

# In Touch With BOB

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“Making Friends One Home at a Time”

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Yep! It's that time of year again. Old man 2007 has shuffled out the door and Baby 2008 has crawled in bringing with him the excitement of new opportunities.

As I look back over the past year I realize that I have accomplished a lot. But I also realize there is so much more that I want to do. I suspect you may find yourself in the same position. Now is the time to make a commitment to those things you want to do. Write them down and put them on the fridge. If

you need a magnet, I'll be happy to provide one for you..

You'll be surprised at how much you accomplish and how much the list changes through the year. If one of those accomplishments or changes has to do with real estate give me a call.

As I was finishing this issue my friend Trudy sent me the following link. It expresses exactly what I wish for you in the coming year.

[HAPPY NEW YEAR!](#) *Bob*

## Owning your home offers some tax advantages

Whether you own a mansion or a mobile home, many home-related expenses are tax deductible.

Mortgage interest and property tax are well-known deductions. To take advantage of them, you have to file the 1040 long form and Schedule A. For some homeowners, however, it might be better to file the EZ form because standard deductions would be greater than the allowable expenses.

The interest on a home equity loan is fully tax deductible unless the balance on the original mortgage plus the equity loan is greater than the property's value. After that, it's on a sliding scale.

If you bought your home after Jan. 1, 2007, mortgage insurance is fully tax deductible if your income is \$100,000 or less.

Mortgage interest and property taxes on a vacation home are deductible. But it doesn't even have to be a house. It could be an RV as long as it has cooking, sleeping, and bathroom facilities.

If you paid points to get a better interest rate on

any of your home loans, you can deduct the points in the year you paid them. If you refinance the home, points are deducted over the life of the mortgage.

If you changed jobs and had to move more than 50 miles and had to sell a home because of the move,

moving expenses are deductible unless reimbursed by an employer.

When your home has been damaged by a natural disaster such as fire, hurricane, or flood,

some of the bills for renovating the property that were not covered by insurance can be deducted. Check with your tax preparer for more information.

Do you have a home office used on a regular basis for business? Keep records on the percentage of the house that is used for business and make a proper allocation of expenses. For example, if 20 percent of your house is used for business, you will be able to deduct 20 percent of utilities and basic home repairs.

Keep records that show what you do in your office to constitute a business activity.



## We're all psychics! Maybe not good ones...

In 2007, Americans predicted to Gallup pollsters that Hillary Rodham Clinton would run for president. More than 88 percent were right about that.

Nearly 70 percent correctly predicted that Barack Hussein Obama would run for president.

About 60 percent thought a major hurricane would hit the United States, but that turned out to be wrong.

Meanwhile 63 percent did not predict the troop surge in Iraq and 76 percent actually thought Congress would pass social security reform.

On the other hand, 57 percent predicted Tiger Woods would win his 4th PGA championship. And he did win.

But, well, duh.

Exploring home styles: The lovely and talented Craftsman. See pages 3

## Ask the Expert



**Q** We're trying to decide whether to buy or build. What are the 'impact fees' we've heard about on new houses?

**A** Impact fees are taxes. They are a new kind of tax that many cash-strapped cities are assessing on remodeling and new home construction. Depending on where you live, they can be substantial. You won't find 'impact fees' in every city or county.

You'll find impact fees used in some cities in South Carolina, California, Oregon, Florida, Colorado, Arizona and Washington. Typically the fees are assessed by cities to pay for new roads, parks, and sewer lines.

According to Duncan Associates, a Texas consulting firm that tracks them, impact fees can add an average of \$10,500 to the cost of a new home in cities where they are imposed. Of course, many cities have substantially smaller fees.

Property rights advocates are against the fees, saying local governments are just afraid to go to

## What's Hot For 2008

According to home building supply dealer Lowes, the following are the trends to watch for the new year.

### Take a cue from high-end homes.

Luxury homes showcase the latest in floor plans, appliances and décor. Check out your local tour of homes or visit some open houses in new construction neighborhoods. Living spaces like mudrooms and home offices are all the rage; formal living rooms are not.

### Stick with your style.

Many experts agree that your remodeling projects should reflect the style of your home. For example, if you live in an ultra-contemporary condo, a quaint country kitchen might seem out of place and turn off potential buyers when you're ready to sell.

### Kitchen updates.

The kitchen is the heart of the home for many families and in addition to food preparation it's also a place to pay bills and do homework. Today's kitchens tend to be open and often include cabinets for TVs, computers and small appliances. There are so many choices when it comes to kitchen cabinets, fixtures, flooring and appliances; where do you start? Lowe's offers a free Kitchen Renovation Planner that can be [downloaded here](#).

