



Presents...

Things you **MUST KNOW** when planning to build a custom home.

LEARN HOW TO:

- ✓ *Avoid costly mistakes*
- ✓ *Choose the right contractor*
- ✓ *Wisely compare bids*
- ✓ *And more...*



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5 Factors to Consider When Deciding if Building a Custom Home is the Right Choice for You...



If you're thinking about building a custom home but aren't quite sure if it's the right choice for you, below are 5 factors to consider to help you decide.

First things first...

1. Cost

If cost is your main concern, then you should buy an existing home. It's almost always cheaper to buy a home, even in a tight market.

Building is expensive, and you must be OK with the fact that you will likely spend more than your home will be worth initially.

As an example:

Mr. Smith spent \$600,000 building a custom home and upon completion its market value is \$550,000.

A financially conservative observer might say, "It's not a smart investment, it's not worth the amount it cost to build it."



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While Mr. Smith says, “I got my dream home. Everything is exactly what I want and how I want it. The \$50,000 market value difference doesn’t matter because I love my home.”

2. Time

If you will be in the home for less than 5 years, then you may be subject to the financial discrepancy described above.

However, the good news is that it generally takes only about 5 years for the initial cost of building to catch up to the current market value.

But it’s not just about the money...

The above financial issues can create uncertainty in the minds of people considering building a home but finances alone is rarely the only reason a person builds a home.

*Marty Kirchner, of Kirchner Custom Builders, explained, “**Viewing a house as an investment discounts the main reason most people build, which is quality of life.**”*

For those who choose to build, there is a significant value placed on the “quality of life” factor.

The monetary value for this is difficult to measure, and it’s different for every person and situation. Only you can determine its value for you.

Some people are perfectly happy buying. They know they can find what they want and need in an existing home, or their main priority is living in a specific location where building isn’t an option.

Others are not able to find a house on the market that meets their needs. The things they value most can’t be found in an existing home, so building a new home is the best way to get everything they want.

The remaining factors relate to your “quality of life” values.



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3. Location

If you know you want to live in the city or in a mature, established neighborhood, then building may not be for you. It can be challenging to find a location to build a new home within city limits or in older neighborhoods. It is, however, possible under some circumstances.

New, custom homes are most often built in new subdivisions on the edges of an established city or in more rural, undeveloped areas.

If the idea of living in a new development appeals to you, or if you want remote and private living, then building is a great option.

Building allows you to choose the exact location you will live.

Whether it's a new family friendly subdivision, a hilltop estate with amazing views, or acres of land in the private countryside; building a custom home allows you to choose the perfect location for you.

4. Newness and Efficiency

When you build, you will live in a home that is pristine, polished, and unlived in.

Everything is brand new in a custom built home.

New appliances, fixtures, electrical, plumbing, HVAC, flooring, cabinets, roofing, and more. Not only does this mean everything looks great, it also means less maintenance because nothing needs to be repaired, updated, or replaced for a very long time.

Most often, new is also more efficient. From appliances to insulation and windows; a new home will have the most up to date and efficient products which take advantage of the most recent building technology.

If you are energy conscious or if you desire "green" living, building a new home will allow you to install the most energy efficient options available throughout the home.

5. Lifestyle

When you build a custom home, everything should be exactly as you want it; size, layout, materials, finishes, flooring, colors, and more. The entire home should be designed to fit your wants, needs, and lifestyle. For example:



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- The family of ten who needs the big mudroom with built in storage, plenty of bedrooms and bathrooms, and a spacious laundry room with two washers and dryers.
- The outdoorsman who needs acres of land and 4 garages for his bikes, boats, and recreational vehicles.
- The couple planning ahead for retirement who want single level living, guest space for their children and grandchildren, and a heated pool for their morning swim.

Building allows for all their unique needs to be met because they can design and customize every aspect of their homes.

Decide what you value most...

To determine if building is right for you, you must decide what you value most and how the “quality of life” factor relates to you.

People who build homes put the utmost value on having a new, personalized, custom home that fits their lifestyle, with everything exactly as they want it, and located exactly where they want to live. **They recognize that they must design and build their home in order to attain the quality of life they desire.**



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**The ONE Thing
You Need to
Know When
Choosing Land
for the
Construction of
Your New Dream
Home...**



The Problem...

You're finally doing it...

Building your dream home.

You have your design all planned: a sprawling country ranch with a walkout basement that opens to the spacious back yard you've always wanted.

