

BALANCED WEALTH. BALANCED LIFE.

Whitepaper with Module 3: Investing in your own home

You have savings that you want to invest in your home. Perhaps you have a value-increasing renovation in mind, or you want to make your house more sustainable. Or you are still considering additional repayments on your mortgage. How do you make the right choice, which suits your wishes? And what should you pay attention to? ABN AMRO's Wealth Planning Expert, René Bruel, Milieu Centraal's Environmental Expert, Puk van Meegeren, and Experience Expert, Arja van Garderen, share their knowledge.

Renovate, make more sustainable or additional repayments

You can invest your savings in your home in several ways. Each way has its own advantages. For example, a renovation gives you extra living enjoyment while at the same time increasing the value of your home. Making your home more sustainable is not only good for the environment and may increase the value of your home, but also helps you save on energy consumption. Additional repayments on your mortgage reduce your mortgage payments, giving you more space in your monthly budget. With any investment there are a number of things to bear in mind.

Renovating: what does it yield?

You have ideas about how you would like to renovate your home; maybe you want to renovate the bathroom, you have a new garden in mind, or want an extra office now that you work from home more. In the first instance, this is an investment in your own living enjoyment. How does that translate into the value of your home?

Beware! It costs money to borrow money.

ABN AMRO's Wealth Planning Expert, René Bruel: "Not every renovation results in an equally significant increase in the value of your home. A new bathroom or a renovated garden can increase the value of your home, but those kinds of investments are also sensitive to taste. A new buyer may not like the new kitchen that you had put in, or might have completely different ideas about the garden. The biggest increase in value is generally achieved through functional renovations that create additional living space. A new roof extension, an additional attic room, maybe even a new floor: these are building projects that can do a lot for the value of your home."

"The biggest increase in value is generally achieved through functional renovations that create additional living space."

René Bruel

Arja van Garderen and her husband bought a renovation house seven years ago for € 200,000. They completely rebuilt it; now the appraised value, partly thanks to the rise in house prices, is € 360,000. "We tackled everything. We really wanted to make the number of square metres larger, also with a view to increasing the value of the house. In the end, we gained 21 square metres with an extension. For our house, that actually makes the difference between whether you can live there with a family, or only as a couple. We were lucky that we had a large garden, so that we could also build on quite a few metres."

This not only increased the value of the house for Van Garderen, but also increased the living enjoyment. "We have skylights in the extension, which means that we now have much more light in the house. It is quite an experience; you hear the rain, you see the sun through them. I am still happy with our choices, every single day."

Renovation: how can you finance it?

You can either finance your renovation with your own savings, consider taking out a personal loan, or arrange financing through your mortgage. Each type of financing has its own advantages and disadvantages.

It is the most economical to use your own savings for your renovation. Unless your savings can yield a higher return, for example by investing. And your own money yields more net than a loan costs you net. René Bruel: "Ask yourself: is a renovation the best destination for my savings, or do I want to invest them, for example? Your money is stuck in your house after a renovation."

"You do a renovation with a view to the long term. We carefully chose and tackled everything."

Arja van Garderen

You have no savings, or want to use your savings for other purposes?

Then you can consider taking out a personal loan or try to arrange something through your mortgage. There are important differences between the two types of financing. For example, with a personal loan you do not need your own home with equity, you can make unlimited and free repayments, and there are no extra costs involved when taking out the loan. The interest is usually higher with a personal loan than if you arrange something through your mortgage. You can also take longer to repay through your mortgage than with a personal loan, the term of which is a maximum of 12 years.

Van Garderen and her husband had savings to finance the renovation. "My husband is talented when it comes to DIY, as are some of his friends. This meant we could do a lot ourselves, and a renovation that would actually cost €40,000 to € 50,000, only cost us about € 20,000. This did mean that we did not do the renovation in one go, but step by step, when we had saved enough. That worked well for us because we preferred to renovate slower than pay additional costs for a loan."

Nevertheless, Van Garderen does add: cheap is expensive. “You do a renovation with a view to the long term. We carefully chose and tackled everything. For example, we saw that other DIY’ers who were building an extension skipped laying good foundations. That is such a mistake; your extension will sag and the walls will crack. We also did not skimp on the materials; the window frames, for instance, are made of hardwood because that lasts the longest. Make sure that the foundations of your house are therefore good. And if you have talented DIY people around you: use them! That saved us a lot of money. It is give and take, of course - the other way around, my husband helped our friends with jobs he was good at. Working together is not only more fun, you also learn a lot from it; that is how my husband learned to lay bricks.”

Sustainability: what does it yield?

By making your home more sustainable, you can kill three birds with one stone: you contribute to a better environment, you save on energy consumption, and you could increase the value of your home. In some cases, ABN AMRO also offers an interest discount on your mortgage.

René Bruel: “If you change your house to energy label A, you are eligible for an interest discount of 0.15% on your mortgage, with energy label B that is 0.10%. Suppose you now pay a mortgage interest of 1.3% for a house with energy label C and you make your house more sustainable so that it is given a registered energy label A, then you pay 1.15% mortgage interest. Over a period of twenty or thirty years, this can result in significant savings on your fixed costs.” You can read more about this on <https://www.abnamro.nl/nl/prive/hypotheken/duurzaam-wonen/duurzaamheidskorting.html>.

Making a house more sustainable always starts with the insulation. First of all, you want to find out how good the current insulation of your house is, and where it can still be improved.

