



Budget

Keep the cost of your remodeling project in perspective. According to the American Homeowners Foundation, moving to a new home typically costs 8-10 percent of the current value of your home. On a \$150,000 home, this cost is \$12,000-\$15,000; this is simply what it will cost to move. This is a good base figure for beginning to establish your remodeling budget. A good number of remodeling projects can be done for the money spent in relocation, and remodeling will add value to your current home as well.

How much remodeling could you do for 8-10 percent of the current value of your home? How much work would you have to do in a new home should you decide to move? If you completed the finance worksheet, you know how much you can spend-but how much should you spend?

How Much Can You Afford?

The truth is not many people enjoy establishing a remodeling budget and many just don't. Some homeowners prefer to call a remodeling contractor and expect him or her to create the budget for them, which is not the best way to begin. How do you start off right? You can begin by taking these four easy steps in the right direction:

Step One: Decide how long you plan on staying in your home. The length of time you intend to stay in a home will affect how much money you should invest in it. If you are going to stay in the home for more than ten years, you should spend as much as you are able to create the home of your dreams. However, if you are planning on moving in the near future, you should be mindful that you're not over-building for your neighborhood. Look into the real estate comparisons for your area and keep your investment in line with the average home sales price. You don't want to invest thousands of dollars you won't be able to recoup at closing.

Step Two: Make a list of all your debts. You should include any debts you pay on a monthly basis, such as mortgages, car loans, credit cards, and any other items with a fixed monthly payment. This list should not include payments for groceries, utilities, telephone services, or other general expenses. Call this list your monthly expenses.

Step Three: Determine your total gross monthly income. Include all sources of income that you would list on a loan application.

Step Four: Complete the Remodeling Calculations 101 ([LINK To calculations blog](#)) to determine how much you can afford to pay for your remodeling project on a monthly basis. These formulas are used when the remodeling project is going to be financed.

Step Five: Once you determine how much you can afford to spend on a remodeling project, decrease that amount by 10-20 percent. This money should be put in a reserve account to cover any change orders or incidental charges accrued along the way, which will prevent a frantic scramble for additional funds at the end of a project. You also might want new furniture, new curtains, etc., when the project is complete.