

# How Much Should You Budget for Home Repairs?

Consider these 4 questions to set up a home maintenance fund.

Buying a home might be one of the most exciting times in your life. It's full of possibilities, but it's also full of a whirlwind of paperwork and financial hurdles. One of those hurdles that can easily get lost in the shuffle of mortgage documents and closing costs: saving money for emergency home repairs.

"Homebuyers rarely consider how much it will cost to own, operate and maintain a house," says Ilyce Glink, author of "100 Questions Every First-Time Home Buyer Should Ask" and publisher of [ThinkGlink.com](http://ThinkGlink.com), a personal finance and real estate educational website. "They're very interested in looking at how much mortgage, taxes and insurance will cost, but if a homebuyer is on the edge of affordability, buying a bigger house with higher maintenance and upkeep could push him or her over the edge financially."



In order to avoid this scenario, consider setting up a home maintenance and repair fund. But how much should you budget for home repairs, and how will budgeting for unexpected home repairs make your life easier as a homeowner? Consider the answers to the following four commonly asked questions:

# 1. How can a home maintenance fund help you?

Budgeting for unexpected home repairs helps to ensure that you have enough money to keep your home safe and in good working order. No one wants to deal with a leaky roof or a toilet that doesn't flush.

For Lisa, who blogs only under her first name at [Mad Money Monster](#), it literally took a lightning strike to encourage her to save money for emergency home repairs.

"I realized I needed to save for home repairs when lightning struck our neighbor's tree on our fence line," she says. "Unfortunately, it split and fell into my side yard. Interestingly, if a tree falls onto your property, regardless of where the roots live, you're responsible."

Luckily, Lisa explains, not only did the tree miss her newly installed fence by a few feet, but her neighbor agreed to pay for the cleanup, so mother nature's havoc didn't cost her anything. Had that not been the case, she says she was probably looking at \$1,000 or more in cleanup and repairs.

"From that point on, I decided to dedicate a \$100 per month for repairs in a [separate bank account](#) in order to be prepared for the unexpected," she says.

Good thing, because when an ice storm hit a few years later, causing major damage to about 20 pine trees on her property and leaving her yard a mess of downed branches, she says she was able to tap these funds to pay for the \$800 required to clean things up.

"The best part about having that home maintenance or repair fund is that I've eliminated the stress and worry that I dealt with before having one," she says. "Even though I'm only saving \$100 each month, that \$100 adds up quickly and has come in handy more than once."

## 2. How much should you budget for unexpected home repairs?

There are a couple of rules of thumb that can help guide you when budgeting for unexpected home repairs.

According to the one percent rule, you should set aside at least one percent of your home's value every year for home maintenance. For a \$360,000 house, this works out to \$3,600 per year, or \$300 per month.

Another good rule of thumb is "saving 10 percent of the total cost of your property taxes, mortgage and insurance payments," Glink says. "This is probably the minimum amount you should plan for."

Using this logic, if you make a combined tax, mortgage and insurance payment of \$2,000 per month, you should set aside another \$200 for home repairs and maintenance.

**"The best part about having that home maintenance or repair fund is that I've eliminated the stress and worry that I dealt with before having one."**

— Lisa, blogger at Mad Money Monster

## 3. When should you consider saving more?

If you're determining how much you should budget for home repairs, consider the age of your home. If you have an older property, Glink says you may want to set aside a larger amount than the rules of thumb dictate, particularly if you know there are repairs looming on the horizon.

However, if you have a newer home, don't think that you get a temporary pass from saving money for emergency home repairs. It's true that homes

generally don't need as many repairs in their first five years, Glink says. But that doesn't hold true for *all* new homes, and new homes aren't immune to accidents and weather damage that homeowners insurance may not cover.

"My house was brand new when I bought it, so I wasn't too concerned about having major issues," Lisa says, "but the tree was a wake-up call."

## 4. Where should you save money for emergency home repairs?

The best place to save money for emergency home repairs is in a savings vehicle that's relatively liquid.

"You're going to need to get at this cash quickly and easily when something happens," Glink says. "Don't tie it up into long-term bonds just because you think you'll earn a little more in interest. Find an [FDIC-insured bank account](#) that pays the best rate of interest you can find."

Sunny skies are the right time to save for a rainy day.

Start an emergency fund with no minimum balance.

**Start Saving**

Budgeting for unexpected home repairs and saving that money in a high-interest [online savings account](#) has a lot of benefits. You'll earn interest on your funds while they are parked in your account, and with an FDIC-insured bank, your account will be insured up to the maximum allowed by law if the bank fails. Another [online savings account benefit](#) is that you can easily withdraw money when a home emergency pops up.<sup>1</sup>

"I have a separate online savings account where these funds live," Lisa says.

Keeping your home repair and maintenance fund in a separate account can help you save money for emergency home repairs by making it more difficult to dip into the funds for an expense not related to its intended purpose.



## Time to save money for emergency home repairs

Homeownership is a big responsibility with equally big costs. Most people think that the bulk of their costs come with the home down payment and closing, but unexpected home repairs can haunt you years later. As long as you determine how much you should budget for home repairs and come up with a game plan to save, you can enjoy your home stress-free—no scrambling when an unexpected home repair creeps up.

<sup>1</sup> Federal law limits the number of certain types of withdrawals and transfers from an Online Savings Account to a combined total of six per calendar month per account. There is no limit on the number of withdrawals by Official Check mailed to you. If you exceed these transaction limitations during any calendar month we may assess a per item Excessive Withdrawal Fee or refuse to pay each transaction in excess of the limitations. If you exceed these limits on more than an occasional basis, we reserve the right to close your account.

*Discover Bank, Member FDIC*