

let's remodel

Financing remodeling may save money

Q: Is it best to pay cash or use credit to finance a remodeling project?

A: Finding the funds for a remodeling project presents difficult choices and options. The option you choose will affect not only your home improvement loan, but all of your investments. That is where calculating "opportunity cost" becomes so important.

Your home is most likely your largest single asset. Home improvements enhance that investment - which is smart thinking. What is not smart, however, is that many homeowners neglect to consider how paying for that improvement is going to affect their other investments outside of the home.

Let's take cash for instance. When you pay for a remodeling project in cash, you tie up funds that could be earning interest in other accounts, mutual expenses or even a vacation. You also lose the opportunities to invest those funds, pay for hardships, medical expenses or even a vacation. When you liquidate an investment to pay for a project in cash, you are not only paying for the remodeling work, you also are paying for the lost return on that investment



you no longer have - which is a real cost, involving real money.

Another loss you will experience is the loss of a tax deduction. You cannot write off a cash improvement on your annual tax return as you can interest on a home improvement loan. Before you pay in cash, compare the interest rate on the investment you are preparing to liquidate (even if it is a savings account) to the interest rate on the home improvement loan - then add on the tax deduction. Financing may save you money.

"You should really examine all of your cash transactions," says Debi Bach,

product manager for kitchen and bath, and remodeling markets at Green Tree Financial Corp. and author of "Leveraging Design Finance and the Kitchen & Bathroom Specialist." She notes that, "The average home improvement loan is \$20,000 - the same as the average new car loan. Yet, while home improvement loans are tax deductible, they are not nearly as common as car loans. In fact, 94 percent of cars purchased in America are either financed or leased, despite the fact that the loan is usually not tax deductible."

"If you are going to pay cash for some personal use," Bach says, "it is better to pay cash for the car and finance the home improvement."

In any case, carefully examine your cash options and where your money is invested. If you can take the option of consolidating debts into a tax deductible home improvement loan, do it. If you have an investment that is working for you, keep it. Don't liquidate profitable working investments when you have

other options. And always review your plan with a tax/financial adviser to determine the best option for you. Often remodeling can be as good an investment as the stock market or certificates of deposit.

Source: The Master Plan for Professional Home Remodeling National Association of the Remodeling Industry.

For your home improvement questions contact the NARI-Michigan Remodeling Association at 248-478-8215. Questions can be mailed to "Let's Remodel," PO Box 531563, Livonia, MI 48153. Answers are provided by members of the NARI-MRA, the local chapter of the National Association of the Remodeling Industry. Members include professional contractors, manufacturers, wholesalers, consultants and lenders representing all facets of residential and light commercial remodeling.

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COMBINING TEXTURES

Even though the colors in an interior scheme may be artfully combined, the space will appear dull if there is not enough surface contrast. When textures are combined properly, it lends a sense of interest and excitement. To do so, it is important to stay within the same families of styles and types of textures when coordinating textures together. Use formal textures with other formal textures. If a casual-looking fabric or textured treatment is being called into play, use other casual elements and accessories in the same room or space. Avoid mixing one extreme style of texture with another. At the same time, it pays to play up the subtle contrasts between hard and soft, as well as smooth and rough.

This week's column provides helpful tips on how to successfully combine textures. SCOTT SHUPTRINE is committed to creating beautiful interiors that reflect the personal tastes of each customer. Our interior designers combine academic study, on the job experience, and creativity. Founded in 1927, we are proud to be one of Michigan's most prestigious fine furniture chains offering a wide selection of furniture. Visit us at 977 E. 14 Mile Rd., Troy, (248-616-3585) or 43606 W. Oaks Drive, Novi (248-349-0044). Business hours are M, T, Th, & F 10-9, W & Sat 10-6, and by appointment.

TIP: Use texture to add style and life to a neutral color scheme.



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