



SAMKODI
Building the healthy financial life you want

Getting Ready to Renovate?

Some extra space, a long-awaited interior update, indoor-outdoor flow, a pre-sale spruce-up – whatever your renovation plans, we wish you an on-time and on-budget project and a great result.

Understand your renovation goals

Are you renovating to increase the sale price of your property? Or are you renovating for personal and lifestyle reasons and plan to stay put for a while? Not all renovations add to the value of a property, so it's important to clarify and sense-check what you want to achieve – and the financial implications – before making a start.



Be wary of overcapitalisation

One of the financial risks of renovation is overcapitalisation; that is, you spend more on your renovation than you'll be able to recoup in increased value. Focus your renovation spend on what is going to increase value and marketability of your property – for example, an extra bedroom is likely to be more appealing to a larger pool of buyers, than an actual pool.



Take an investment approach

Make sure you're aware of what (generally speaking) can add value to your property (e.g. extra space, improving bathrooms or kitchens) and what may not (e.g. reducing living space, unusual features). Even when renovating for personal reasons with no short-term plans to sell, it's important to think about the return you'd like from your renovation: for every dollar you spend, what should the potential return be?



Be budget-savvy

Depending on the scale of your renovation, preparing a detailed budget can feel like a daunting task. But it truly is one of those things that you'll be very happy you spent the time on. Loose budgets riddled with 'guesstimates' have a tendency to blow out. So, enjoy the research phase (a little like planning a holiday); get into the nitty gritty of every detail and then add a buffer – usually around 10 per cent – for those often unforeseen things that crop up when renovating.



What are your renovation finance options?

The right option for you will largely depend on the scale of your renovation and your current mortgage.

- If you have been paying more into your mortgage, explore whether your lender allows you to redraw the additional repayments made.
- If you have equity in your home, you could apply for a top-up on your existing mortgage.
- If you are planning a small renovation project and want to leave your mortgage as it is, you could look at a separate renovation loan – but be mindful of the interest rate and fees.
- If you are planning a big renovation project, you'll likely need a loan with specific drawdown dates; that is a loan that lets you access funds at specific times during the project so that your finance keeps pace with project progress.

Timing is key with big renovations: you don't want to draw down too much and pay the interest on money sitting around waiting to be used; and conversely, you don't want to be 'tools-down' while you wait for the next payment from your lender.

Pay it off faster

Wherever possible, structure your finance so that you can pay off the cost of your renovation as fast as possible. The interest cost on \$20,000 over five years is considerably less than over 25 years. So for example, if you get a top-up on your existing mortgage, explore your options to structure the new finance so that you can pay it off faster than your existing mortgage: the longer you have debt, the more it costs.

Consider your insurance

For any renovation, and particularly if you're making structural changes, it makes sense to review your home and contents insurance to find out what you're covered for before getting underway: what does your policy cover during the renovation and after?

Planning, planning, planning – that's the word to keep top-of-mind before starting a renovation. Lots of research, talking to various experts and giving yourself the opportunity to view your plans from different perspectives. We're here to help if you're looking for a sounding-board to discuss your renovation finance. Any queries, big or small, just get in touch.

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