### Go green.

Eco-friendly materials like bamboo flooring are gaining in popularity. So are Energy Star® appliances, windows, and lighting products, which increase energy efficiency. Lowe's has a wide variety of energy-saving products that can save you money. Check it out: [click here](#).

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taxpayers to ask for more money. But proponents say the taxes are fair because they are targeted at the very people who are causing an impact on the city services: builders of new houses.

In any case, these fees are rarely assessed on the sale of an existing property (though the fees could raise the price of a property.)

This is something to consider when pondering whether to build or buy. You can easily check to see if a locality assesses impact fees by checking with the city building permits department.

If you have a question you want to ask, email me at [Bob@BobEvriddle.com](mailto:Bob@BobEvriddle.com). I'll be glad to help.

### Go outside.

Outdoor living spaces are the latest trend in adding a room without adding four walls. At the high end of the market, outdoor living rooms, kitchens and fireplaces are becoming standard.

### Technically speaking . . .

As our lives become more dependent on technology, homes will become "smarter", allowing homeowners to remotely arm a home security system, turn appliances on and off, and control thermostats.

### Artisan color trends.

The colors of 2007/2008 turn over a new leaf encompassing the natural, the ethereal, the homespun and the restful. These vivid elements inspire sophistication, regality, and simplicity. To view the Artisan color pallets, [click here](#). You can also create your own Idea Notebook online, courtesy of Valpar and Lowe's.

## Remodeling That Adds The Most Value

I was watching HGTV today slowly dragging out the 20 top remodeling projects that add value to a home. As I anxiously awaited the Number 1 I suddenly realized I had seen this before...not the show, but the information.

With the need to watch how we utilize our dollars we don't want to throw money into a project which isn't going to provide a good return.

The 2007 Remodeling Cost vs. Value Report compares construction costs with resale values for 29 midrange and upscale remodeling projects comprising additions, remodels and replacements in 60 markets across the country. Data is provided for nine U.S. regions, following the divisions established by the U.S. Census Bureau. For more information go to [www.costvsvalue.com](http://www.costvsvalue.com). Some really interesting stuff there.

If you want happiness for an hour, take a nap. If you want happiness for a day, go fishing. If you want happiness for a month, get married. If you want happiness for a year, inherit a fortune. If you want happiness for a lifetime, help others.

*Chinese proverb*

Anger is a wind which blows out the lamp of the mind.

*Robert Green Ingersoll*

## Calculating retirement income from rental properties

Whether you have a 401k or other retirement plan, income from a rental property can make your later years more enjoyable.

After finding one in your price range, the next step is calculating its cash flow. That means determining what your annual expenses will be and deducting them from the rent. The balance is your cash flow.

Depreciation sounds like an expense, but it is generally a tax advantage. On a \$125,000 property, for example, the depreciation over 27 and one-half years comes to \$3,636 per year. This is a tax deduction.

In the early years of your mortgage, interest will reduce earnings on the property so you won't have much of a profit. During this time, the depreciation comes in handy to reduce taxable income from other sources. In later years, it will reduce the amount of tax you pay on rental profits.

When you retire, you can use monthly rental income for normal expenses and travel.

Or you can sell the property and have a lump sum to use for something you always dreamed of, like a luxury RV in which to tour the country. In years to come, your property could double in value.

Some things to consider when looking for a rental property:

- \* Good location. Today, rents are rising and will continue to rise in stable neighborhoods. The location should be not too distant from where you live now.

- \* You can often buy a duplex for not much more than a single family home, and rents will be higher.

- \* Find a building that's not too old so it will comply with building, zoning, and fire codes. And it will have lower maintenance costs. Have it inspected.

Man can live about forty days without food, about three days without water, about eight minutes without air ... but only for one second without hope.

*Hal Lindsey*

### The birth of title insurance

It began in 1868. In Philadelphia, a land sale showed the necessity of having more protection than the examination of public records would provide. Before the sale, a title search disclosed an old judgment against the land. But the buyer's attorney advised that it was not a valid lien, and the sale was completed.

Shortly afterward, however, the lien was allowed by the court, and the property was sold at a sheriff's sale. As a result of the loss, real estate attorneys decided to do something to protect innocent investors. They created title insurance, and before long it was used all over the U.S.

## HOME STYLES: The Craftsman



**A** summer afternoon spent in a porch swing, or a winter Saturday spent sketching in the living room, warmed and brightened by big sunny windows. This is the lifestyle of the Craftsman style house, part of the early 20th century arts and crafts movement.