You purchase your land.

You take your plans to your contractor, show him the land, and he looks at you and says...

"I'm sorry, but you shouldn't build *that* house on *this* land."

Now you've got a problem.

Do you come up with new plans for your home and sacrifice the design you've always wanted?

Do you sell the land and risk losing thousands of dollars?

These are not the kind of decisions you want to be making when you're building your dream home.



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Why did this happen?

There is much to consider when choosing a parcel of land for a home, including:

- cost
- location
- slope
- soil types
- drainage
- zoning
- utilities
- access

Unless you're experienced in construction, most of those things are likely outside your realm of expertise. And some of those factors will strongly influence the potential cost, design, and layout of your home.

When you're planning to build your dream home, you don't want to make the regrettable mistake of buying the wrong land for it.

Luckily, this is a mistake that can be easily avoided.

What you need to know...

Proper planning from the very beginning will prevent this from happening to you.

Marty Kirchner, general contractor and co-owner of Kirchner Custom Builders, offers this key piece of advice:

“When planning to build a home, your parcel of land and your home design must be considered together.”

What you should do...

If you have a strong preference to the style and design of your home, then you should contact a general contractor or architect or draftsman before buying your land.



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Once you have discussed the general plan for your home then he or she can consult you on the purchase of land and make sure that it will be a good fit for the construction of your dream home.

Of course, there are situations where you have the land first and you want to build on it. In that case you need to be willing to design a home that best fits the land that you have.

Again, consult your contractor before designing your home. He can look at your land and inform you of your home construction options.



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5 Steps to Take When Choosing a Contractor for Your Custom Built Home – BEFORE Asking for a Bid...



You've decided to build a custom home...

So, first things first, find a few contractors and ask for bids. Right?

Wrong.

Before asking for a single bid there are some very important steps you should take.

The Right Contractor vs. The Wrong Contractor

When building a custom home you need a general contractor that is honest, accurate, timely, and efficient.

Someone you get along well with.

You want them to be up-front, accurate, and fair with their pricing.

And, ideally, someone who is good at problem solving and who has a "make-it-work" attitude because obstacles and surprises are bound to occur.

If you choose the wrong contractor the flip side of that could be true, and you surely don't want a contractor who is untrustworthy or imprecise.



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You don't want someone who you struggle to get along with or who communicates poorly.

You don't want to overpay or run months behind schedule.

When you have a concern or face an unexpected challenge, you don't want your contractor to simply say, *"No, I can't do that"* without making every effort possible to find a good solution.

The good news is you can assure you find the right contractor by investing a little time and due diligence.

Marty Kirchner, general contractor and co-owner of Kirchner Custom Builders, suggests taking the following steps when searching for a general contractor for your custom built home.

The 5 Key Steps to Finding Your Ideal Contractor

1. Know your needs

- What is your price range?
- What style of home do you want?
- What home features are most important to you?
- What is your time frame?
- Where do you want to build?

The more information you can supply the easier it will be to determine which contractors are a good fit.

2. Do some research

Ask around for referrals and look online to find general contractors in your area. Go to their websites and look at pictures of their work and see what types of homes they build.

If you plan to build a \$200,000 home you don't want to go to a contractor whose body of work consists of only million dollar mansions.

The alternate is true, as well.

If you're building a luxury home with top of the line finishes, you don't want to choose a contractor who builds basic, mid-range, budget-friendly homes.

The goal is to find contractors who build homes that are similar to what you want.

3. Call and talk to them

Discuss your needs and find out if it's the type of project they are willing to consider.

Don't be surprised if some contractors turn you down, this simply means they have determined that they aren't a good fit for you.

By calling you will also get an idea of their timeliness and communication skills. If one contractor doesn't return your call for over a week or another doesn't offer any helpful assistance, then these are not contractors you want to be working with. Cross them off your list.

4. Meet face to face

Once you've made some phone calls and you have a short list of contractors that you like, ask to meet with them in person.

This is an opportunity to get to know them a little better and to get into more detail about the project.

You will find out a lot about their values and personal qualities by talking to them in person. It also gives the contractor an idea of how serious you are.

If you're a tire kicker looking for lots of bids, he may not be interested. But if he knows you're serious and that you've narrowed your list of potential contractors down to 2 or 3, he will likely be willing to give you and your project serious consideration.

5. See some of their work in person

Preferably a finished home and a home in progress (if that's possible).

