

# **10 Secrets to Successful Home Buying and Selling**

Using Your Housing Psychology  
to Make Smarter Decisions



# **10 Secrets to Successful Home Buying and Selling**

Using Your Housing Psychology  
to Make Smarter Decisions

Lois A. Vitt, Ph.D.



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*To Dellabeth, whose restless spirit contributed  
to my wanderlust;  
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and to Noel, whose wit and wisdom helped me  
(almost) settle down.*



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# ABOUT THE AUTHOR

**Lois A. Vitt, Ph.D.** founded and directs the Institute for Socio-Financial Studies, an organization engaged in evaluation research in personal finance education. She teaches university courses in the social psychology of finance and the finances of aging, and she is Editor-in-Chief of the two-volume *Encyclopedia of Retirement and Finance*. She pioneered the development of financing instruments for home buying and has worked throughout her career to make homeownership more accessible. She is a consultant to organizations on consumer finance and financial literacy education.



## Preface

Until recently, the longest time I lived in one place was five years, and my usual limit was two years. I have changed homes, transformed rooms to accommodate new uses, rented, bought, and sold homes, refinanced them, leveraged them, and invested in rental homes.

I've moved to save money, to seek or accept new employment, to find better schools, to move to a different location, or to collapse my commuting time. I moved to change environments—the suburbs, the city, the beach, the country—and for long periods, I shuttled between two homes at a time. My work required me to travel, and sometimes a city became a routine business destination. Whenever that happened, I thought about trading hotel life for local living, and once, I actually did it. Most of my moves, now that I look back on them, were wonderfully happy moves. A few were definitely losers.

Housing was also my business. As a mortgage banker, I financed thousands of houses, apartments, co-ops, and condominiums. As an investor, I rescued, renovated, restored, and remodeled houses. As the Director of Housing for an urban renewal agency, and other non-profit and for-profit organizations, I helped transform and uplift the lives of low-wage, inner-city, middle-income, Caribbean Island, and Native American populations by helping them become homeowners. For my doctoral dissertation, I researched the social and psychological ties we have to housing and I examined the differences homeownership makes to people who are able to achieve it. Not surprisingly, my research results empirically supported the prevailing wisdom surrounding homeownership as a personal and an American ideal.

Since completing my thesis, and increasingly during the past decade, financial research has more frequently crossed the line into the social and behavioral sciences. In turn, the social and behavioral sciences grapple with questions about personal financial literacy and financial management. At the heart of this emerging body of research is *the home*. Perhaps nowhere else can we learn so much about ourselves and one another as when we consider our values, feelings, attitudes, beliefs, and customs in the context of the financial realities, constraints, opportunities, and investment potential of our homes. *Nothing else motivates us to learn how to handle money better than the prospect of owning or investing in our homes.* Yet, partially due to the complexity of the times in which we live, and partially due to credit availability and increasingly creative advertising, we have fallen behind the “personal financial knowledge curve” we need to master. It doesn't have to be this way.

I've learned from my research, teaching, and the people I've helped to house—from college students to older retirees seeking assisted living arrangements—that our decisions about homes can be financially and personally enhancing or exactly the opposite, depending upon the mindset, willingness to learn, and emotional baggage we bring to the transactions. Housing emotions can derail us financially. They can be so powerful in fact that during seminars I offer on home and decision-making, I've seen grown men and women cry over home-connected memories. One man who was about 50 years old, a participant in a half-day workshop, suddenly began weeping uncontrollably and had to leave the room. He later told me he had not allowed himself to grieve over the loss of his wife almost two years earlier. The exercises in the workshop had loosened memories he suppressed “far too long,” he said. The experience of home can be so intimate that I've witnessed participants heal childhood trauma by revisiting the homes of their past through exercises designed expressly for this purpose.

My hope is that *10 Secrets to Successful Home Buying and Selling* will simplify what can be a complicated, intimidating, and emotionally draining experience for many. By introducing you to your own “housing psychology,” better negotiating and decision skills will be more accessible to you as a homebuyer, seller, renter, and housing investor. *10 Secrets to Successful Home Buying and Selling* is not just a how-to book, but an introduction to a whole new strategy that can transform the way you approach housing decisions—and maybe other financial decisions as well.