Puk van Meegeren, Environmental Expert at Milieu Centraal: “The insulation of your house depends on the year of construction. The newer the house, the better insulated it is. Roughly speaking, it is no longer possible to make a big difference for houses built after 2000. In houses from the 1992 - 2000 period, an improvement can still often be made by installing high-efficiency insulating glass, HR++ glass. And in houses built before 1992 you will often still find parts that are not insulated at all; single glass, non-insulated floors, cavity walls without post-insulation. Those cases are no brainers for us. There is so much to be gained there in terms of living comfort and energy savings. For instance, an end-of-terrace house without insulated walls can easily save € 700 annually through post-insulation. And the rising electricity and gas prices make energy savings count even more.”

“Some investments mainly pay off in terms of living enjoyment and sustainability.”

Puk van Meegeren

Nevertheless, Van Meegeren does not recommend viewing every investment from the financial perspective only. “Some investments mainly pay off in terms of living enjoyment and sustainability. For example, you will notice that in a very well insulated house you have to ensure good ventilation in other ways. There are all kinds of new systems for this, which also work with heat recovery. Those systems do not yield as much financial return as the insulation improvements; for example, payback times are longer, and in some cases you may only earn back your investment. At the same time, however, you are increasing your living enjoyment and are contributing to making our homes more sustainable. That’s also worth a lot.”

Sustainability: how can you finance it?

Just like with a renovation, you can finance the making of your home more sustainable with your own savings, a personal loan or through your mortgage, with the associated advantages and disadvantages.

There are also a number of additional favourable financing options for sustainability.

- **GreenLoans** For energy-efficient renovations in and around your house, you may be able to take out a loan of € 2,500 to € 50,000 from GreenLoans. GreenLoans is a 100% subsidiary of ABN AMRO. You borrow at a competitive, fixed interest rate and pay a fixed amount every month.
- **Sustainable Living Mortgage** You have no equity in your house and cannot therefore increase your mortgage? Even under such circumstances you may still be able to arrange your financing through your mortgage. For energy-saving measures, you can borrow up to 106% of the value of your home under a Sustainable Living Mortgage.
- **Subsidies** The Netherlands Government encourages sustainability. There are therefore various subsidies for energy-efficient measures, such as insulating your home, installing solar panels, or purchasing a heat pump.
- **Tax benefit** Another way in which the government encourages sustainability is by giving a tax benefit on costs that make your home more energy-efficient. For example, in many cases you can reclaim the 21% VAT that you pay on solar panels from the Tax Authority [in Dutch: Belastingdienst]. With costs of € 3,500, this can potentially save you around € 735.
- **VvE** Do you have an apartment with an Owners Association [in Dutch: Vereniging van Eigenaren]? Then you may be jointly responsible for the costs. The exterior walls, the floor on the ground floor and the roof are shared property. If you want to make these more sustainable, you must make agreements together. There are specific subsidies for VvEs that want to become more sustainable.

Curious about the possibilities for your own home? With ABN AMRO's Energy Saving Check you can map out your situation and come up with a personal step-by-step plan. This will reveal approximately what your investment will cost and what it can yield. You will also receive an overview of the available subsidies. A consultant can then discuss with you the best financing option that suits your situation and budget.

Van Meegeren: "A recommendation that always applies: always try to combine moments of maintenance and renovation with sustainability because that saves costs. If you finally want to redo the attic room and make it into a beautiful office and the whole thing is already open for that reason, immediately make sure that you insulate it perfectly. That often doesn't cost you that much extra at the time."

Van Garderen also approached it in this way. "When we bought the house, there were a lot of cracks and holes in the walls. When replacing the facade, we insulated everything well, which made a big difference. We also made a lot of gains by insulating the attic. As a result, we now have a relatively low energy bill. Also a good tip: if you have a large glass front, like us, then hang heavy, thick curtains. That really makes the difference for us."

Make additional repayments and reduce your fixed costs

You can also use your savings for additional repayments on your mortgage. Here too you have to take into account various things, including the advantages and disadvantages.

The advantages of additional repayments? You will usually pay a lower monthly amount; you reduce your debt with the bank and therefore the chance of a residual debt at the end of your mortgage term; and you may end up paying a lower mortgage interest rate if you move into a lower rate class. Lower fixed costs and lower mortgage debt can give some people a pleasant and secure feeling.

The disadvantages of additional repayments? You can no longer access your money once you have made additional repayments with it and in some cases you pay a fee for the additional repayment.

You can usually pay off 10% every year on your interest-only, annuity, linear, savings or investment mortgage without having to pay a fee. You can make your repayment in one go, or you can make additional monthly repayments of smaller amounts.

René Bruel: "Money in a savings account yields virtually nothing with current interest rates. In many cases, savings therefore pay better if they are used for additional repayments. A lower mortgage also means less interest charges. However, it is important to properly map out your situation first. Additional repayments do not always yield a great advantage. For example, if the interest costs of the mortgage after settlement of the tax benefit are lower than the net return after tax on your own money. Under such circumstances, it is perhaps worth considering using your savings for other things, such as investing or renovating."

Do you want to know what makes the most sense in your situation? With Internet Banking, you can easily see for yourself what an additional repayment does to your monthly amount and mortgage. If you would like more information about your personal financial situation, an ABN AMRO consultant can help you.

Investing involves risks. You can lose your investment.

Balanced wealth. Balanced life.

This whitepaper is part of the short course: "Balanced wealth. Balanced life." The complete course consists of five modules.

Module 1: setting goals

Module 2: financial insight

Module 3: investing in your own home

Module 4: start investing

Module 5: sustainable investing

For the complete course, please visit abnamro.nl/en/personal/investments/balanced-wealth