smarter MONEY LIFE

HOME IMPROVEMENTS: WHICH PAYMENT OPTION IS RIGHT FOR YOU?

Whether you're remodeling a kitchen, replacing a roof, or finally building that backyard oasis, choosing the right financing option can save you money and stress. The best financing option isn't always the cheapest. It's the one that fits your budget, timeline, and long-term financial goals. Here's a breakdown of the most common ways homeowners pay for home improvements.

CASH OR SAVINGS?

BEST FOR: Small to medium projects
PROS: No interest charges, no monthly payments, and no added debt.
CONS: Can reduce emergency savings, delay larger projects while you save, and leave less cash available.

SMART MOVE:
Use savings carefully and keep your emergency fund intact.

HOME EQUITY LOAN

BEST FOR: Large, one-time projects
PROS: Fixed interest rate, predictable monthly payments, and often lower rates than credit cards.
CONS: Uses your home as collateral, may include closing costs, and adds a second loan payment.

SMART MOVE:
Choose this option when you know the total project cost upfront.

HOME EQUITY LINE OF CREDIT (HELOC)

BEST FOR: Projects with costs spread over time
PROS: Borrow only what you need, access funds flexibly, and often pay a lower rate than unsecured loans.
CONS: Variable rates can increase payments, flexible access may lead to overspending, and your home serves as collateral.

SMART MOVE:
Use this option for phased renovations or projects with changing costs.

HOME IMPROVEMENT PERSONAL LOAN

BEST FOR: Mid-sized projects when you do not have enough home equity
PROS: Fast approval, no home collateral required, and fixed payments and terms.
CONS: Higher rates than home equity options, smaller borrowing limits, and approval depends on credit.

SMART MOVE:
Consider this option if you are a newer homeowner with limited equity.

CREDIT CARD

BEST FOR: Small projects you can pay off quickly
PROS: Convenient access, possible rewards or cash back, and some cards offer promotional 0% interest.
CONS: High rates after promotions, potential long-term debt, and lower credit scores if balances rise.

SMART MOVE:
Use this option only if you can pay the balance before interest begins.

CASH-OUT REFINANCE

BEST FOR: Major renovations and long-term plans
PROS: Access a large amount of equity, keep one mortgage payment, and potentially secure a lower mortgage rate.
CONS: Closing costs can be significant, the mortgage term may reset, and the amount owed on your home increases.

SMART MOVE:
Choose this option only if it supports your overall financial goals.

BEFORE YOU BORROW: ASK YOURSELF THESE 3 QUESTIONS

- Will this improvement increase my home's value or my quality of life?
- Can I comfortably afford the monthly payment?
- Am I preserving enough savings for emergencies?

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