

let's remodel

Remodeling projects can pay off

Q: I would like to know if a major remodeling project is something I can afford. How does home improvement affect me long term and what is my return?

A: If you, like many, had resolved to save more earnestly and to develop a money saving income tax strategy, by completing your home improvement in 1996, you can still make good on those promises. In fact, by completing your home improvement project now, you can also greatly increase the value of your single most important investment — your home and consolidate other payments to reduce your total monthly obligations.

How does all of this help you to save money on your 1996 income taxes. Great question! Interest which you pay on monthly revolving credit cards is not tax deductible; nor is the interest you pay on installment loans tax deductible. But, you may be able to deduct all of the interest from a home improvement loan. So basically, you get one loan which

allows you complete your remodeling project and to pay off your outstanding revolving and installment debt.

Taking this one step farther, if you have the same credit cards most people have, your interest rate is probably around 14 percent. So if the outstanding balances of all your credit equals \$5,000 the annual interest which you pay is approximately \$700. Mind you \$700, which cannot be deducted from your income tax. Now, before you begin to feel overly confident because you have a lower paying bank card, take a look at what you are paying on your gasoline cards, department store cards and any retail cards. If you average these cards together I believe that your confidence level may diminish. To compound the situation, most credit card companies apply your payments to any outstanding fees, then toward interest and finally toward the principle. But wait, you have to add on the interest that you are paying on your car note. If consolidating the debt with your home improvement loan



is looking better, well read on.

If you are disgruntled with the return you are getting on your investments, an improvement to your home will provide a solid return. Example: (Taken from Remodeling Magazine) A new family room provides an average return of 83 percent; an extra bathroom, 89 percent; and the average rate of return for a minor kitchen makeover is a whopping 98 percent. Not bad when you consider the 2 percent to 6 percent paid on most savings accounts. There is yet another bonus. The loan which you

receive will do more than help to accomplish your project, reduce your total monthly obligations and increase the value of your home. It can also help you to pay off your first mortgage quicker. How? Apply your monthly savings to the principle of your first mortgage; reduce total principle, reduce the interest payment and reduce the term. Obviously the monthly savings will vary by individual, but a home improvement loan can unlock the door to your new addition and a whole lot more.

Cindy Carr, Equitrust Mortgage Corp., Livonia, 1-800-686-3788, ext. 109.

For your home improvement questions or a copy of our roster book, or to have the association speak at a program contact Gayle Walters, executive director of the NARI-Michigan Remodeling Association at 810-335-3232. Questions can be mailed to "Let's Remodel," 2187 Orchard Lake Road, Suite 103, Sylvan Lake, MI 48320. Answers are provided by members of the MRA.

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