

***So, you would like to buy a 2nd Home?***

Living in a desirable resort or other location could be a dream come true; nevertheless, it is important not to get too distracted by the beauty of the environment. Ask yourself the difficult questions such as, “Why do I really want to own a house here?” or, “What would I do with the house after the purchase?”.

***Where Should You Buy?***

When dealing with any real estate transaction, location is the first, second and third most important consideration. Although, be sure to think about the local resale values, economic trends, tax rates, schools, health care, and other additional factors. Ultimately, the ideal location for your second home will depend on your reasons for desiring a second home. Here are some thoughts on a second home:

Spend more time in a favorite vacation spot

Invest in property that could produce income and appreciate

Rent to tenants short-term, allowing you to visit frequently

Fix it and flip it

If you think you might want to move to a specific location, you should consider renting in the area first. This will allow you to “test out” the area, and experience “life” at the location before you dive into a massive purchase. You would understand the rhythm of the area; find out where your ideal location would be, test out the best golf courses, and find near-by activities.

***How much can you afford?***

Buying a second home is a major commitment. You must consider a mortgage, the expenses of maintaining a home, paying taxes, management fees, and insurance; these things can all add up. If buying into a community or a condo, you should know about the HOA and maintenance fees. Insuring a property with a pool or near the beach will increase the carrying costs of the second home (consider floodplain).

Some second home buyers can purchase with cash, while others will need to qualify for a second-home mortgage. Mortgage financing will be calculated in addition to mortgage debt on your primary home.

It would be wise to make a down payment of 10% - 20%. You must meet credit standards, debt-to-income requirements, and provide documents for income and asset verification. Mortgage rates are very low; although, they are slightly higher on a second home. A mortgage lender is helpful.

***Consider the Tax Implications.***

If you live in the home, you can deduct the property taxes. The new limit for State & Local taxes is $10,000 per tax return. Recall that the *Tax Cuts* and *Jobs Act* caps the mortgage interest deduction at $750,000 of total mortgage debt.

According to the IRS, second homes have different rules for investment properties than vacation homes; so, consult your tax accountant.

When considering the purchase of a second property, it is important to think about the taxes, insurance, maintenance, furnishings, property management, and repairs which come along with owning a second property. Contact Schenley Capital Inc. before purchasing a second home to see how it fits in with your overall financial picture.



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