

5 Modifications to Make to Your Finances After Buying a Home

Buying a home is one of the most financially significant events of your life. But even after closing, your financial work isn't done. There are a few more steps you should take to incorporate your home into your greater financial picture.



1. Adjust Your Budget

After buying a home, the makeup of your monthly and annual expenses will change—especially if you're a first-time homeowner. Though mortgage payments are generally cheaper than rent, once you account for other associated costs, homeowners with a mortgage pay \$8,609 more than renters annually on average.¹

To ensure you continue living within your means, adjust your budget as soon as possible.

You'll likely need to carve out space for the mortgage, property taxes, and homeowner's insurance, as well as utility expenses and maintenance costs. Depending on how much your expenses increase, you may need to reduce spending in other areas of your budget, like dining out and recreational costs.



2. Rebuild Your Emergency Fund

Between the down payment, closing costs, and other expenses, many people find their savings accounts drained after going through the homebuying process. But quickly rebuilding your emergency fund to cover unexpected expenses is crucial.

Even if you've kept your emergency fund intact, consider increasing your savings. Experts generally recommend having three to six months worth of expenses saved, and once you become a homeowner, you'll likely have more expensive emergencies to cover than when you were renting.² For example, fixing a leaky roof or removing a large tree branch that has fallen on your home can consume the average person's emergency savings in one swoop.



3. Expand Your Insurance Coverage

Before closing on your new home, your lender requires you to have homeowners' insurance. But that isn't the end of the insurance adjustments you need to make.

Homebuyers should revisit their life insurance and disability coverage. If something happens to you, your partner will be responsible for covering mortgage payments and other house-related expenses alone. Modifying your coverage will help your family avoid an unfortunate financial situation if you're no longer able to work or contribute to home-related costs.



4. Revisit Your Tax Strategy

Being a homeowner can open new tax possibilities for some buyers, such as deductions related to mortgage interest, property taxes, mortgage insurance, and more. Most of these tax advantages are only available if you itemize rather than taking the standard deduction.

But itemizing isn't right for everyone. A financial professional or tax planner can help you figure out which tax strategy will work best for your specific financial situation.



5. Review Your Financial Plan

Though your new home will become a financial priority, that doesn't mean that other priorities—such as retirement savings, student loans, and car loans—can fall to the wayside.

If you have a financial plan, now is the perfect time to review and adjust if needed. Partnering with the right financial professional can help make this process easier and more comprehensive.

Need to review your finances after your home purchase?

Talk to your financial professional.



Sources

1. Caporal, Jack. "The Real Cost of Renting vs. Owning – What Does It Cost to Buy?" *The Ascent*, April 22, 2021. www.fool.com/the-ascent/.
2. Foster, Sarah. "Survey: More than Half of Americans Couldn't Cover Three Months of Expenses with an Emergency Fund." *BankRate*, July 21, 2021.