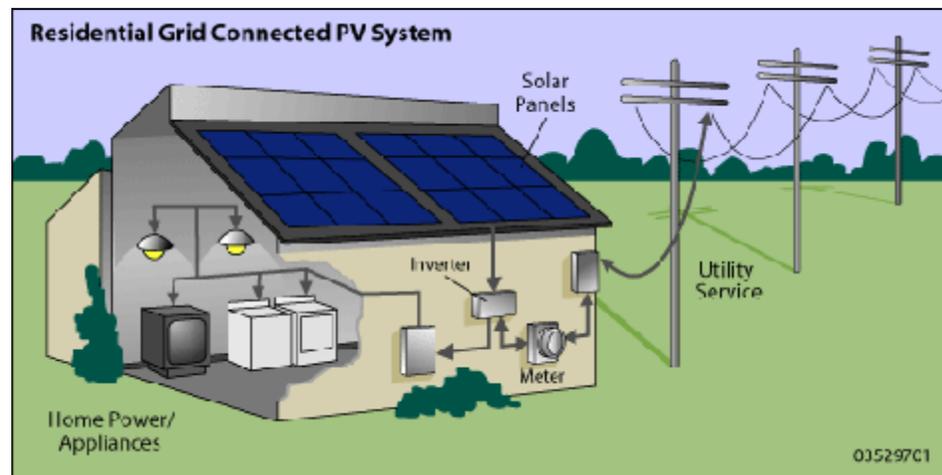
Connecting to the Grid

Some homes that have on-site renewable energy systems are not connected to the commercial electrical grid. In some cases, this is because they are in a remote location that is not serviced by the grid.

An on-site energy system connected to the grid presents some advantages. It provides a back-up source of reliable electricity that can be used during times when the sun isn't shining, the wind isn't blowing, or the stream isn't flowing. A connection to the grid also eliminates the need for battery systems. Conversely, when the home is generating more electricity than it needs, this excess energy can be fed back (or sold back) into the utility grid.

Some passive solar homes are heated almost entirely by the sun. Other homes incorporate some elements of passive solar design, such as south-facing windows, to reduce the energy needed for heating. Although some climate areas are better suited to passive solar homes than others, elements of passive solar design can benefit homes regardless of location. You can capture maximum benefits from a passive solar approach when designing a new home.

Active Solar - Photovoltaics. Another way of using solar energy is to convert sunlight directly into electricity by using a photovoltaic (PV) system. This active solar approach allows a home to generate some or all of its electricity on site. With a PV system connected to the utility grid, it is possible for the homeowner to sell excess electricity back to the utility. Home PV systems are becoming steadily more affordable, efficient, and durable.



How Photovoltaic Systems Work. A home-based PV system relies on solar cells made of semiconductor materials to convert sunlight directly into electricity. When sunlight shines on the semiconductor material, the solar energy knocks electrons loose from their atoms. These free electrons then travel into a circuit built into the solar cell and create electricity. Each individual solar cell produces only a small amount of electricity but connecting them in larger panels or modules increases their electric capacity.

Normally, solar panels are installed on the roof. While PV solar systems can generate electricity without intense, direct sunlight, the sunnier the location, the better the system will operate. Home PV systems can be found throughout the United States. The southwestern region of the country is where PV systems are most common due to the large amounts of solar energy and sunlight found there.

Saving Money with Tax Advantages

In addition to the standard tax advantages that owning a home provides by means of write-offs (i.e., being able to deduct mortgage interest and real estate taxes on your income tax return), there are some new and/or additional advantages that you may not be aware of. The stimulus act provides for several energy-related tax credits for homeowners who are remodeling their homes and several others for people who are building their own homes. *The following discussion offers general guidelines; you should consult your accountant to verify that you qualify and that the tax advantages outlined below have not changed.*

This discussion addresses both remodeling a home and building a new one. However, for tax credit purposes, there are some differences you should be aware of. Namely, if you are building a new home, you can qualify for some tax credits but not others.

Mortgage interest and real estate tax deductions. *(available for all homeowners).* If you itemize deductions on your tax return, you can deduct your annual mortgage interest and real estate taxes from your taxable income thus reducing your tax liability each year. For example, a home owner with \$10,000 in annual mortgage interest payments and real estate taxes and who falls in the 25 percent tax bracket could realize up to \$2,500 in tax savings each year. You can also usually write off points that you paid for getting a mortgage for your new home. And most state and local taxes paid on homes are also deductible.

Energy tax credits. *(available for both remodeling and new construction).* Beginning in 2009, you can now get as much as 30% of the costs back in the form of tax credits for installing the following systems: geothermal heat pumps, solar photovoltaic systems, solar water heaters, and fuel cells. These credits are effective through December 31, 2016. In order to be eligible for the tax credit, the systems must meet Energy Star criteria.

Remodeling tax credits. *(available only for remodeling, not new construction).* Beginning in 2009 and running through December 31, 2010, you can get an income tax credit of up to a lifetime total cap of \$1,500 for installing efficient (specific criteria applies here) new windows, insulation, doors, roofs, and heating and cooling equipment in your home. Roughly, this means that if you spend \$5,000 on improvements that qualify, you can claim the \$1,500 tax credit. In fact, even some Energy Star rated products do not qualify, so be sure to check before you buy.