If the contractor doesn't want to show you or cannot show you previous builds, that's a bad sign.

It could mean he doesn't have a good relationship with his past clients, it could mean he's not confident in his work, or it could mean he's not that interested in your project. All of those are signs that he's not the right contractor for you.

Seeing a contractor's work is the best way to determine if the quality of his work is up to your standards. Photos don't always show the finer points.

Would you buy an existing home based on photos alone, without going to see it? No. You want to walk through it and see it with your own eyes.

By looking at a contractor's work firsthand you can see the technical and aesthetic traits of his work and how well he tends to the finishing work and small details.



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This is an important decision.

The general contractor for your custom built home is someone you will be working with for months, maybe even a year or more.

You want a contractor who makes the experience of building your home a good one, not an unpleasant one, and you want him to deliver high quality work for a fair price.

After following these 5 steps and narrowing your list of potential contractors down to 1 or 2 (3 at the most), then you can confidently move forward with the bidding process.



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-Architect

-Draftsman

-Contractor

**Who Should You
Choose for Your
New Home's
Construction
Plans?**



You're ready to design your new home...

You want nothing but the best, so you find a notable architect and consider the high cost well worth it. Smart decision, right?

Maybe. Maybe not.

In some cases, it's a valuable investment to pay a premium for your home plans. But other times, it's not necessary.

Who you hire to design and plan your custom home is an important decision, though.

This person will be translating the vision you have for your home into plans that will become reality. You want them done well but you don't want to spend more than you need to.

Overpaying could leave you short on your budget and cause you to make sacrifices to the construction and finishes.

Underpaying could leave you with inadequate plans that potentially lead to problems and extra costs.

There are several things to consider when hiring someone to design your home.



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Know your options...

Some states require that a licensed architect signs off on all building plans, but that is not the case for Wisconsin or Minnesota.

There is no law dictating who can or can't design the plans for a personal residence in these states.

Architects, draftsmen, and contractors are potential options for creating construction plans for your home.

Here's a brief description of their respective skills and services:

Architect

- Degree in architecture.
- State licensed.
- Creates plans, technical drawings, and models.
- Can be involved throughout planning and construction.
- Likely to be expensive.

Draftsman

- Creates plans.
- Specialized in technical drawings.
- Architects often employ draftsmen, and contractors may work with draftsmen, but draftsmen can also work independently.
- A qualified and experienced draftsman might offer the same services and skills as an architect, the most notable difference is that they don't have the architectural degree or license and are typically less expensive.

Contractor

- Specialized in the construction process.
- Some larger residential general contractors can provide quality design services.
- Some qualified and experienced residential general contractors are able to perform the same services of a skilled draftsman, and often these services are provided free of charge when such a contractor is contracted to build your home.



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The best place to start...

There are several benefits to starting with your contractor.

By choosing your contractor first, he will be able to use his home building experience and expertise in helping you decide which is your best option and share who he recommends.

Once your contractor knows your needs and budget, he can help determine if he and his team are well suited to draft your plans, if it's best to use a draftsman, or if an architect should be hired.

While most residential builders won't be able to draft the plans for your home, some larger residential general contractors, such as Kirchner Custom Builders, are completely capable of drafting architectural drawings for custom built homes, which are to scale, biddable, permittable, and buildable.

If your contractor is able to draft your plans in-house, there may be added benefit of having your residential general contractor coordinate your entire project.

Referrals, reviews, previous work...

As with most services, just because someone is the most expensive option doesn't automatically make them the best option. You'll need to apply due diligence to assure that whomever you hire is experienced, talented, and qualified to do the work.

Seek out referrals from people you know or recommendations from your general contractor.

Look online for reviews and testimonials.

Seeing previous work of the architects, draftsmen, or contractors is a smart way to find out if they will be a good fit for your project.

You'll want to choose someone who has done similar projects to yours, has the design style you are looking for, and who provides quality work for a fair price.

Keep the cost relative...

The cost of your home's design plans should be relative to the overall cost of your home.

For example: Plans for a small, basic home could be done at a low cost by a draftsman or contractor.

With mid-range to high-end homes, design costs could also be kept relatively low by using a draftsman or contractor, as long as their skills and expertise are adequate for the size of the project. Meanwhile, a



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million-dollar-plus luxury home may require a more substantial financial investment and include a team of architectural and drafting experts.

What about interior design?

