

Eight Smart Ways to Budget for Home Improvements



A home renovation can be an exciting opportunity to refresh your living space, better align it with your lifestyle, and, in some cases, increase your home's value. However, renovations often require a significant financial commitment, making careful planning essential before any work begins.

Whether you plan on DIY'ing or hiring contractors, one of the most common questions homeowners ask is, "How much should I budget for renovations?" The answer depends on several factors, including the scope of the project, the materials you choose, and local labor costs. While there is no one-size-fits-all figure, homeowners can still create a realistic budget that helps them prepare for upcoming improvements. Here are eight practical tips to help you budget for your next home renovation project.

01 | START WITH A CLEAR GOAL

Before getting started on your project, it's important to establish a clear goal for what you want to achieve with your renovation. Maybe you're looking to increase your home's resale value and modernize certain areas by purchasing new appliances or updating the space to make it more appealing to potential buyers. Or perhaps you're taking on a renovation as a passion project to create a more comfortable and functional living space for you and your family.

You may also be renovating to address maintenance concerns, such as plumbing issues, roof damage, or loose railings and steps. Determining your end goal can help provide a roadmap for the rest of the process and keep your project on track from start to finish.

02 | DETERMINE WHAT YOU CAN AFFORD

Once you've identified your renovation goals, the next step is determining how much you can realistically spend. While actual home improvement costs vary by location, materials, and project scope, having a general understanding of common renovation expenses can help you build a more accurate budget.

For example, replacing an asphalt roof can cost anywhere from \$5,800 to more than \$13,000, while a new furnace can cost \$2,000 to \$5,400.¹ Window replacements can cost between \$230 and \$1,230

per window, and central air conditioning systems often cost \$3,900 or more. On average, a whole-house remodel can range from roughly \$40,000 to \$75,000.²

As you evaluate potential costs, review your savings, monthly cash flow, and other financial obligations to determine how much you can comfortably allocate toward the project. It's also wise to build a contingency fund into your budget. Many homeowners encounter unexpected expenses once work begins, whether it is because of hidden structural issues, outdated wiring, supply shortages, or material price increases. Setting aside an additional 10% to 15% of your budget can help prevent these surprises from derailing your renovation plans.

03 | CHOOSE HOW YOU'LL PAY FOR THE PROJECT

The way you pay for a home renovation often depends on the size of the project and how much you already have saved. Using cash or savings can help you avoid interest, but that may not be realistic for every homeowner, especially if doing so would significantly reduce an emergency fund.

For homeowners who need additional funding, there are several financing options available. Personal loans can provide quick access to funds and typically offer repayment terms ranging from two to seven years. Interest rates generally fall between 6% and 36%, making them more expensive than many home equity options but often less costly than some credit cards.

Credit cards may also be useful for smaller projects, especially if you qualify for a promotional 0% APR offer and can pay off the balance before the introductory period ends.

Another option is an FHA Title I loan, a government-insured loan designed for home improvements, repairs, and rehabilitation projects. Loans under \$7,500 are generally unsecured and require only a signature. Larger loans may require collateral, which means your home could be at risk if you fail to repay the debt.

Depending on your financial situation, home equity loans and home equity lines of credit (HELOCs) may also be worth considering. With a home equity loan, you receive the borrowed funds in a lump sum and typically repay the loan through fixed monthly payments over a set term. With a HELOC, you have a revolving line of credit secured by your home's equity, allowing you to borrow funds as needed up to an approved limit during the draw period. As you repay the outstanding balance, your available credit is replenished, similar to a credit card. Because both options use your home as collateral, it's important to understand the repayment terms and risks before borrowing.

Before committing to any financing option, you should compare interest rates, repayment terms, fees, and potential risks to determine which solution best fits your budget and long-term financial goals.

04 | PRIORITIZE REPAIRS BEFORE UPGRADES

Many homeowners get excited about having an upgraded space with new flooring, an updated kitchen, and a fresh coat of paint. However, cosmetic improvements should generally come after essential repairs, particularly those involving structural integrity, electrical, or other safety concerns. Addressing these underlying issues first can help prevent future damage, protect your investment, and reduce the likelihood of paying twice for the same work.



As you build your renovation budget, consider organizing projects into three categories: major repairs, minor repairs, and wish-list upgrades. Major repairs may include a deteriorating roof, foundation issues, mold remediation, termite damage, or outdated electrical and plumbing systems. Minor repairs might include replacing worn fixtures, repairing drywall, fixing damaged trim, or addressing drafty windows and doors. The projects on your wish-list may include cosmetic upgrades such as new flooring, kitchen remodels, bathroom refreshes, or other aesthetic enhancements. By prioritizing projects in this order, homeowners can address critical needs first while creating a clearer roadmap for future upgrades.

