



RFM Financial  
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## *Buying your first home*

Buying your first home can be a daunting process with many deciding factors and little experience guiding the way. Fortunately, you can buy with confidence after planning for what to expect. In this article, we will provide you with a list of steps to follow when making a decision on a new home.

### **Assessing your needs**

Before diving into the research, you should consider what you need in a home. Think of factors such as location, community, size, and price range. Generally, the median home prices are two to three times the area's median annual income, so if an area's median annual income is \$100,000, the median home price would fall between \$200,000 and \$300,000.

### **Review finances**

Once you have a clear picture of the type of home you are looking for, you need to ensure that it can fit your budget. Getting a grasp on your financial situation includes taking inventory of your income, savings, investments, and outstanding debt. Additionally, checking your credit score can be done for free and will help prepare you for what to expect in a mortgage. A higher credit score will result in a more favorable interest rate and lower total interest paid over the life of the mortgage.

### **Seek approval for a mortgage**

Now that you have reviewed your finances, you can begin to seek approval for a mortgage. Your current financial situation will dictate the type of mortgage you are able to obtain. Expect a required down payment of anywhere between three percent and twenty percent in order to qualify for a mortgage.

### **Hire a real estate agent**

While not necessary, hiring a real estate agent will make the home buying experience much smoother than going it alone. For first-time home buyers, a real estate agent can be an excellent resource for questions throughout the process. Furthermore, agents usually have access to far more listings and can negotiate better prices than an individual buyer, which is why more than eighty percent of homeowners will use one when buying. In exchange, expect a commission fee that is around six percent of the closing cost of the home.

### **Inspect and appraise the home**

Before making your final decision, be sure to hire a professional home inspector to assess the foundation, electrical, plumbing, and other aspects of the property. While this carries a fee between \$300 and \$500, the cost of finding hidden problems down the road will be exponentially higher. Also, consider hiring an appraiser to ensure the home is valued fairly.

### **Finalize the loan and close the sale**

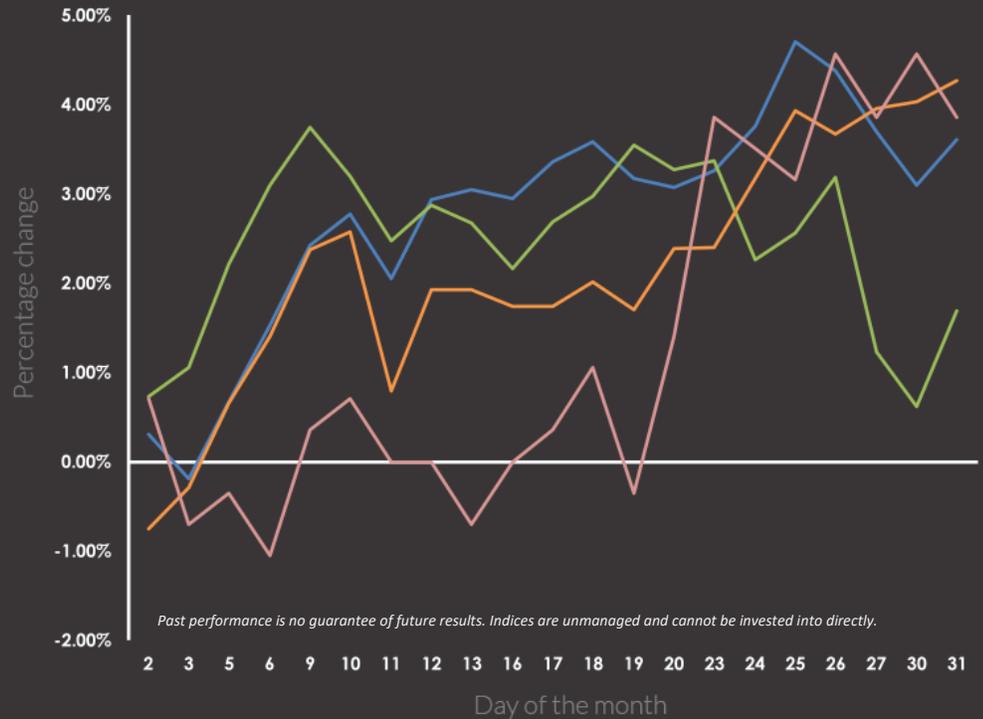
If everything with the home and property checks out, you can begin to finalize the loan and ultimately close the sale. Be sure to fully review the conditions of the mortgage and lock in the interest rate. You will be granted either a 15, 30, or 45-day escrow period that protects your interest rate against market fluctuations.