If you want help deciding on your home's design finishes such as exterior material selections, paint colors, flooring materials, trim, fixtures, etc.; you may want to hire an interior designer. An interior designer can be incredibly helpful with those choices.

Interior designers are typically not experts in structural design.

Interior designers are often helpful with aesthetic decisions, but they rarely provide valuable input with respect to structural design.

It's your choice to make...

If you're planning to build in Wisconsin or Minnesota you are not required to use an architect for the construction plans of your home. You may decide that an architect is the best option for your needs, but you are free to consider draftsmen and contractors, as well. Who designs your home will depend on your needs, your assessment of the potential services in your area, the cost of your project, and the scope of your construction.



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**Don't Lose Out
on a Great
Residential
Contractor by
Making This One,
Simple Mistake...**



When you're building a custom home, one of the best ways to assure that things go as well as possible is to choose a skilled, honest, and experienced residential contractor.

The contractor you hire is the most important decisions you will make in the building process.

Don't lose out on a great residential contractor by making this one, simple mistake:

Asking for too many bids.

"Five bids are too many," according to Marty Kirchner of Kirchner Custom Builders. "Many good builders will decline to participate in that rat race."



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Why it can go wrong...

Calling around and asking for a handful of bids before doing your research could cause a contractor to deny your request.

It takes weeks to prepare a comprehensive, reliable, and firm estimate.

If he believes that he is not in serious contention to be hired for your project, he may decide it's not worth his time and effort to prepare a bid for you.

And he may have been your ideal contractor.

When and how to request bids...

Bids are an important part of the home building process for planning and estimating costs. They're not the starting point, though.

Most contractors are happy to provide a bid for a serious potential client.

They know someone is serious when he or she has put in time and effort into getting to know the contractor and determining if the project will be a good fit.

Calling to interview a contractor over the phone (not simply sending an email) will signal to him your legitimate intentions.

How to get the best results from your bids:

1. Narrow down your list of potential contractors to 2 or 3

Choose contractors compatible with your project and who you would like to work with.

You may find there is just one contractor that you want to work with and his bid is simply part of the process to organize costs and expectations.

If you have 2 or 3 potential contractors, the bids can serve as a useful tool in helping you make your final decision.



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2. Know your budget

If you will be financing, see a lending institution and get preapproved for a loan before requesting a bid.

Consider sharing your specific budget with your potential contractors. It is helpful for them to know the financial parameters you are working within.

If your budget and the contractor's target market are not closely related, you can save yourself lots of time by eliminating this contractor as an option.

If, however, your budget and the contractor's target market are compatible, it is worth your effort to consider this contractor.

3. Be organized and prepared with what you need and want in your home

Details will support a more accurate bid.

List your specifics; home size and layout needs, number of bedrooms and bathrooms, specific finishes and materials that you want to use, even photos of similarly designed homes. These will all help create a clear picture of what you are looking for.

The more specific you are of your needs and wants the more accurate the bid can be.

Don't lose out on a good contractor by rushing into the bidding process...

The bid is part of the whole picture of choosing a residential contractor. It should support your decision but not be the sole deciding factor.

Take time to consider potential contractors based on their compatibility and qualifications, narrow down your list to 1, 2, or 3, then ask for bids.



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5 Key Points to Consider When Comparing Residential Contractor Bids...



You've narrowed down your list of potential contractors to 2 or 3 and have obtained their bids for the construction of your custom-built home.

You may think you can simply read through the bids and easily make comparisons between them to determine which contractor to select.

Unfortunately, it's not that simple.

Comparing bids is an “apples to oranges” situation. Each one will be different, sometimes in small ways and sometimes in big ways.

It's up to you to decipher each bid and interpret what is comparable and accurate.

Here are 5 key points to consider when comparing your bids...

1. Compare like with like.

Overall cost is not a fair way to compare bids. You must break down the bids into comparable pieces or line items.



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Start by looking at large line items, things like excavation, concrete, the lumber package, windows, cabinets & countertops, and flooring.

Residential construction bids should all include these basic line items and it's a good place to start your comparisons.

2. Determine the level of detail in each bid.

The more detail a bid has the more accurate it will be.

Beware of ambiguity. If there is vagueness and a lack of specifics, then you are not getting an accurate estimate.

Insist on detailed descriptions of the components being used to build your home.

A comprehensive bid with line by line details is going to be a more accurate bid than one that is less detailed.

3. Be watchful of allowances.

An allowance, by definition, means that specific details and exact costs have not been determined. It's a "ballpark" estimate.