Saving Money by Doing Some Work Yourself

Doing some of the work on your new home or remodeling project may sound appealing. It's easy to watch the professional work and think, "Wow, I could do that myself!" That's not always the case, though. The old adage that professionals make any job look easy is often true! Also, keep in mind that you are already saving substantial money by contracting your home yourself, and that you will be spending considerable time in your job as general contractor.

But if you have additional time and an inclination to do a few items along the way, then more power to you! Of course, if you have experience with various construction trades, then by all means go ahead and do them yourself. But if you don't, be careful. It's important to end up with a quality product and if you are not experienced doing certain things, then disaster can strike! If you decide to tackle a few projects, at the very least plan to take a quick course on the task. Home Depot and Lowes both offer free clinics and step-by-step guides on their websites on such topics as tile installation and painting. The following is a guide to some of the easier tasks along with some of the jobs you should definitely leave to the professionals!

Jobs to consider doing:

- **Installing silt fencing:** If your jurisdiction requires silt fencing for erosion control (and many do these days), you might consider doing this task yourself. There are certain rules you must follow, so be sure to ask.
- **Rough stake-out:** You can do this yourself as long as you are certain that the lot lines are accurately marked.
- **Landscaping:** Consider installing the landscaping yourself. In fact, you might even do a better job planting since the plants belong to you! You may however, need to hire someone with a tractor to smooth the ground for the final grade.
- **Clean up:** You'll need to clean the job site along the way after various stages of construction. Often this means having a dumpster delivered to the job site and then filling it up with debris. You will also have the final clean at the end of construction before you move in. This job includes scraping paint off windows, scrubbing bathroom, cleaning floors, etc. It's harder work than you might imagine, but could be worth the money you will save.

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Jobs that require some skills but could be learned:

- **Painting:** Most of us have tackled a painting task somewhere along the way and realize that a quality paint job takes some skill! But with a little practice and patience, you can attempt this job yourself. You might consider hiring a professional to paint the outside if you have a two story home that requires ladders, etc.
- **Interior Trim:** If you've had a little experience doing some simple carpentry tasks and you are not planning to install elaborate moldings, then you might consider doing at least some of the trim work yourself. You should feel comfortable using a power miter saw (and own one too!). If you have stairs, you might want to hire that job out.
- **Cabinets:** If you plan to use pre-manufactured cabinets that come in boxes or that have to be put together, then you might consider installing them yourself. This is a tougher job that you might think though. You'll need to make sure any upper cabinets are installed square and plumb using vice grips to hold things in place. This is really a two person job!
- **Tile work:** If you plan to use fiberglass tub enclosures and do not have a large amount of tile to install then this is another job to consider tackling. You'll need a tile cutter and perhaps a tile saw (which can be rented for the project). If you have a stall shower that requires a shower pan and a tile floor, you should probably leave this job for the pros. Establishing proper drainage and knowing how to work with the pan materials are musts for this task.

Jobs to leave for the professionals.

Unless you are skilled and experienced with the following tasks, plan to leave them for the professionals: Foundations, pouring concrete, framing, masonry, roofing, and all the mechanicals (plumbing, HVAC, and electrical) which require licenses to perform. Making certain that the house is built level and square and that it's safe to inhabit is your main objective!

Find
more information
about tax advan-
tages at our website.



Get Rid of Your Mortgage with our “Equity Matrix”

You’ve built or remodeled your dream home. Now what? With a little more perseverance you could own your home free and clear – without undue scrimping and saving – in four to ten years.

How you ask? In 1997, the Federal government enacted a tax exemption for home sellers known as the home-sale exclusion. In essence, you can make up to \$250,000 profit from the sale of your home if you are single; \$500,000 if you are married and file a joint return and pay no taxes on that profit! To qualify, you must own and live in your home as your primary residence for two years within a five year period. You can use this exclusion any number of times but no more frequently than once every two years.

What does this mean for you? You could build or remodel a home, sell it in two years, reinvest the tax free profit you make into your next project and end up making enough money to have a home paid for (no more mortgage!) in two or three moves (that means four to six years)!

Let’s consider an example. Assume that you built your own home for a total cost of \$250,000, but because you contracted it yourself it’s worth \$330,000 at completion. Let’s also assume that you had a 10 percent down payment when you built the house, leaving you with a mortgage amount of \$225,000. If you sold the home in two years for \$350,000 (assuming that the home might have appreciated in value to \$350,000 by then), you would net \$125,000 at the sale *with no capital gains or income taxes due on this amount*. If you reinvested that amount into a new home and repeated the process again using the same figures, the next sale would net you \$250,000 cash – the amount it cost you to build the first home. Now you can use the \$250,000 and build your next home without any mortgage!

However, there are some variables that might effect the outcome. The economy has to co-operate and the homes you build must be appealing and saleable to other home buyers. You also may have paid a real estate commission when you sold which would reduce your bottom line a little. And you may have built something a little more expensive, so it may take you another move or two to accomplish your ultimate goal. Yes, moving around this frequently can be grueling (*you don’t have to do it every two years, though!*), but it’s a way to build solid equity that you can use tax free to become financially independent.

If this is your plan, then you will want to become knowledgeable about current design trends and stay abreast of market conditions. Your success will depend on your ability to successfully sell your home and make the profit you expect. You also should be aware that tax laws can change, and this one is no exception.