

Buying a Vacation Home

Owning a slice of heaven at the beach, in the mountains or wherever your family likes to vacation may seem like a dream, but it's one that's achievable. Here are some tips for buying a second home.

VISIT OFTEN

While you may love your chosen location when you're there on vacation, you may not at other times of the year. Shops may be seasonal, the weather you normally adore may be bad. Any number of things you couldn't foresee may change your mind about the area.

Talk to the locals, too, and ask questions about what life is really like there. What is the availability of utilities? High-speed internet? What about shopping, roads and other things?

RENTAL INCOME

If you're planning to offset some of the cost of your vacation home by renting it out when you're not using it, you should research the rental



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market in the area to make sure your income would offset enough of your expenses. Make sure to include insurance, utilities and other costs, including the costs of a property management firm, even if you're originally planning to do the work yourself. Property management companies typically handle tasks such as maintenance, bookings and cleaning.

LOCATION, LOCATION, LOCATION

When it comes to real estate, everyone knows location is paramount. That's even more important with a vacation home, especially if you plan to rent it out. Consider how close vacation hotspots are, including restaurants and shops, and look at future development.

This is where the expertise of

a Realtor can come in handy. A real estate professional knowledgeable of the area can help you plan around things such as insurance, utilities and development. They may be able to help you find a reputable property management firm to help you manage your vacation home.

TAKE ADVANTAGE OF TIMING

Because this is a second

home, you don't need to be in a rush. You and your real estate professional can keep an eye on mortgage rates and other market variables so that you can make the most of your budget.

A second home mortgage is different from a first mortgage. Lenders will want even more documentation that you can pay what you owe. Higher credit scores and lower debt-to-income ratios are often required, as well as larger down payments and higher reserve funds.

THE PROS AND CONS

On the upside, you'll have your very own piece of a favorite vacation destination that can turn into a retirement home and generate some extra income in the meantime. On the downside, your mortgage company and insurance company may consider any second home that you rent out an investment property, which triggers a new set of rules and regulations — and expenses.

You may be able to reap some tax benefits, depending on the location of your home and how you purchase it. Talk to your financial planner to learn more about property tax deductions, personal residence deductions and rental property deductions.



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REAL ESTATE 101



HOMEWISSE GLOSSARY

Second Thoughts

If you've used government assistance programs and government-backed mortgage options in the past, you might be surprised to learn that the same programs are not available when buying a home that will not be your primary residence. Consult with a mortgage broker to talk through your options when purchasing a second home.

Encroachment: an obstruction, building, or part of a building that intrudes beyond a legal boundary onto neighboring private or public land, or a building extending beyond the building line. **SOURCE:** Illinois Real Estate Lawyers Association

AD SPACE