The danger of allowances is that they can be inaccurate and potentially lead to additional costs, and sometimes those additional costs are substantial.

A large amount of allowances in a bid is a bad sign because the more allowances listed means the less accurate the estimated costs are.

Some contractors intentionally create artificially low allowances in an effort to arrive at a low total bid but they do this knowing you will ultimately spend more on these allowances effectively increasing the actual total cost in the long run.

You can request that some of the allowances be converted into firm bids. The contractor should be able to offer a more accurate cost estimate for certain items with more specific information and details from you. For example, if the flooring cost is set at a \$20,000 allowance you could actually select your flooring with your contractor to arrive at a firm price



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If a contractor doesn't want to firm up allowances, that is a bad sign. A good contractor will be willing to convert allowances into firm prices if the customer provides the necessary information.

Overall, the fewer the allowances the better because fewer allowances equals a more accurate bid.

4. Don't make assumptions.

If you're unsure about something within a bid, seek clarification from the contractor. You can and should go back to the contractor with any questions you have. You can even ask to see the underlying pricing used to create the bid.

A good contractor will appreciate the chance to explain his bid. It's not insulting to ask questions about why something is priced the way it is or how he calculated his bid. If anything, he will appreciate the opportunity to justify his costs.

Good contractors want you to have a clear understanding of the bid. Give them a chance to explain what has been laid out in the bid and why. This helps to make the actual construction proceed smoothly with little or no uncertainty about what is included.

One contractor may be notably higher in price but give him the opportunity to explain why. He may have a very good reason for it.

5. Ancillary items: who included what?

In addition to the structure itself, there are things like the land, window treatments, appliances, furniture, and landscaping that will contribute to the final cost of your home. These are not direct construction costs but they are necessary items for the completion of your home.

As Marty Kirchner of Kirchner Custom builders noted, "There is more to a home than just the structure."

Different contractors will account differently for ancillary items and it's up to you to determine who has included what in each bid. **It could have a substantial effect on the overall cost.**

A low bid may be low because the contractor has left out a number of these items, but that doesn't mean you won't be paying for them. Wouldn't you rather know the most accurate and realistic final cost for your home? The inclusion of more ancillary items in a bid equals greater accuracy.



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**3 Important
Factors to
Consider
When Assessing
the Costs in
Your Home
Construction
Bid...**



Building a home is a huge investment. Whether you are spending \$200,000 or \$2,000,000, you want to know how your money is being spent.

To ensure that you will get quality work and a fair price, consider these 3 factors when reviewing the bid for the construction of your new home.

1. Beware of allowances.

This was explained in the previous section, but it bears repeating.

An allowance is a cost estimate for a particular line item. For example, plumbing fixtures. If the plumbing fixture allowance is \$10,000 and you select plumbing fixtures totaling \$15,000, you owe an extra \$5,000. The reverse is also true. If you select plumbing fixtures totaling \$8,000 you get a \$2,000 credit.

Allowances in your bid can be problematic because they are not based on specific materials, making it difficult to estimate costs or quality accurately.

Numerous allowances result in a less accurate bid. You could end up paying more than you were anticipating because the allowance was under estimated, or you could wind up with sub-par materials or craftsmanship because those details were not specified.



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Occasionally, allowances are unavoidable because you and your contractor have not yet determined the specifics of a certain aspect of the project. For example, you may not know the exact countertop you want at the time of estimating so an allowance is necessary. But overall, the less allowances the better.

When possible, convert allowances to firm bids. This will give you a more accurate cost estimate and ensure that you and your contractor agree on the labor and materials to be used. For example, instead of using a plumbing fixture allowance simply select your plumbing fixtures at the time your project is being estimated so the actual cost can be used in the estimate.

2. A fair price is more important than a low price.

“You get what you pay for.” There’s a reason you’ve heard this expression a thousand times – it’s almost always true. Cheap products are usually poor quality and higher quality items cost more.

The same holds true for labor costs. You will pay more for tradesmen with superior skills and time-tested experience. Think about it, do you really want your contractor to hire the cheapest plumbers and electricians he can find?

If you think some of the materials or labor listed in your contractor’s bid are priced too high, find out why by asking your contractor. It could be that they are of higher quality and your contractor may have a very good reason for choosing them. If you’re unsure why something is priced the way it is, talk to your contractor and give him an opportunity to explain his pricing. A good contractor will be able to justify his costs.

