



To Your Wealth: Realities of real estate

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Over the last three years, can you guess which has declined the most, stock prices or home prices? You may be surprised to learn Racine area real estate values have declined more than stocks based on average home sale prices compared to the S&P 500 U.S. stock index.

Since we don't receive monthly statements indicating the value of our homes, the declines in prices are not nearly as noticeable as the losses we see printed on monthly investment reports. Another major difference between selling stocks versus real estate is the emotional attachment we often have to our homes, which can alter our perception of value. It's natural to imagine our homes are worth more than the average home because we've taken good care of them and we appreciate the extra touches we personally added that contributed to the value.

To add objectivity to home-selling considerations, it's helpful to view the transaction through the lens of managing a transition. An excellent model is William Bridges' book, "Transitions: Making Sense of Life's Changes." Bridges divides transitions into three stages which could be applied when selling your house.

The first phase is actually recognizing "endings" which, in the case of real estate, involves the psychological and physical preparation for the sale. You'll consider what you'll be leaving behind or giving up. You come to awareness, peace, and reality with what is changing.

The next transition phase is the "neutral zone" during which you experience the uncertainty around leaving the known for the unknown. The final phase, or "new beginning," occurs when you resolve the uncertainties and truly settle into your new home.

While Bridges' work provides a great foundation for mentally dealing with the real estate transition, I also spoke to several local Realtors for some practical guidance. Local Realtor Dan Gobis said the "greatest determining factor in the sale of your house is the price." The best determinant for calculating the price on your house is to look at comparable sales of similar homes (based on size and style) in the past six months.

Realtor Julie Lang with First Weber Group offered some additional thoughts such as obtaining pre-approval from a mortgage lender because they are tightening lending standards, and preparing a list of needs versus wants for what you're seeking. Some items may be non-negotiable (e.g. three bedrooms or ranch style), so these would be on the needs list. Other items (such as first floor laundry or three-car garage) may be nice but are not required, so they would be on the want list.

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