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The Money Pit, part 2: Beware a House That's Too Small [Keith Wheelan](#)

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I think we can call this "The Goldilocks principle of housing". A few articles back, I wrote about misadventures during an earlier housing bubble, when we bought a house much larger than our family needed. With a super-sized mortgage, high property taxes and maintenance costs, it put a real strain on our monthly cash flow. We had trouble building equity and, just as important, that single high-cost asset kept us from paying down other debts or making other, better investments. We were on the precipice, so to avoid falling into the money pit we decided to sell the house and downsize to a smaller one.

A good decision, right? Absolutely! at least for the first few years. Immediately after downsizing we went from barely break-even to a solidly positive monthly cash flow. How nice it was to have that cushion! But we also had some growing children. We thought: Wouldn't it be nice if we extended the house a bit further into the back yard? That sure would give us all a lot more living space. \$100,000 later, that thought became a reality.

Shortly afterwards - I think we were in the new entertainment room at the time - we realized that the "older" part of the house didn't quite match. The bathrooms in particular were a little old and out of place. I think you know where this is going.

After 10 years our smaller house was now a bit larger and completely updated. We had "caught up". Trouble was, after adding all the costs, we spent more money on the downsized house than our original money pit. We just stretched out the expense over a number of years.

We really did enjoy our addition and the new baths. After all, not everything in life should be measured in dollars and sense. But if we made a better second housing choice we could have had our cake (or porridge) and eaten it, too. Instead of going from one extreme (too big) to the other (too small), we could have found a house that was just right. It would have cost a little more than our "too small" house but not nearly as much in the long run.

The moral of this story? If you're shopping for a house you plan to keep for at least 5-10 years, take some time to think about what your future family needs will require of the house. And before committing to a purchase develop realistic cost estimates of likely repairs and upgrades to the house you're considering. Unlike porridge, when it comes to a house purchase the impact on your cash flow of a wrong decision can be severe and long-lasting. If possible, like Goldilocks, try to find one that's just right.

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