3. Transparency.

Building a home is a huge investment and you deserve to know exactly what you are buying. The key to this is transparency.

What is transparency?

In this context, transparency means that the contractor has put all the information he has on the table and all costs and materials have been detailed in the bid.

He has shared the costs for the materials, labor, subcontractor work, and even the markup margins. He has also detailed the specific products and materials to be used and who will be doing the work.



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The more detail you see in a bid the more transparent it is. You want to see that everything has been accounted for so that there's no hidden costs and you know exactly what you will be getting and paying for.

Why is it so important?

It's your money and your home. It is only fair that you have the details of what the costs are.

Many contractors don't break down their prices in detail. For example, some contractors are hesitant to note their markup margins. But markups are a standard in all home construction projects. If you know exactly what the markups are it allows you to better compare bids, interpret the value, and possibly negotiate if necessary.

Marty and Tony, the owners of Kirchner Custom Builders, believe their customers deserve to know all the information associated with the costs of construction. They value transparency and make it a priority because they understand that the more their customers know, the more comfortable their customers feel with the value of the materials and services being used to construct the customer's new home.

If transparency is lacking, you won't have a clear understanding of what you are paying for or the quality of materials and craftsmanship. It also makes it more difficult to compare bids if it is vague and nondescript.

You have a right to know all the costs associated with building your home so seek out transparency in your home construction bids.



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3 Tips for Financing Your Custom Built Home...



Based on his years of working with clients building custom homes, Marty Kirchner, of Kirchner Custom Builders, offered a residential contractor's perspective on the financing aspect. His advice:

Choose a small to mid-sized local lender, get preapproved for your loan, and design your home to your budget.

If you will be pursuing a construction loan for your new custom home, follow these 3 tips to ensure that the financing process goes smoothly.

1. Choose a local, small to mid-sized bank or credit union.

Personalized service.

A local lender is going to offer a more personalized experience and be more responsive than a big bank.

National banks are big, and you are one of thousands of clients.



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This can be a problem when you have questions or need help with something urgent. It can be difficult to get quick responses which leads to delays and frustration.

That is less likely to happen with a local bank or credit union.

If you go local, you will develop a relationship with your loan officer.

Your loan officer will be your single point of contact, he or she will be easily accessible, and you will be able to call him or her directly. Your loan officer will be there to help throughout the entire borrowing process.

Local lenders know more about the local market.

A local lender is knowledgeable of the regional housing market and is familiar with local appraisers, this allows for a more accurate loan valuation and better odds of approval.

2. Talk to a loan officer and get preapproved before making any home design plans.

Meet with a loan officer and learn about the financing process before investing any time or money into your home construction plans.

There's a lot to know about home construction loans.

They're quite different from mortgage loans for existing home purchases.

It's important that you talk to a professional loan officer to get expert information on the process and to get preapproved.

Getting preapproved for your home construction loan lets you determine if your loan amount will be sufficient for the home you want to build.

Assumptions can lead to disappointment.

You may think you can easily afford that \$500,000 home construction loan based on your income, but the bank may disagree.

Lenders use very specific formulas to calculate the amount they will loan to you and income is just one of the factors.



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Credit scores, existing debts, and the current home construction market are some of the other considerations.

The last thing you want is to put hours and hours of work into the planning and design of your home only to find out you can't get the funding.

Find out exactly what you are eligible to borrow first.

Once you know the amount you are approved for you can decide on your budget and begin working with your contractor.

Get informed about financing your custom built home.

In addition to getting preapproved, talking to a mortgage lender will also inform you of what to expect throughout process of financing the construction of a custom built home.

Such as how much you will need for a down payment, how to finance the land purchase, and how the construction costs are paid.

He or she can also tell you how the payment amount is calculated and what you will be expected to pay each month during construction.

Keep in mind, preapproval is not a guarantee of the loan, it is preparation for the loan.

But knowing the amount you are approved to borrow will ensure that you plan within your budget.

Going from preapproval to loan.

You will apply for the actual loan after you have specific plans drawn up by a professional; including a detailed draft of the home design, comprehensive construction plans, and itemized construction costs.

Banks will often require a signed construction contract to finalize the loan.

3. Design your home to your budget.

Your home designer (contractor, draftsman, and/or architect), needs to know a precise budget.

Regardless of the amount you are approved to borrow, investigate what you can afford based on your own unique financial situation.