In every city, especially in established neighborhoods, you'll easily find many examples of Craftsman homes. Still a very popular home style, this style home is known for its attention to detail. You'll find lavish use of natural materials such as lovely woods in the many built-in cabinets throughout the house. Outside, the large inviting porch (a signature element of the Craftsman style), is often supported by triangular columns, built of stone.

The Craftsman style home usually features a half story room built into the high sloping roof, but could also feature a second story, set into the roof and set off by dormers.

## A 50-50 antifreeze mix works great for winter

If you want to be kind to your car in cold weather, change your antifreeze but use a mixture of antifreeze and water.

According to Public Radio's Tom and Ray (Click and Clack the Tappet Brothers), antifreeze mixed half-and-half with water has a lower freezing point and a higher boiling point. The 50-50 mix offers freeze protection up to -34 degrees and boilover protection up to 265 degrees.

For colder climates, a mix of 70 percent coolant and 30 percent water gives freeze protection to -84 degrees and boilover to 275 degrees.

Antifreeze has another function. It keeps the cooling system from rusting. The rust protection breaks down over time. Change coolant every year or as recommended by your owner's manual. It also removes dirt and rust particles that can plug up the system and cause problems either in winter or summer.

Green-colored antifreeze can be used in any car. Long-life coolants in other colors should be used on recent models. It can damage gaskets in older cars.

- Traditional birthstone#: [garnet](#)
- Mystical birthstone#: [emerald](#)
- Ayurvedic birthstone#: [garnet](#)
- Flower: [white carnation](#)
- Sun Signs: [Capricorn / Aquarius](#)

# January 2008

There's a myth that time is money. In fact, time is more precious than money. It's a nonrenewable resource. Once you've spent it, and if you've spent it badly, it's gone forever.

*Neil Fiore*

Many of the things you can count, don't count. Many of the things you can't count, really count.

*Albert Einstein*

Anyone who stops learning is old, whether at 20 or 80. Anyone who keeps learning stays young.

*Henry Ford.*

People who think they know everything are a great annoyance to those of us who do.

*Isaac Asimov*

Sun	Mon	Tue	Wed	Thu	Fri	Sat
		1 OutBack Bowl New Year	2 <a href="#">National Science Fiction Day</a>	3 Orange Bowl	4 <a href="#">National Spaghetti Day</a>	5 <a href="#">Apple Howling Day</a>
6 Epiphany	7 <a href="#">Mighty Musical Monday</a>	8 <a href="#">National English Toffee Day</a>	9 National Apricot Day	10 National Bittersweet Chocolate	11 <a href="#">National Hot Toddy Day</a>	12 <a href="#">14th Annual Eskimo Escapades, Shut Up &amp; Ski</a>
13 Golden Globe Awards	14 Bob Hope Chrysler Classic	15 National Strawberry Ice Cream	16 Religious Freedom Day	17 <a href="#">National Hot Buttered Rum Day</a>	18 <a href="#">Winnie the Pooh Day</a>	19 <a href="#">National Popcorn Day</a>
20 National Disc Jockey Day	21 <a href="#">Martin Luther King Birthday Ob., U.S.*</a>	22 Answer Your Cat's Questions Day	23 National Handwriting Day	24 <a href="#">National Peanut Butter Day</a>	25 <a href="#">National Irish Coffee Day</a>	26 <a href="#">National Peanut Brittle Day</a>
27 <a href="#">Cheerleading Competition</a>	28 Bald Eagle Day	29 National Puzzle Day	30 <a href="#">National Croissant Day</a>	31		



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## Gossip and Socrates, the Great Philosopher

One day the great philosopher came upon an acquaintance who ran up to him excitedly and said, "Socrates, do you know what I just heard about one of your students?"

"Wait a moment," Socrates replied. "Before you tell me I'd like you to pass a little test. It's called the Test of Three.

"The first test is Truth. Are you sure that what you will say is true?"

"Oh no," the man said, "actually I just heard about it."

"All right," said Socrates. "So you don't really know if it's true. Now let's try the second test, the test of Goodness. Is what you are about to tell me about my student something good?"

"No, on the contrary..."

"So," Socrates interrupted, "you want to tell me something bad about him even though you're not certain it's true?"

The man shrugged, a little embarrassed.

Socrates continued. "You may still pass though, because there is a third test, the filter of Usefulness. Is what you want to tell me about my student going to be useful to me?"

"Well it....no, not really..."

"Well," concluded Socrates, "If what you want to tell me

is neither True nor Good nor even Useful, why tell it to me at all?"

The man was defeated and ashamed.

This is the reason Socrates was held in such high esteem.

It also explains why he never found out what Plato was up to.