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# Part 1

## **YOUR HOUSING PSYCHOLOGY**



# 1

## INTRODUCTION TO THE 10 SECRETS

*It is our choices...that show what we really are, far more than our abilities.*

—*J.K. Rowling*

A secret is something hidden or known only to insiders. A few behavioral scientists and market researchers might be acquainted with some of the ideas in this book, but these concepts have not been available to consumers prior to now. One of my professional priorities is to change that fact by equipping homeowners, renters, buyers, and sellers with “insider information” that can help them become more comfortable (and savvy) about whatever housing transaction they might contemplate.

Housing decisions are crucial. They can involve the most money you ever spend, the highest debt you ever incur, and the best (or worst) investment you ever make. A moving decision can result in either a frustrating or fulfilling experience that affects not just your life, but the lives of loved ones who move with you. Yet, as one real estate broker observed, buying and selling houses is one of the few businesses in which the principals on both sides are rank amateurs.<sup>1</sup> They get caught up in emotions that rarely benefit the housing negotiations and, on occasion, trap them into making poor housing decisions. Renters also make poor housing choices and some renters’ decisions spoil their chances for future home ownership.

Whether you are a buyer, seller, renter, or one who is thinking about remodeling, refinancing, or investing in a second home, you can learn a new way to make housing decisions that go smoothly and enrich your personal life and your relationships while enhancing your enjoyment of the place you call “home.” In addition, you can increase your net worth at the same time.

With a little curiosity, inner preparation, and practical guidance about decision making, you can approach your next real estate transaction with new confidence. The discomfort you might have about finances, the markets, or the uncertainty of making the right choice diminishes dramatically when you learn and keep in mind the following 10 secrets of successful home buying and selling:

- Secret 1: Your housing choices are not only about finances. In fact, they are not just about housing. They are about every aspect of your life.
- Secret 2: You have a housing history that influences your housing decisions today and it is key to understanding your housing emotions.
- Secret 3: You have a Housing Value System that consists of your housing history and housing profile. Your Housing Value System drives your housing decisions.
- Secret 4: Your partner (child, mother, or father) has a Housing Value System too, and it is as important as yours when it comes to making housing decisions.
- Secret 5: You can turn your Housing Value System into a decision tool that can help you make your best housing decisions.
- Secret 6: Self-knowledge is personal power in all housing-related transactions. Housing knowledge is financial power that can save you time, money, and grief.
- Secret 7: There is a U.S. Housing System that you must learn to navigate. It includes the agents, organizations, agencies, and regulators with whom you deal with in any housing transaction you undertake.
- Secret 8: Your fears can move with you. To move on, you must pack up your courage and make sound housing choices, even if you do not feel courageous.
- Secret 9: Your mortgage can be the most important financial tool in your investment toolbox. It can be your ticket to future financial security.

- Secret 10: Your Housing Value System lives as long as you do. When it is time to downsize, find a home in retirement, or help to choose housing for an older adult, these secrets will be as valid then as they are today.

## The Power of Knowing Your Housing Psychology

As you explore and discover the power of the 10 Housing Secrets, which I discuss in detail throughout the book, you will develop your own personal housing psychology. These secrets allow you to sort through and tame your emotions, understand and deal with the stresses of others, and discuss your feelings openly with less discomfort. Most importantly, these secrets can help you become an all-around better financial decision maker in the process.

My goal is to help skeptics and believers alike learn to access and harness the power of their housing psychology in pending and future housing searches, negotiations, decisions, and transactions.

I specifically want to help you:

- Make you aware of your housing emotions, so that you can interpret them and then use your new understanding to make better housing plans and decisions.
- Enhance your understanding of your partner's and other family members' housing emotions, so that you can minimize conflict during the stages involved in changing where and how you live.
- Learn that the best housing decisions incorporate desire, knowledge, and the ability to successfully navigate your emotions.
- Realize that wise housing choices have the potential to anchor your entire future financial security.

## What Is Housing Psychology?

I define housing psychology as “a field of study that synthesizes human-place interactions with finance.” It incorporates social psychology, which looks at our behavioral interchanges with others. It borrows from environmental psychology, which examines the roles of “place” in our lives and tries to understand our attachments to home.<sup>2</sup> Almost all of our housing transactions have financial and economic effects, so the dynamics of housing psychology fall within the new and growing field of “behavioral finance.”<sup>3</sup>

So how can knowing your housing psychology help you make good housing decisions today and in the future?