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- Do you spend a lot on travel?
- Do you want to maximize your retirement savings?
- Is there a career change in the foreseeable future?
- Will you be having children or sending children to college?

These are considerations *only you can evaluate*, not the bank.

The bank can calculate the maximum loan amount you are eligible for but that doesn't mean it is the right amount for you to spend.

Choose an amount you can comfortably afford and *design your home to your budget*.



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**Ready to
Build a Custom
Home?
Avoid These 4
Costly Mistakes...**



Building a custom home is a huge investment. To ensure that you have the best experience and the best outcome possible, be sure to avoid these 4 costly home building mistakes.

Mistake #1: Rushing the process.

Building a custom home is not a fast and simple process.

From planning through construction, building a custom home can take about one year.

The Planning Phase

The initial planning stage, before any construction begins, can take approximately 4 to 6 months.

The planning phase includes choosing your residential contractor, going over the bids and cost estimates, purchasing your land, and designing your home.

Rushing any of these steps could be a mistake because,

- Your contractor is the linchpin of the entire project. Don't make this decision in haste.



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- Bids have a lot of information. Go through them carefully and thoughtfully.
- Choosing land isn't just about choosing where you want to live, it's also about choosing land that will work with your ideal home design.
- It's a good idea to include a contractor in this decision because he will know what type of land will work best with your home design, or he can advise you about what type of home design will work best with your land.
- The design of your home is also incredibly important. Don't rush it. Really think about how you will live in your space and what will work best for you and your lifestyle.

Rushing any step in the process does not benefit you in the long run. Your move-in date may be sooner, but you could have potentially sacrificed your own long-term happiness and satisfaction.

According to Marty Kirchner of Kirchner Custom Builders,

“Trying to move things along too quickly is risky because mistakes can occur when hasty decisions are made.”

Hurrying through your planning and design decisions could leave you with regrets. Take your time.

The Construction Phase

You also don't want to rush the construction process.

Quality construction takes time. If you have chosen a qualified, skilled, fair, honest, and experienced contractor, you should be able to trust the pace of construction.

There will be stages that go quickly and stages that seem to stagnate.

Stages such as the excavation, foundation, and framing seem to go fast. While other stages, such as drywalling, seem to go slow. But drywalling, when done properly, simply takes more time.

Be patient. It benefits you and your contractor, and, ultimately, your home will be better for it.



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Mistake #2: Choosing a contractor based solely on price.

It's a risk. Choosing the lowest priced contractor could mean you're sacrificing quality, craftsmanship, skill, and experience. It could also leave you paying more in the end if the contractor's bid wasn't accurate.

Price alone is not a fair way to compare contractors because each contractor's bid is going to be unique and calculated differently.

When one contractor is priced noticeably less than another, ask yourself,

- Why is that contractor priced so much less than the other?
- Did he include a substantial amount of allowances?
- Has he included everything that the other contractor did?
- What did he leave out?
- What is the quality of materials he's using?
- What is the quality of his labor?
- Where is the savings coming from?

Consider these questions when reading your bids and choosing your contractor.

Usually when a bid is considerably low it's because it wasn't done properly. The contractor may have included too many underestimated allowances, or he may have failed to include major items such as a well or an access road.

Your contractor is the most important decision you will make when building a custom home.

Don't let cost alone be your deciding factor.

Mistake #3: Designing your home for 5 days out of the year.

If you entertain often, then for you it's a priority to design your home to accommodate that lifestyle. But if you only have guests, gatherings, or parties a few times a year, you don't need to base your home's design on those occasions.

Making design decisions based on events that only occur a few times each year can leave you with a less than ideal layout of your home, unnecessary costs, and wasted space.

You might have 30 people over every year for Thanksgiving, but do you really want that 300 square foot dining room for your family of five the other 364 days?

You may have a dozen family members stay with you every Christmas, but do you really want 3 empty guest rooms the rest of the year?



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Try not to let a few events a year overly influence your home's design.

Design your home based on what you need and value most in your typical daily life.

Mistake #4: Caring too much about what other people think.

If you find yourself regularly asking your contractor or home designer, "What do other people do?" or "I don't know... what do you think?" Then you may want to refocus your own priorities.

Building a custom home should be about what YOU want.

It's a time when it doesn't matter much what other people think. Your home is not for them, it's for you.

Just because most people do something one way does not mean that's the best option for you. You are building a custom home, not an average home.

Customize it to fit your needs.

You may get overwhelmed with all the decisions you have to make and that can cause you to lose sight of your design goals.