## Tips for buying home in 2008

### Don't let credit, job hopping cause a broken heart

So, you have talked with lender and gotten "prequalified." But are you "preapproved?" The difference between the two is that one says you can buy the house if all of the things you told the lender are true. The other says that all of your information has been verified and yes you are ready to go.

.So, in keeping with the new year, and in order to avoid the pain of losing something you really wanted, let me encourage you to do the following in the new year.

### Get your credit and finances in order.

Plenty of would-be buyers are paying off their credit cards, car loans, school loans and other forms of personal debt. While having personal debt doesn't mean you can't qualify for a loan, it can lower the amount of the mortgage a lender might be willing to give you. And, given the current mortgage crisis, lenders are paying close attention to your credit history and credit score.

If you keep one resolution this year, choose to clean up your

credit. One of the best things you can do to prepare for buying a home is to make your monthly debt payments on time. Even if you have a lousy credit history, lenders will be more forgiving if they see you've gotten your act together in the last six to 12 months.

Federal law now requires each of the three main credit reporting bureaus (Experian, Equifax and TransUnion) to give you a free copy of your credit history once a year.

To get yours, go to [www.annualcreditreport.com](http://www.annualcreditreport.com). At the time, buy a copy of your credit score from Equifax. The cost is under \$10, which is still less than buying it through MyFico.com.

### **Get your credit in shape.**

Put a lid on your spending, perform "plastic surgery" on your credit cards, and don't max out any one card (in fact, never charge more than 30 percent of your maximum credit limit) or your credit score will suffer. If you're going to cancel an account, do it in writing, but you get bonus points on your credit score the longer you maintain a credit account. So a credit card account that you opened in 1984 is worth a lot more than one you opened last month.

Don't forget that good credit also means job stability. Most lenders require that you work for the same employer for at least a year, and maybe two, before they'll approve your home loan application. If you're self-employed, they'll want to see at least two years of tax returns before you'll qualify for a conventional loan. If you're offered a better job in your field, by all means take it. But if you want to buy a home, try not to jump from job to job within a relatively short period of time.

### **Know how much you can afford to spend before shopping for a home.**

You have three options when it comes to figuring out how far your down payment and income will take you: You can guess; you can pay a visit to your local lender, who will prequalify or preapprove you for a loan; or you can go online.

Your lender will look at your income, debt, assets and liabilities, and come up with the maximum amount you can spend on a home. Once you know how much you can afford to spend, you'll avoid making a common, heartbreaking, home-buyer error: looking at homes you can't afford to buy.

Too busy to visit a lender? There are several Web sites that offer good mortgage information. Try Bankrate.com for a state-by-state look at current interest rates from lenders who work in your area, including online lenders. Every major mortgage lender has a Web site. And, don't forget to check the rates at your local credit union.

### **Do you know the neighborhood?**

Everyone wants to live on the best block in the best neighborhood. Unfortunately, that location may not be in your budget. You might be able to afford the smallest home on the best block, but that won't do you much good if you need four bedrooms and that home has only two. Balancing affordability with location means you may have to compromise. While you may be willing to compromise on the size of garden you have, you may not be willing to change your children's school districts.

Start looking at various neighborhoods and the amenities they offer. Is there a park? Shopping? Transportation? What will be the work commute time? Do your friends and family live close by?

### **Interview at least three brokers before hiring one.**

Although I want to be your real estate agent traditional wisdom encourages you to look around. You will be sharing a lot of time with this person. You can even choose not to use a real estate agent, although as a buyer you won't be out of pocket for the cost, so there's no reason not to use one.

Choosing which agent to use -- or choosing not to use an agent -- can be critical to your successful purchase. Look for an agent whose philosophy and mannerisms are compatible with yours. Look for someone you can trust, with whom you wouldn't mind spending a lot of time. Look for an agent who has ample experience, and who is knowledgeable about the neighborhoods you've selected for yourself.

And finally, use a full time agent. Nothing is worse than not being able to reach your agent for days at a time. You want someone is committed and is going to be available when you need them.. If cousin Sally can only work after her regular job hours, you are being properly served.

### **Read and understand all documents before signing them.**

A good agent will take the time to go over the purchase and sale agreement with. In Tennessee we have standardized contracts on which every agent is supposed to be trained. If you don't understand something.....**ASK!** This is a big step and you need to be sure you are comfortable with what you are doing, especially if you are first time home buyer.

If you don't understand the documents that you are being given and still don't understand them after the agent has explained them to you, seek help from someone you trust or hire an attorney to assist you in the process.

Angels may not dress the part,  
With robes and wings that soar.  
Often angels come as friends  
Knocking at your door.

*Author unknown*



"You need more activity. Start with some light dusting of your exercise equipment."