Any housing decision—buying, renting, selling, remodeling, or investing in a second home—combines significant financial and personal components and consequences. On average, the cost of renting or carrying mortgage payments sets most of us back each month from about 25 percent to as much as 50 percent of our income. Although finances are definitely a major factor, housing choices are not only about finances. In fact, they are not even just about housing. They involve our ideas, desires, longings, identities, beliefs, attitudes and all the other aspects of our unique personalities, as well as our relationships.

There are two parts to understanding your housing psychology: uncovering your housing history and becoming better acquainted with your housing desires and values. With the combination of this self-knowledge, you can create a personal decision context—call it your Housing Value System—for grappling with even your most difficult housing decisions. It is possible to compare notes and resolve disputes with a partner and/or other family members, so you can make shared housing choices without the emotional flare ups that can make moving so unpleasant.

Understanding your own inner signals and housing preferences, and those of your partner or family members, can help you make decisions you can trust and investment choices you can rely on better. Understanding your housing emotions also positively spills over into other important life areas because you learn how your past history influences your current decisions, especially financial decisions. These are some of the benefits you discover from the *10 Secrets to Successful Home Buying and Selling*.

## **Learning from the Success and Mistakes of Others**

Unlike learning from our own experiences, people are better at learning from the successes and mistakes of others. This book is based on extensive empirical research<sup>4</sup> and on hundreds of case histories from interviews, consulting, seminars, and workshops.<sup>5</sup> The chapters in this book are filled with the housing experiences of real people.

You will quickly learn the winning factors that you can apply to your own circumstances. The housing experiences and problems from actual case histories also illustrate how far-reaching housing decision problems are. Whether or not you are in the same situation as the people whose stories

you read in this book, you can become better acquainted with yourself and recognize others you know as well.

You will feel more confident about any type of housing decision you face, even if you must make that decision only once or twice in your lifetime. You will be able to extend the money you have to spend on a house, help an older relative who must solve a housing dilemma, maximize your desirability to a mortgage lender, help a young adult move out of the nest, and deal with every aspect of a housing transaction with less stress and much more self-assurance.

## **Get the Most from the 10 Secrets to Successful Home Buying and Selling**

Use this book in the way that works best for you: either as uninterrupted reading or as a guide for making a pending housing decision.

Part 1, “Your Housing Psychology,” acquaints you with your unique housing psychology and the underlying reasons for the sometimes euphoric and sometimes painful housing emotions most of us have experienced in our lives. In my seminars on home and decision-making, I’ve seen people cry<sup>6</sup> and watched others break through decision paralysis by “revisiting” homes of their past. And anyone who has ever “fallen in love” with a home knows the emotion that can accompany—and sometimes sabotage—their housing negotiations.

Chapters 2–8 show you just how the non-financial areas of your life impact your finances to your benefit or your detriment, depending upon your Housing Value System and your approach to housing decision-making. Each reader must learn for himself or herself the underlying experiences and values that make up his or her own Housing Value System before moving on to compare notes with a loved one or another family member.

Chapter 9, “When Housing Values Differ,” is especially helpful to couples and family members who make joint housing decisions. You and your partner should be able to compare and discuss your housing personalities and past experiences when informed by insight and a shared sense of purpose. No longer must you deal silently (or otherwise uncomfortably) with your housing differences. Instead, you can use the framework outlined in chapters 4–8 to better understand and more openly deal with individual issues that might remain unresolved.

Note: Throughout the book, I use “partner” to refer to spouses, significant others, and other housemates because a shared living arrangement

in one way or another makes you partners. People who have shared the responsibilities of a home know the pit-of-the-stomach feeling that can accompany an unresolved housing problem with a live-in partner.

Part 2, “Finding Solutions That Work for You,” provides a variety of ideas and suggestions for how to use your Housing Value System to make housing choices and decisions. If you skip to your pending housing problem in Part 2, here is a decision tip at the outset: Return to the housing history and housing profile exercises in Chapters 3, “Your Housing History,” and 4, “Creating Your Housing Profile,” and read through the analyses in Chapters 5–8. The results of these exercises and elaborations form the core of a powerful system that can set you straight on the path to housing and financial security. You will clearly see how your unique housing history and housing profile are programmed right into your present lifestyle, relationships, and housing decisions.

