

Smart with money

Our first home – to buy or to rent?

In this week's series by Credit Counselling and Debt Management Agency (AKPK), we will look at how newlyweds Adam and Aida manage home ownership.

They had returned from their honeymoon and now, it's time to make some adjustments as a family.

As money is a sensitive topic, many couples keep its discussion out of their relationship. Below are some pointers for all newlyweds to consider:

- Your financial plan has to move from being an individual to a shared one.
- Decide how to handle routine bills, paying for the family and children's well-being, household budgeting, as well as savings and investments.
- It may be wise to have at least three bank accounts – "Mine", "Yours" and "Ours". This would enable each spouse to have some autonomy over their own finances while still able to meet common expenses from their shared account.
- Like your individual financial plan, as a couple, you need to put aside an emergency fund.
- Talk about each other's investment style, including your risk appetite and preferences. It is wise to have a common investment portfolio to meet future financial goals.
- You may need to review your insurance coverage as well, especially if a spouse isn't working or if there are children.

From the budget (see table), Adam and Aida have a healthy surplus of RM3,000 per month. With this savings amount, they figured they should be able to afford a home of their own.

As a rule of thumb, we can allocate up to one-third of our monthly take-home pay towards all our loan commit-

ments. With a loan tenure of 30 years and an assumed average interest rate of 7%, they should limit their home loan to not more than RM300,000. However, they should also have about RM30,000 cash for downpayment and another RM10,000, more or less, for other incidental costs such as stamp duties and legal fees.

There are two reasons why Adam and Aida felt that buying a home is better than renting. Firstly, they can increase their net worth over time while servicing their loan. Secondly, owning a home will give their family a greater sense of security.

However, buyers should do their homework! The golden rule of any property investment is: Location, location and location! More tips:

- Drive around the neighbourhood at different times of the day and week to see what your potential neighbours are like.
- Check the infrastructures in the area that can add value to the house, such as schools, shops, park/playground, public transport and businesses. Watch out for conditions and any future development that may make the area economically disadvantaged.
- Check if the property is on freehold or leasehold land. The market value of the house on freehold land is usually higher than if it is on leasehold land.
- Talk to experts who can advise about the market, locations or types of properties such as apartments, condominiums or landed properties.
- Shop around for the best

home loan package in town.

You must be able to afford to buy and pay for your house. Otherwise, your dream home will turn into a financial nightmare!

AKPK, set up by Bank Negara Malaysia, provides free services on financial education, counselling and debt management. Call 1800-88-2575, or visit www.akpk.org.my. Look up AKPK on www.youtube.com or www.facebook.com. We now have 'Money Sense' book 2nd Edition and its Bahasa version called 'Celik Wang' available at all our 11 offices nationwide.

INCOME	
Take-home Pay	
Adam	4,500
Aida	3,500
	RM8,000
EXPENSES	
Savings	800
Life Insurance Premium	
Adam	250
Aida	150
	400
PTPTN Repayment	300
Car Instalment	
Adam	400
Parents	1000
Food	800
Car Maintenance,	
Road Tax	
& Insurance	200
Clothing &	
Entertainment	500
Petrol & Toll	400
Phone Bill	200
	RM5,000
Balance	RM3,000