BUSINESS

MONEY MANAGEMENT
THE VALUE OF HOME IMPROVEMENTS

Undertaking home remodeling projects may offer you more than just personal satisfaction. According to the Nevada Society of CPAs, some home improvement projects may also be replete with tax advantages.

TAX IMPLICATIONS OF REPAIRS AND IMPROVEMENTS

Capital improvements-such as replacing a roof, landscaping a yard and updating a bathroom-can be added to the basis of your home and decrease your taxable profits when you sell it. Be aware that some home projects are merely repairs that do not add to the basis of your residence. A capital improvement must add to your home's value, prolong it's life, or adapt part of your home to a new use.

When deciding which home improvement to make, also look at the trends in home sales and consider the features most important to home buyers in your area. For example, adding an outside deck may give you a better return on your investment than installing oak trim and handrails throughout your house.

When making your improvements, consider home prices in your neighborhood. If you want to recover your costs when you sell your home, don't undertake projects that elevate your property above the neighborhood norm.

HOW WILL YOU PAY?

Try not to borrow funds for small projects-$3,000 or less. Instead, pay with cash. If your home improvement is larger in scope, there are a number of financing alternatives to consider.

If you've lived in your home for a while and have built up equity in it, you may be able to obtain a home-equity line of credit. The benefit of using home-equity is that, unlike consumer interest, home-equity interest is fully deductible, except for certain high-income individuals who are subject to an overall reduction in itemized deduction.

Home-equity debt may not exceed the home's value or $100,000 ($50,000 in the case of a married individual filing separately).

You may also finance a large remodeling project by refinancing your home at a lower interest rate. This may enable you to keep your monthly payments about the same even if you take a larger mortgage to finance a home improvement.

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FINANCIAL REPORT
MAKING THE MOST OF MUTUAL FUNDS

By Fred T. Snyder

One of the easiest methods of taking advantage of built-in asset allocation is through the use of mutual funds.

Quite simply, a mutual fund is a collection of stocks, bonds or other securities purchased by many individual investors and managed by an investment company.

Mutual funds can provide you with built-in diversification, professional management, and a relatively easy way of keeping track of your investments.

One of the key components of any asset allocation program is diversification. The aim in gathering a well diversified portfolio of investments is to reduce your risk while maintaining the overall return.

For example, if you hold just one particular investment, say your company stock, and the company goes bankrupt, you stand to lose everything.

However, if you invest in a large number if stocks, the effect of one of them going bankrupt is unlikely to have such an disastrous effect on your portfolio. It might well be offset by the rise in value of a different stock. In other words, you can reduce your risk by diversifying among different securities.

The big drawback to diversifying on an individual basis is the high cost of gathering the individual securities. Mutual funds effectively take care of this problem.

When you buy a share in a mutual fund, you are purchasing a piece of a portfolio that already contains a large number of individual securities. You get built-in diversification with a single purchase.

FRED T. SNYDER

With over 3,300 funds now available, you can find some that suit your temperament. There are even families of funds that allow you to switch your investment dollars between funds with different objectives. These can include growth, income, tax benefits, safety, or any combination that you wish.

The professional management of the fund also offers certain advantages. Your money is effectively managed by people who devote themselves full time to the task. No matter how talented you are, studying individual securities is a time-consuming task that demands constant attention. Professional management serves to remove some of that burden from your shoulders.

(See Financial Report, Page 7)

HOW TO WRITE A BUSINESS PLAN

Two of three small businesses fail in the first five years because of bad planning. Established business owners cannot expand because of a lack of capital. Before you start a business, or if you need additional capital, it's vital that you prepare a written business plan. The Service Corps of Retired Executives (SCORE) will conduct a hands-on review and give a sample plan at the Showboat Hotel on Thursday, July 22nd from 8:30 AM to 4:00 PM. Advance reservations are required, limited to 20 people. Fee is $40.00.

Call SCORE today at 388-6104.

Real Estate Perspective

By Loretta A. Hall

WHY IT'S SUCH A GREAT TIME TO BUY

If you've been waiting for the right time to buy a new home, take a look at Las Vegas' real estate market.

A great ad once said "unrent yourself," an expression which perfectly captures today's marketplace. When else in recent history has there been a better time to own a home? When in recent history has there been a better time to stop supporting your landlord?

How good is today's market? If money is important, the good news is that you need less of it to afford a new home. Interest rates, which in the not-too-distant past hovered at 10 percent or more for fixed-rate financing, are now under 8 percent and the difference is significant. Lower rates translate into more real estate buying power so you can buy more house no matter what you earn.

And if you intend to be a short-term property owner, say five to seven years, then you may want to look at the bargain-basement interest levels now available with adjustable-rate financing (ARMs) and so-called "two-step" mortgages.

Recent ARMs have been available with start rates in the 4 percent range and sometimes lower. If rates can only rise a maximum of two percent per year, it means a borrower might start at 4 percent the first year, 6 percent the second, and 8 percent the third year if rates rise as much as possible. Average rate for the first three years in a worst-case scenario, 6 percent. Nothing, of course, says that rates must rise to maximum levels.

Two-step loans are another option with low rates up front. With a two-step mortgage, interest in the first stage, generally 5 to 7 years, is set below prevailing rates for conventional mortgages. At the end of the first stage, there is a one-time adjustment. Speak to a lender for complete details, and be certain to ask about the lifetime interest cap and whether or not the loan is an absolute commitment for 30 years.

While much attention has been focused on interest rates, other factors have also created a pro-buyer environment in 1993. As I reported in an earlier article, FHA and VA financing, the most important mortgage programs available to entry-level buyers, have been greatly improved for 1993.

The FHA loan limit has been raised to $151,725.00 and the program can now be used to pay for most closing expenses. The VA program has been expanded so that reservists and national guard personnel with at least six years of service may qualify for no-money-down VA financing for as much as $184,000.00.

Wait, there's more. While interest rates tumbled, interest costs remain deductible. Uncle Sam will allow you to write off interest costs on as much as $1 million in secured debt on a prime residence, plus the interest on a home equity loan worth $100,000.00 or less.

The bottom line is that when a buyer converts from rental status to ownership, monthly housing costs may rise, but federal and state taxes are likely to decline. For many borrowers, the overall result is lower monthly costs plus all the advantages of ownership.

The final factor that makes 1993 a banner year for buyers is supply. It's no secret that the early 90's were tough for sellers, and because 1993 looks like a stronger year, many homes kept off the market in 1991 and 1992 are now available.

The reward for buyers is a wide selection of properties. More selection translates into a broader range of options and opportuni-

(See Real Estate, Page 7)