



## 7 Mistakes to avoid when trading up

Unlike the experience of buying a first home, when you're looking to move-up, and already own a home, there are certain factors that can complicate the situation. It's very important to consider these issues before listing your home for sale to avoid the financial burden of owning two homes; or even worse, having no place to live during the gap between closings.

### 1) **Rose-coloured glasses.**

Most of us dream of improving our lifestyle and moving up to a larger home. The problem is that there's sometimes a discrepancy between our hearts and our bank accounts. You drive by a home that you fall in love with only to find that it's already sold or that it's more than what you are able or willing to pay. Most homeowners get caught in this hit or miss strategy of house hunting when there's a much easier way of going about the process. For example, find out if your agent offers a Buyer Profile System or House-hunting Service, which takes the guesswork away and helps to put you in the home of your dreams.

This type of program will cross-match your criteria with ALL available homes on the market and supply you with printed information on an ongoing basis. A program like this helps homeowners take off their rose-coloured glasses and, affordably, move into the home of their dreams.

### 2) **Failing to make necessary improvements.**

If you want to get the best price for the home you're selling, there are certainly things you can do to enhance it for the eyes of a prospective buyer. These fix-ups don't necessarily have to be expensive. But even if you do have to make a minor investment, it will often come back to you ten-fold in the price you are able to get when you sell. It's very important that these improvements be made before you put your home on the market. If cash is tight, investigate an equity loan that you can repay on closing.

### 3) **Confirming all your closing costs.**

One of the biggest issues most move-up home buyers face is not confirming all the outstanding debts on your current home. Before you sell your current home confirm the amount of any registered debts, mortgages and early payout penalties that may apply.

Although most mortgages maybe ported to your future home, you will have to requalify at current rates and criteria, or pay a hefty payout penalty.





#### **4) Not selling first.**

You should plan to sell before you buy. This way you will not find yourself at a disadvantage at the negotiating table, feeling pressured to accept an offer that is below-market value because you have to meet a purchase deadline. If you've already sold your home, you can buy your next one with no strings attached. If you do get a tempting offer on your home but haven't made significant headway on finding your next home, you might want to put in a contingency clause in the sale contract which gives you a reasonable time to find a home to buy. If the market is slow and you find your home is not selling as quickly as you anticipated, another option could be renting your home and putting it up on the market later - particularly if you are selling a smaller, starter home. You'll have to investigate the tax rules if you choose this latter option.

#### **5) Failing to get pre-approved mortgage.**

Pre-approval is a very simple process that many homeowners fail to take advantage of. While it doesn't cost or obligate you to anything, pre-approval gives you a significant advantage when you put an offer on the home you want to purchase. Because you already know exactly how much house you can afford, and you already have the green light from your lending institution, your offer will be viewed more favorably by a seller than another offer that's contingent on financing - sometimes even if it's a little bit lower. Don't fail to take this important step.

#### **6) Getting caught in the Real Estate catch 22.**

Your biggest dilemma when buying and selling is deciding which to do first. Point number 3 above advises you to sell first. However there are ways to eliminate this dilemma altogether. You maybe be able to qualify to own both properties by renting your current home and using the rental income to offset the mortgage debt on it. Before you decide to keep your current home consult with your mortgage advisor to evaluate your ability to carry both mortgages. One question you have to ask yourself will you make a good landlord and will be able to pay for two houses if the rental property is vacant for a longer period of time.

#### **7) Failing to coordinate closings.**

With two major transactions to coordinate with all the people involved such as mortgage experts, appraisers, lawyers, home inspectors, etc., the chances of a mix-up goes up dramatically. To avoid a logistical nightmare, ensure you work closely with your agent.

