

Five tips to take the sting out of owning a home- From The Sunday Times

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GIVEN that the average house price is closing in on R800000 and that most people take out a hefty mortgage bond to buy their home, it's startling that many of us waste money through simple oversights.

Nearly everyone can save money on a bond if they avoid these five mistakes:

- Not reviewing your bond

If you haven't revisited your bond for five years, then you are probably paying too much. Over time, rising property prices reduce the loan-to-value ratio, and this lowers the risk to the bank as the value of the asset they're financing has increased.

If you are earning more than when you took out the original bond you may be able to negotiate a lower interest rate. Both these factors make the banks likely to look favourably at offering you a lower rate, leading to a considerable saving over time.

Under-insuring your home and contents

If you've made improvements since taking out your home insurance, it will have changed the value of your home. Significant changes to your house will increase the value it should be insured for, so keep your insurer up to date with any changes.

And don't forget contents insurance. Most people underestimate how much their belongings are worth. If you buy new furniture, review your contents policy to make sure you have adequate cover.

Using a sub-standard contractor

Botched home improvements cost consumers millions and can reduce the value of your home, or worse, cause expensive damage. Do a background check on anyone who is going to take a hammer to your home.

Improvements that add little value

Not every improvement will add value to your home. New carpets could cost R50000 but add very little value to the overall worth of the house.

However, the right paint job can add up to 10% to your home's value.

Your priority should be to ensure the property is structurally sound. Roofing, windows, damp-proofing and the electrics should all be in top condition and, if not, should be at the top of list.

Ask local estate agents for advice about what features can add the most value to your home.

Failing to secure your home

It's all good and well to have a home- contents insurance policy, but if you haven't taken the appropriate measures to secure your property, you may find yourself out of pocket if you are burgled.

If your home fails to meet your insurer's security requirements, then your policy will become void — even if you've paid premiums for years.

You can even get a discount on some policies — sometimes up to 10% — by fitting burglar alarms or locks above the minimum required standard.

Rhys Dyer, executive director of MortgageSA