

Transcript

How Much Home Can You Comfortably Afford?

Having a mortgage that weighs you down every month is never a good situation. No one wants that. So to make sure it doesn't happen, we're here to help you figure out what's affordable when it comes to owning a home.

In fact, we have two other videos you should watch called "Planning for Extra Costs When Buying a Home" and "What Makes Up a Mortgage Payment".

First and foremost, you probably want to create a budget if you haven't done so yet, so that you can realistically determine where a mortgage payment will actually fit in.

There's a video that can give you some great tips on how to build one, called "How To Set a Budget and Stick to It".

Once you've got a budget in place, try your best to focus less on how much you can borrow and more on an amount that will fit comfortably within your life without putting any other financial plans on hold. That part is key.

A good rule of thumb is to take whatever you make each month before taxes and multiply that by 28%. That's how much a manageable monthly payment might be.

So for example, if you make \$3500 a month, a realistic payment could be \$980 including taxes and insurance.

There are also a lot of online tools that can help make this calculation even easier.

Then once you've determined exactly what you can afford, a good approach is to actually try on the payment.

That means taking the amount you're paying right now for rent, then setting aside the additional amount it would take to equal a mortgage payment when accounting for things like principal, interest, taxes, insurance (PITI) plus, any additional costs.

If, after a few months it ends up feeling like a comfortable payment, well you'll then have a better idea of what you're in for, when you do finally decide to take the leap.

Buying and particularly, owning a home is never easy. But with the right know-how, some patience and a little hard work, you'll soon be on your way to unlocking the front door to that new house you've always wanted. Especially since you'll have a mortgage that's manageable for you.