Regardless of how you use this book, if you apply its principles, you will never have to look at housing decisions with fear or anxiety again. Instead, you can take great pleasure in both your future decisions and your future moves. Choosing the right home at the right time can be a mystical experience. A bond can begin to form with the place you call “home,” whether you are renting or buying. When you buy your own home or trade up (or down) to that next home of your dreams, you will experience a feeling of well-being that extends far beyond the home itself.<sup>7</sup>

## End Notes

- 1 A New York City real estate broker confided this to Marjorie Garber who recounts the conversation in her book, *Sex and Real Estate*, (Anchor Books, New York: 2000). The broker also refers to clients who experience emotional rawness during real estate transactions, especially when selling a home is exacerbated by another personal crisis, such as a divorce. The broker reveals that he often acts as a counselor as well as a salesman to stressed clients. I have listened to many other brokers with similar stories about their clients.
- 2 Issues related to housing, the environment, privacy, and place are among major topics of interest to environmental psychologists. (See the “Current Trends in Environmental Psychology” article, by Gary W. Evans, which you can find at <http://www.ucm.es/info/Psyap/iaap/evans.htm>.) Collaborative projects that cut across cultures study crowding and noise, restorative environments, alternative work and living environments, transportation impacts, women and housing, and childcare facilities.

Conceptual topics of interest in housing psychology include the concepts of place and home. How do places acquire meaning to people, how are they related to their decisions, preferences, and even to emotional reactions and well being? What does the concept of place (or home) mean across generations or across cultures?

- 3 Behavioral economics is the combination of psychology and economics that investigates what happens in markets in which some of the agents display human limitations and complications. See Sendhil Mul-lainathan's and Richard Thaler's, "Behavioral Economics," which is a working paper (September, 2000) and is located at [http://papers.ssrn.com/paper.taf?abstract\\_id=245828](http://papers.ssrn.com/paper.taf?abstract_id=245828). Because saving to buy a home, obtaining a mortgage to finance a home, and many other activities related to socio-financial interactions about one's home require both complex calculations and social psychological elements, behavioral factors are essential elements of any complete descriptive economic theory.
- 4 My doctoral dissertation research, "Homeownership, Well-Being, Class, and Politics: Perceptions of American Homeowners and Renters," was completed and published by The Institute for Socio Financial Studies (Middleburg, VA) in 1993. In this paper, I examine the social psychological dimensions of housing and the "get ahead" theories inherent in the American Dream. GSS survey data for the years 1985 through 1991 are used to detect the differences in the perceptions of homeowners and renters using a quality of life (QOL) approach that measures subjective well-being. A subjective social class measure tests for feelings of being "middle class" and various measures are used to determine whether homeowners are more "conservative" than renters. The conceptualization of new housing theory emerges from the research and is presented to provide a reframed and expanded way of looking at the social psychology of housing and homeownership.
- 5 The case studies in this book are based on interviews I conducted on my analyses of qualitative data collected by other researchers and on the experiences of clients or workshop participants.
- 6 One man who is about 50 years old and who participated in a half-day workshop suddenly began to weep uncontrollably and had to leave the room. Later, he told me he had not allowed himself to grieve over the loss of his wife who passed away two years earlier. The exercises in the workshop loosened memories he had suppressed "far too long," he said.
- 7 The conventional wisdom about homeownership and increased well-being is supported by research results reported in "Homeownership, Well-Being, Class, and Politics." Homeowners experience significantly higher feelings of family satisfaction than

renters; they are more satisfied with leisure time activities; and they are more satisfied than renters with their financial condition. Homeowners, in general, feel significantly happier than renters. The belief that homeownership enhances feelings of social status is also supported. Homeowners see themselves as “middle class” people more often than renters do, signifying their feelings of enhanced social status.

Chapter 2

# Secret 1

**Your housing choices are  
about all of your life.**



# 2

## YOUR HOME AND YOUR LIFE

*Home is the centre and circumference, the start and the finish,  
of most of our lives...we cling to it with the tenacity of every...  
instinct of our animal natures.*

—Charlotte Perkins Gilman

Every second, around the clock, someone makes a housing decision—to move, remain a renter, become a homeowner, trade up, buy a second home, or buy a home for investment. Each of these is a real estate transaction; however, each can also be an affair of the heart, a solution to a difficult life event, a tough financial call, or a personal disaster.