But instead of simply making decisions based on what other people think or do, it may be helpful to bring in an interior designer who understands your needs and aesthetics to help you make those decisions.



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6 Things to Expect During the Construction of Your Custom Built Home...



You've chosen your contractor, the contract is signed, and the plans are complete. Time to move on to the construction of your new home.

If you've never built a custom home before this will be a new experience and you.

To help you prepare for the construction phase of your new home, here are 6 things to expect during the process.

1. Permits

Firstly, your contractor should be the one to pull all permits. If he doesn't want to or says he can't, that is a huge red flag.

It could mean he is unlicensed or has had serious issues in the past. Do not move forward if this happens. Find a new contractor.

You will need to have your contract signed and specific plans drawn up with your contractor in order to start pulling permits.



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The ease and timeframe of the permit process is not always the same from one project to another. According to Marty Kirchner of Kirchner Custom Builders, “This experience varies by municipality.”

Cities have more staff for issuing permits and the process tends to be quick and streamlined.

Whereas smaller municipalities, such as villages and township do not have the same level of resources and the permit process may take longer.

For example, within the city of La Crosse permits can be issued within a week.

But in townships, where there is no city sewer system, the septic and well permits have to be issued by the county and that process can take in excess of a month. These septic and well permits must be issued prior to a building permit.

2. Payments and costs

You should expect consistent, regular payments to your contractor throughout the project because there should be a consistent outflow of costs.

For example, for your \$500,000 project, your contractor might draw \$100,000 five separate times at fairly regular intervals.

It is a red flag if your contractor suddenly requests an extra large draw, such as going from \$50,000 to \$300,000. This is unusual and you should find out what the reason is for such an inconsistency.

Also know that if you make changes throughout the project there may be additional costs related to such changes. It's up to you to make sure that you will have the funds to cover these extra charges, either personally or through your construction loan.

If you finance your home construction via a construction loan, like most people do, you'll get a loan for a specific amount. Change orders may affect the overall cost and you may need to borrow more money or pay the contractor directly with personal funds.

It is a good idea to talk to your lender before agreeing to change orders to ensure you are able to borrow the additional funds or be prepared to pay for change order costs with personal funds.



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In any event, you don't want to be left owing an additional \$20,000 at the end of the project that you don't have.

3. Time

Each project is unique in design, size, and scope so the timeframe for construction can vary, but it will likely take upwards of six months to a year.

Some parts of the project will seem to go quickly while others will take longer.

You will find that the initial stages of construction appear to go fast because several big, noticeable changes take place; such as excavation, concrete, foundation, and framing.

But things appear to move slower as construction progresses.

Some homeowners get anxious because it can look like not much is happening during the latter phases of construction. But painting, installing trim, doors, cabinets, and hardware are simply less obvious and yet they take time to do properly.

It may appear as though things are nearly complete after the drywall is up, but know that there is still much work to be done.

You may not see the big, grand changes like you did in the beginning, *but rest assured that progress is being made.*

4. Decisions

Expect to make a lot of decisions.

For some people, this can be quite stressful.

A good contractor does not want to overwhelm you so he will bifurcate the long list of decisions you need to make and ask you to make the most critical decisions first and more long range decisions later.

He will break them down and offer them to you a few at a time instead of giving you a full list of decisions all at once.

For example, he may initially ask you to decide on just your exterior claddings, and then wait till the next month to have you decide on your interior finishes.



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If you get fatigued or overwhelmed by all the decisions and it causes you too much stress, it might be a good idea to bring in an interior designer to help. He or she can help you move through the many decisions you need to make with less stress.

An interior designer can make decision making less stressful and often brings relief to the customer and the contractor.

5. Final walk through

You should expect a final walkthrough when the project is close to completion so that your contractor can create a punch list of anything that needs to be addressed, fixed, changed, or finished.

The final payment to your contractor should be made after ALL the punch list items are completed.

6. Post construction

Even though you and your contractor did a walkthrough, completed the punch list, and everything appeared to be complete, something will likely come up a month or so down the road.

For example, you might find a window that sticks, a trim piece that has come loose, or a door that doesn't shut right.

Within a reasonable timeframe, a good contractor will fix these construction flaws at no cost to you.

Once it gets to be a year or more past completion then warranty issues usually become subject to a case by case analysis.

A contractor can't be expected to make repairs indefinitely, but there are some situations where he may feel it is his responsibility.



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