



Positively Jane - The Podcast

Navigating Life's Highway... *together*

Episode #14 Transcript: Builder Allowances: How to Manage the Cost

JANE SHINE:

Do you look at model homes or open houses for inspiration and then point out the things that you love or the things you think are just plain dumb? Do you ever think 'I would love to build a house from the ground up. That way everything is the way I want it to be from the beginning.' Do you hear horror stories about homes costing 15 or even 25% more than anticipated? I used to hear that statistic and I was terrified when I built our first home. I could not afford to go that much over budget. Could you? This episode of the Positively Jane Podcast is a tad different. Today I want to talk about how to manage those building costs to make sure you don't go over your budget.

INTRO:

Hey there - I'm Jane Shine. As a blogger for over 4 years, I have been encouraging women of all ages to rise above those circumstances that kick them in the butt and choose a life filled with joy. Topics - you name it. From relationships, anger and irritation, embracing the aging process, how to retire with wealth, and so much more! We have been navigating life's highway together and I can't wait for you to dive in and navigate your own life with us.

Today's episode is brought to you by Well Watered Women. Well Watered Women's mission is to equip women to be deeply rooted in God's word by teaching and showing us how to fix our minds on God's truth and applying God's truth to everyday life. Many of my mornings begin with a Bible Study or a journal from Well Watered Women. They have so many articles that cover all sorts of topics. From eating disorders, to why me and not them to finding yourself in your quiet time. And fear.

Check out [Well Watered Women](#). Your spiritual self will thank you. Link is in below.

JANE:

Now this is one of my fave topics. Budgets and maintaining budgets. As a former budget counselor I know how important it is to make sure you aren't spending more than want or even should.

In case you know nothing about me, I have built 3 homes from the ground up - meaning buying the land, hiring an architect and a builder. I have also gutted and renovated 2 homes. And it wasn't until after we built our 1st home that I



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got smart. I learned so many things during that first build and I want to share them with you today. So let's dive in!

Whether you are building it from scratch (buying the land, picking an architect, and builder like I did) or you found a plan in a neighborhood that you love and want to add your 'personal touches' to – there are expenses attached to building your new home. And everyone's expenses are different.

Here's what happens:

If you use your own architect he or she will create plans for you that you give to your builder. Your builder will send those plans to his/her sub contractors. Like the framer. The sheetrock people. Painter. Landscaper. Trim guy. Etc. Those trades will give your builder a price to build your house. Those are the 'hard numbers'.

And since everyone's tastes and budgets are different your builder will give you an allowance for the things that can change. Like light fixtures, plumbing fixtures, cabinets. Hardwoods, tile, trim, door hardware, and so much more. Those are the 'allowances'. Those numbers represent placeholders in your total budget.

If you find a plan in a neighborhood a base price has already been established. For the plain vanilla house. You then get to choose what you would like to change or add. Those are called 'upgrades'.

Now some builders will give you an item-by-item price. Meaning that he/she will break out the foundation costs, framing, sheetrock, drywall, painting, roofing, etc. Others will give you a grand total. Regardless of how you are given the price, they will all give you allowances. And, I just gotta say that those allowances are pretty much, across the board, never enough. Builders like to keep those numbers low so that the grand total is attractive. They don't want to scare you away with real life numbers.

For example – Your builder has given you an allowance of \$6,000 for plumbing fixtures, \$12,000 for appliances, \$8,000 for lighting and \$20,000 for cabinets. And most people look at the bottom line and say – 'Ok, that is good. I can afford that – and they sign on the dotted line'. High fives are all around and the excitement is HIGH!



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And then they go shopping. And find out that the appliances they love are \$18,000 - which is \$6k more than your builder allowance. Maybe the plumbing fixtures are closer to \$10k which is \$4k more than your allowance. Not counting the cabinets – which are **way above** the budget. Add in your heating and cooling systems, closet systems, doors and door hardware, hardwoods, counter tops, tile and trim - those overages can add up to be substantial overages.

And then the excitement dissipates because the unknown sets in.

You ask 'How in the heck can I afford to build this house? Everything is more than I thought.'

You wonder if you can get an increase in your loan? You wonder - , how to eliminate/choose less expensive things – even though you didn't think you were being overly extravagant.

I totally get it. I am currently building my 4th house and this is exactly what I am doing. I have to admit though that this house is kicking my financial butt. I went shopping for all the things and thought I was being reasonable. But I guess I wasn't, because everything is much more expensive than I thought it would be. So I have to decide if I want to increase my budget or cut back on my decisions.

But in order to stay on budget this is how I do it...and I promise you, this system will save you so much heartache and anxiety down the road.

Before you sign on the dotted line...In fact WAY before you get to the point of final pricing, go shopping.

Go to the recommended appliance store (your builder will have one and normally a person for you to talk to). You can also ask your builder what his 'typical' appliance allowance is – just so you have the \$'s in mind as you peruse those amazing and wonderful expensive appliances.

Pick out the ones you love and think are within your budget. And get a quote. Let's say that your builders 'typical' appliance allowance is \$10k. You have chosen ones that are \$14k. You know, BEFORE you get your final pricing, that



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you are \$4k over your budget. You KNOW!

Do the same thing with your hardwood flooring. Let's say you have 2000 feet of hardwood flooring and your allowance is \$8 a foot installed. You go to the store and find flooring that is \$9 a foot. So you are \$2000 over your budget there. And oh, don't forget sales tax!

Do the same thing for ALL of your allowances. Sometimes you might be under the budget...but most times you will be over.

Then add up all of your 'overages'.

This is the number that you need to add to the bottom line quote from your builder.

Say the quote from your builder is \$445,000 to build your house. You already KNOW that the overages are \$21,000. You now KNOW that it will actually cost \$466,000 to build your house (or close to it).

One other caveat here...

Builders do need to be paid. Typically they add a percentage to the total - usually between 10 and 15%. Using the above example of \$445,000...\$404,545 is the total to build the house. When you add the 10% and you have \$445,000 as the total.

The same thing will happen with your overages. That \$21,000 is now \$23,100. \$21,000 + 10%. Typically you can decide if you want to pay for those overages separately and save the \$2,100 or add it into the total cost. This depends on your budget and loan and how you are paying for your new home. Whether or not you have the extra cash.

To re-cap:

Before you sign on the dotted line make sure that you know the REAL numbers. Most people who build their homes go over the quoted price by AT LEAST 10%...sometimes up to 25%. That is because they did not go shopping before they said yes.

And your total building cost might even reflect things that were not in the



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initial quote from the builder.

- Do you want shiplap on the walls? If so, where and what style?
- Do you want wallpaper?
- What about built-ins?
- Do you want surround sound? Or wi-fi boosters? Security system?

ALL of these will add to your final builder cost. Know before you sign...and you will have an amazing house that did not go far out of budget.

And as always, I would like to encourage you not to let the circumstances of life kick you in the butt. I would like to encourage you to learn how to rise above those circumstances so that you can live a joyful life...everyday.

If you haven't already go on and grab my FREE 'Joyful Living Quickstart Guide' - this guide will help you eliminate stress, AND kick anger and irritation to the curb forever - so you can enjoy all that life has to offer.

Thanks for listening. If you like what you hear please subscribe and share with your friends. I have linked everything I talked about in the show notes. Go on and grab them. Until next time - let's continue to navigate life's highway... together.

Links mentioned in this episode:

- [Questions to Ask Your Builder](#)
- [Well Watered Women](#)
- [The Top 5 Stress Reducers](#)
- [Joyful Living Quickstart Guide](#)
- [Aging Gracefully Newsletter](#)



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