When thinking about changing homes, you must consider many factors before making your decision: the personal side, the home itself and its surroundings, people who are moving with you, and, of course, all the financial details involved. Making a good move requires that you weigh the pros and cons and successfully consider all sides. To get it right, you also need to steer clear of emotional pitfalls, especially while dealing honestly with your finances. Part One, “Your Housing Psychology,” examines how to manage your inner motivations and personal relationships—as well as your housing and financial goals—to make a smooth transition to the home you really want. The clues are in your feelings.

You might already be familiar with some of the roller-coaster feelings that accompany housing transactions. Feeling anxious while waiting to learn whether an offer to buy a home has been accepted is more or less a normal state. Having mixed emotions about leaving a home recently sold can be expected.

However, what about your decision paralysis when trying to choose between two homes you love? What's going on when you and your partner fight over whether to remodel or move? Why are you irritable when you are "just out looking to see what homes might be available?" What causes your panic attack while waiting for loan approval? These are all times to navigate your housing decisions in a calm and deliberate manner. Even so, as most of us know all too well, the process of making housing decisions can be fraught with emotional peril.

Buying a home can feel like falling in love—the excitement, the fantasies, driving by to glimpse the object of your affection, and keeping your cell phone charged up and ready.<sup>1</sup> You can expect to fidget and daydream until at long last the phone rings. Your offer to buy has been accepted. Flushed with excitement, you punch in the numbers of relatives and best friends to share the good news. As with all affairs of the heart, however, things can go wrong. Some homes may break our hearts, whether we are trying to buy them or have lived in them for years.

A bid to buy the home of our dreams can be flatly rejected. Poor spending habits can eat into our equity, meaning that when we encounter that inevitable bump in the road, or when the market turns, we are stuck with our excesses, our excuses, and our housing losses. A furious act of nature can force us to leave a destroyed home.<sup>2</sup> The family home might have to be sold as a consequence of divorce, illness, or death. In all likelihood, most of us at some point will have to wrestle with anxiety and grief over the loss of a loved one and a home.

## Home Sweet Home for Two

Few things test a relationship more dramatically than a search for your dream home. You get a sinking feeling in the pit of your stomach when your partner rejects a home you believe suits you perfectly. If the attraction is shared, two hearts beat as one. If the attraction is not mutual, a couple can experience a range of painful emotions and conflict with the home as the "other person" in a relationship-threatening love triangle. Remodeling or building a home from scratch can be even worse.

I recently met a woman who was waiting tables who told me her day job was "building her own house." She and her husband broke ground for the project against strong advice from friends, and they indeed divorced before

the house was finished. “We were warned not to build a home together,” she said, “but we didn’t listen, and the house turned out to be our undoing.” It is not unusual for couples searching for or making plans to build a home to clash over issues that might have been laying dormant until the housing pressures erupted and damaged the relationship itself. Tugs of war over homes are familiar scenes to realtors, architects, and homebuilders. Unfortunately, they are also well known to therapists, marriage counselors, and divorce lawyers.

## The Decision to Change Homes

When considering changing homes, you face some big decisions. Even before you decide to buy or rent, you first must decide to move. Is this a good time to move? How much can I afford? Where should we move? Do we trade up, remodel, or build? Answers to these and many other housing-related questions can be crucial to both your financial and emotional well-being. In fact, a decision to leave one home for another can be a heart wrencher. It is a one-two punch that can leave you and those who move with you feeling exhilarated or exhausted, depending upon the emotional and financial savvy you bring to this big-ticket decision.

Although housing decisions are an essential part of life, many of us are not very good at making consistently good life decisions. We decide according to how we think or feel at the moment. Or we put off making tough decisions while we wait for heaven knows what; then, at almost the last minute, we rush to assess our alternatives and then hope we have made the right choice. We add up all the reasons we can muster to convince ourselves that our last-minute decision was sound so that we can live with it in peace. But how often do we fool ourselves?

An unexamined-decision approach can trap you into making poor housing choices in a number of ways, including the following:

- Acting in haste without thinking through the consequences that affect not just you, but anyone moving with you
- Saying too much and spoiling a negotiation
- Failing to speak up when a critical issue is on the table and regretting it later
- Erupting in ways that mystify your agent, your partner, other family members, and even yourself
- “Falling in love” with a home and overlooking or dismissing the need for contract safeguards