Before your closing date, the lender should provide an outline of expected closing costs. These commonly total between two and five percent of the purchase price and can include a number of different small fees. At this point, you are ready to move in to your new home.

# The market at a glance

## July

 <b>U.S. Large Cap</b> (S&P 500)	<b>2,816.29</b> (3.60%) ▲
 <b>U.S. Mid/Small</b> (Russell 2000)	<b>1,670.80</b> (1.69%) ▲
 <b>International Large</b> (NYSE International 100)	<b>5,713.84</b> (4.27%) ▲
 <b>U.S. Treasuries</b> (U.S. 10-year Treasury yield rate)	<b>2.96</b> (3.86%) ▲



## The market in action

- Facebook shares declined by 20 percent after the social-media company reported below-expectation revenue growth rates in its second-quarter earnings announcement. The decline wiped away nearly \$120 billion in market value.
- Fortune 100 construction equipment company Caterpillar Inc. revealed that newly imposed U.S. tariffs will reduce the company's bottom line by up to \$200 million. It intends to offset these losses by increasing prices and focusing on a stricter cost discipline.
- California has reached its 2020 greenhouse gas emission goal years ahead of schedule as the California Air Resources Board released its emissions report data for 2016, the latest year available. The state now produces less emissions than it did in 1990, and state law mandates another 40 percent decline by 2030.
- The European Commission has ordered a \$5 billion fine against Google for unjustly pushing the company's own Chrome and Search apps on Android smartphone users. Manufacturers were required to install the software as a condition of licensing Google's Android mobile operating system. The fine is the largest ever imposed by the European Commission.
- One of the most difficult tests in finance, the Chartered Financial Analyst (CFA) Program, has announced it will be adding a section on cryptocurrencies and blockchain in its 2019 exam. The addition confirms the recent surge of interest in the area and will be categorized under a new topic called "Fintech in Investment Management."



## What to expect with probate

Probate is the legal process of distributing a deceased person's estate according to their last will and testament and paying off any debt owed to their creditors. This process typically lasts four to six months but depends largely on the complexity of the will and size of the estate.

### Preliminary

In order to begin the process, there must be an individual named as the executor of the will. In many cases, the decedent's will explicitly appoints an executor. An application must then be submitted with the will and the death certificate in the county in which the decedent lived during the time of death.

In some cases, such as an unexpected death, there may be no executor named in the will or no will at all. This would require a court-supervised probate process to appoint one.

### Prove validity of the will

Once an executor has been named, they must supply the courts with evidence that the will is valid. In most states, this requires two witnesses, which the law prefers to not be heirs under the will. This ensures the will was made in proper capacity and was done freely.

### Initial hearing

An initial hearing is a formality to begin the legal process and usually doesn't require attendance. Formal legal notice must be sent to all beneficiaries named in the will prior to the hearing. This step can lengthen if beneficiaries dispute the executor's appointment or others included in the will.

### Alert creditors

In order to move forward with the distribution of assets to beneficiaries, all debts and liabilities due on the estate must first be paid. This involves alerting all creditors of the

decedent's passing and posting a death notice in the local newspaper for any unknown creditors.

### Posting bond

In some cases, executors may be required to post a bond before handling an estate. This is because an executor is considered a fiduciary of the estate and the bond helps prevent fraud or mismanagement of assets. The bail amount will vary depending on the size of the estate and will be returned once the estate is closed without issues.

### Evaluating the estate

While the probate is being processed by the courts, a bank account should be opened in the name of the estate. Assets should be gathered and funneled into this bank account so they can be used to pay off any liabilities to creditors. A list of these assets must be provided to the court, which may need to be appraised to determine the value of the estate. Court approval may be needed before selling assets to pay off liabilities.

### Distributing assets

The process of distributing assets to beneficiaries can vary from case to case and may be subject to court approval. Due to potential time constraints, such as money for students currently enrolled in college, the process may need to be expedited.

### Dividing assets

For hard assets that can't be evenly distributed, such as homes and cars, a meeting with family members will determine how the asset will be handled. This commonly results in selling the asset and evenly distributing the proceeds. If an individual wants to take ownership of a hard asset, they must facilitate how to fairly compensate others.

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