05 | FOCUS ON IMPROVEMENTS THAT MAY ADD VALUE

Many homeowners get excited about having an upgraded space with new flooring, an updated Value-add home improvements don't always require a large budget. Some relatively inexpensive projects, such as refreshing your landscaping, repainting your front door, or touching up your mailbox, can enhance your home's curb appeal and make a positive first impression on potential buyers. You may also want to consider moderately priced upgrades, such as replacing a wooden front door with a steel entry door. In addition to improving security and weather resistance, steel doors can offer a strong return at resale. According to Opendoor, a steel entry door replacement costs approximately \$2,400 and recoups roughly 188% of its cost.³

Other improvements may require a larger investment but can still deliver meaningful value. Minor kitchen and bathroom remodels, updated flooring, and energy-efficiency upgrades such as new windows, insulation, or HVAC systems are often attractive to prospective buyers. While the return on any renovation can vary based on your local market and the condition of your home, these projects may improve both functionality and overall appeal.

06 | GATHER ESTIMATES AND COMPARE COSTS

Earlier in this article, we provided average costs for several renovation projects in the U.S. and noted that those costs can vary based on factors such as labor rates, materials, and project scope. Homeowners who plan to hire professionals should reach out to multiple contractors or companies before selecting one to complete their project. This process, known as contractor bidding, allows homeowners to compare estimates and better understand the expected costs.

During competitive bidding, each contractor submits an estimate outlining labor costs, materials and parts, permits and fees, project timelines, and any warranties covering workmanship and materials.

When evaluating bids, it's important to look beyond the final price. While you want to help ensure you're receiving a competitive quote, you should also consider the services being offered and the contractor's overall approach to the project. Comparing proposed timelines, renovation plans, communication styles, and professional experience can help you determine which contractor is the best fit for your needs. Homeowners may also want to verify that contractors are properly licensed and insured, as well as review any references and customer feedback on Google and Yelp before making a final decision. Taking the time to carefully evaluate your options can help you make a more informed decision and contribute to a smoother renovation process.

07 | KEEP TRACK OF SPENDING DURING THE PROJECT

Being in the middle of a home renovation can be stressful, as homeowners often encounter unexpected physical, financial, and logistical challenges along the way. However, those challenges shouldn't distract you from keeping a close eye on your finances while the project is underway. Not only can this help you stay on budget, but maintaining detailed records may also provide potential tax benefits down the road.

While most home improvements to a primary residence are not immediately tax-deductible, certain improvements may increase your home's cost basis. Your cost basis generally includes the original purchase price of the home plus the cost of qualifying capital improvements. When you eventually sell the property, a higher cost basis can reduce the amount of capital gain subject to taxation.

Certain improvements may also qualify for tax benefits in specific situations. For example, self-employed individuals who qualify for a home office deduction may be able to deduct a portion of eligible improvements. Improvements made for medical accessibility purposes may also qualify for tax advantages in some circumstances. In addition, landlords may generally deduct or depreciate qualifying improvements made to rental properties, subject to applicable tax rules.

Homeowners who install qualifying energy-efficient improvements may also be eligible for certain federal tax credits, provided they meet IRS requirements and any applicable deadlines. To help support potential deductions, credits, or basis adjustments, we recommend keeping receipts, invoices, permits, and other records related to your renovation project.

Because tax laws, eligibility requirements, and available credits can change over time, homeowners should consult a financial professional before making decisions based on potential tax benefits.

08 | THINK LONG TERM

Paying for a home renovation can be a daunting task, as it often requires significant planning and saving before a project can get underway. Because of the financial commitment involved, it's important to consider how renovations fit into your long-term financial plan. As mentioned throughout this article, certain improvements may increase your home's value, which can contribute to the equity you've built over time.

As your home value and equity change, it may be worthwhile to periodically review your financial plan and reassess how your home fits into your overall financial picture. For some homeowners, the equity built through years of ownership and home improvements may become an important financial resource that can support retirement planning or other long-term goals.

Because every homeowner's situation is different, consider working with a financial advisor to better understand your home's market value and how it aligns with your broader financial objectives. Taking a thoughtful, long-term approach to home renovations can help ensure that today's improvements support tomorrow's goals.





WHERE WE CAN HELP

When undertaking a home improvement project, you may not be thinking about how it fits into your broader financial plan. However, renovation decisions can have implications beyond the project itself, particularly when it comes to cash flow, financing, liquidity, and long-term goals.

Our team can help you evaluate how a renovation fits within your overall financial picture.

Whether you're considering using cash reserves, a cash-out refinance, HELOC, or another financing strategy, we can help you assess the trade-offs and determine which approach aligns with your objectives.

If you're considering a home improvement project and would like to discuss how it may affect your financial plan, please don't hesitate to reach out.



FOOTNOTES

¹ Farm, S. (2026, January 13). How much to budget for home maintenance. State Farm. <https://www.statefarm.com/simple-insights/residence/how-to-budget-and-save-for-home-maintenance>

² Kilham, A. (2026, February 24). How much does it cost to remodel in 2026? SoFi. <https://www.sofi.com/learn/content/average-cost-to-remodel-a-house/>

³ Opendoor Editorial Team. (2026, June 12). Top improvements that increase home value based on market data | Opendoor. Opendoor. <https://www.opendoor.com/articles/improvements-that-increase-home-value>



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