



My Go-2-Guy Handyman Services

Phone: (416) 524-9177
E-mail: handyman@mygo2guy.ca
Website: mygo2guy.ca

How Much Should You Budget for Home Maintenance?

This is a question we've received a few times. Now this isn't easy to answer as your home's age, condition, and location will affect your budget.

There are two rules of thumb that help guide this calculation, as well as a list of home-related factors you should consider as you decide how much you need to save.

The 1% Rule

One popular rule of thumb says that one percent of the purchase price of your home should be set aside each year for ongoing maintenance. For example, if your home cost \$300,000, you should budget \$3,000 per year for maintenance.

That doesn't mean you'll spend \$3,000 every year. It just means that, on average, over a span of say 10 years, you'll spend around an average of \$30,000 in that time according to this rule of thumb. Some years you'll spend far more; a roof replacement, for instance, will cost \$5,000 — \$10,000. Other years, you'll spend far less.

Of course, this popular rule of thumb isn't completely valid. Home prices in Toronto would have you saving upwards of \$10,000 annually. Your market timing would also end up impacting your maintenance budget. If you happened to buy your home at the peak of the housing bubble, your maintenance budget would be higher than you'd need. Similarly, if you bought your home at a steep discount at the bottom of the housing market, your maintenance budget may be too low if you choose to follow this rule. Which makes this rule of thumb somewhat antiquated in today's market.

The underlying price of your home and its repair costs, in other words, are "independent variables." They correlate only insofar as they're both impacted by the cost of labor and materials in your particular geographic area.

The Square Foot Rule

Another rule of thumb says that you should budget \$1 per square foot per year for maintenance and repair costs. If you own a 2,000 square foot home, for example, budget \$2,000 a year for maintenance and repairs (again, over a long-term annualized average).

This rule of thumb makes slightly more sense than the “1 percent of purchase price” rule.

The more square feet you’re managing, the more you’ll need to spend. One drawback to this rule, though, is that it doesn’t account for labor and material costs in your area. In certain parts of the nation, contractors and materials are significantly more expensive than in other Cities vs. Suburbs vs. Rural...

What Factors Should You Consider?

Rules of thumb aside, what factors make the biggest impact in the cost of your maintenance and repairs?

Age: The age of the property will play a huge role. New construction (a home built within the last 5-10 years) should need very little maintenance. Homes 10-20 years old will need slightly more. Once a home turns 20-30, though, there’s a good chance that major components, such as the roof, hot water heater, and some plumbing, may need to be replaced.

Weather: Homes in our area are affected by freezing temperatures, ice, and snow are subject to more strain than homes in areas unaffected by cold weather. Similarly, homes in areas where termites, high winds, heavy rains and other extreme weather conditions or pest infestations will experience more wear-and-tear.

Condition: Some homes are more than 100+ years old, but are in pristine condition, thanks to previous generations exercising careful maintenance. Other homes, however, have been neglected and shoddily repaired over the years.

The older the home, the more impact a previous owner’s care (or lack thereof) will impact the home’s maintenance needs.

Location: Homes located at the bottom of a hill (where water drains and collects), in a floodplain, or in other areas that create environmental stresses will also impact the amount of care and maintenance it needs.

Single-Family vs. Attached: A single-family home needs a larger maintenance budget since you need to replace your roof, siding, and gutters and maintain a yard. A condo or townhome won't need as hefty of a maintenance budget since the exterior is cared for by your HOA.

How Much Should You Budget for Home Maintenance?

Given all these variables, I hope you can understand why there's no good "rule of thumb" that governs how much you should set aside for home maintenance and repairs.

The weather, age, condition, location, and type of property that you own will all play a huge factor in determining the amount of money you need to save.

That said, if you have no clue how much you should set aside, here's a good way to guess:

First, take the average of the one percent rule and the square foot rule. If 1 percent of your purchase price equals \$3,000, and the square foot rule equals \$2,000, then your average is \$2,500.

Then add 10% for each factor (weather, condition, age, location, type) that adversely affects your home. If you have an older home, in a floodplain, in an area that experiences freezing temperatures, add 30 percent to \$2,500. That's an extra \$750 a year.

In addition to this you must consider the marketplace. The 1% rule works in most markets but in the escalating and unpredictable Toronto real estate market greatly skews this cost. In addition, the increased minimum wage in Ontario and increased cost of doing business here in Toronto compared to Peterborough must be considered. This current consideration is to add another additional 15%, or \$375.

That means that you should save about \$3,625 each year, or \$302.08 per month, for home maintenance. The Toronto Real Estate Board actually recommends you set aside a separate account and let it build each year for those big surprise expenses such as roof, furnace failure and backed up drains.

Again, this is just a generalized rule. It's hard to predict how much your home will cost to maintain. The best you can do is make an educated guess based on your home's unique factors.