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Spending Well

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MANAGING YOUR MONEY,
WORK AND SUCCESS

Talking Points



JAMES HILL FOR THE NEW YORK TIMES

Turning Kalashnikov Into a Lifestyle Brand

The gun maker Kalashnikov Kontsern sells fewer weapons since the United States slapped sanctions on Russia over the Ukraine crisis, so it is diversifying — into motorboats, surveillance drones and clothing. It says it expects to report a profit of 2.1 billion rubles, or about \$33 million, for 2015, compared with a loss of 340 million rubles in 2014. The United States had accounted for about 40 percent of the company's gun sales, roughly equivalent to the volume bought by the Russian military.

Elite Firm Raises Wages

One of the country's most elite law firms, Cravath, Swaine & Moore of New York, has increased the annual salary for its first-year lawyers to \$180,000, from \$160,000, a move that is likely to be matched quickly by other high-earning firms. It has been nearly a decade since entry-level law salaries were last increased. Firms have struggled to adjust to corporate clients who are increasingly demanding billing discounts and refusing to pay steep rates for junior associates to learn on the job.

Queries Forecast Disease

Microsoft scientists have demonstrated that by analyzing large samples of search engine queries they may be able to identify people with pancreatic cancer even before a diagnosis has been made. The new research is based on the team's ability to accurately distinguish between web searches that are casual or based on anxiety and those that are genuine searches for specific symptoms. The scientists hope their work leads to early detection.



TONY CENICOLA/THE NEW YORK TIMES

On the Road Again

The great American road trip is back. Americans drove a record 3.15 trillion miles last year, according to the Department of Transportation, beating the previous mark, set in 2007. And so far this year, both travel and gasoline consumption are up again. The reasons, according to the AAA motor club, include gasoline that is cheaper than it has been in 11 years, and a reviving economy that is making people more willing to part with their money.



COLEY BROWN FOR THE NEW YORK TIMES

MATH OF RENOVATION Recouping the money spent on fixing up a house depends on the type of work and the market. Dr. Vishal Kapoor spent \$260,000 on a gym.

Renovating With Value in Mind

WEALTH
PAUL SULLIVAN

Boring items like new roofs and insulation are more likely to pay off.

The summer months are a popular time for updating houses. But whether the renovations add to a home's value is a different matter. Even when they do increase the price a seller may get, they rarely increase it in line with how much the renovation costs.

"People confuse helping the home keep up with the market with an upgrade or a renovation," said Jonathan J. Miller of Miller Samuel, a real estate appraisal firm in the New York metropolitan area. "The simplest example may be refinishing your floors or repainting the inside of your house. Those are things that need to happen every so often so the house doesn't fall behind the market."

The relationship between cost and value of renovations is always changing, he said. At times, a \$100,000 renovation may add only \$50,000 to a home's value. Other times, spending \$50,000 may increase the value by \$100,000.

And there are the times when the renovation may decrease the home's value. Mr. Miller said he remembered a one-bedroom apartment in Greenwich Village that had a \$30,000 built-in entertainment system that was purple formica. "The owner thinks the value is the apartment plus \$30,000," Mr. Miller said. "The buyer is thinking it's

the value of the apartment minus \$3,000 to remove it and repair the wall. Here lies the problem."

What is going to add value depends as much on the type of renovation as the particular housing market. And Mr. Miller said he tells clients that "personal taste and market taste" can be different.

New roofs and insulation have great financial returns, said Jessica Lautz of the National Association of Realtors, which teamed up with the National Association of the Remodeling Industry to determine the value of renovations.

Ms. Lautz said people who would like to recoup more of their investment should aim for boring. New insulation and garage doors or replacing a roof, siding or windows add value and save energy.

New kitchens and bathrooms make owners happy, but their value is more difficult to discern. According to the Realtors report, the average price of a kitchen renovation is \$60,000 and carries a "joy score" of 9.8 out of 10. Yet, only 67 percent of the price is recovered when the owner sells. A bathroom renovation typically costs \$26,000 and has a joy score of 9.3, but only 58 percent of that will be recovered.

Stan Humphries, chief economist for Zillow Group, said a "midrange bathroom remodel" could reap a big increase in value. These are renovations where a fairly bland bathroom is made into something "you'd bring your guests into," he said. The return is \$1.71 for every \$1 spent.

Still, Ms. Lautz said, big renovations may be necessary just for sellers to attract interest on photo-heavy websites. "You look at homes online and see the new kitchens and bathrooms that really sparkle," she said.

What It's All Worth

The National Association of Realtors teamed up with the National Association of the Remodeling Industry to find the value of renovations.

\$60,000

The average price of a kitchen renovation.

9.8/10

The "joy score" of the average kitchen renovation.

67%

The percentage of the average kitchen renovation price that is recovered when the owner sells the house.

\$26,000

The average price of a bathroom renovation.

9.3/10

The "joy score" of the average bathroom renovation.

58%

The percentage of the average bathroom renovation price that is recovered when the owner sells the house.

This benefit varies, depending on demand in a housing market.

"If you're in a housing market with very tight supply, all of a sudden the value spread between a home that needs a lot of work and the home that doesn't need any narrows," Mr. Miller said. "In a market where there is an oversupply, it's just the opposite."

New Canaan, Conn., an affluent town an hour from New York City, is experiencing one of those gluts. Amanda Briggs, the brokerage manager at Houlihan Lawrence there, said her agency has published a guide for its brokers on the science of pricing. The houses that are properly priced are on the market for an average of 76 days and sell for 97 percent of the asking price. But the time on the market for homes that need at least one price reduction goes up to 226 days and the eventual selling prices is only 87

percent of the list price.

One factor is the difference between what Ms. Briggs called buyer's math and seller's math. "Sellers think acquisition cost plus what I put into it is what it's worth," she said. "Buyers are looking at price per square foot and Zillow's analytics."

Vishal Kapoor, a plastic surgeon in Beverly Hills, Calif., added a 250-square-foot gym to his 6,500-square-foot house and filled it with the latest equipment at a cost of about \$260,000. Asked about the investment potential of the space, Dr. Kapoor hesitated. "Do I think I'd get my money back? I don't know."

"I have my kids 40 percent of the time," he added. "They want to be with me. At least now, I can work out in my gym and they can pop in if they need me."

And that nod to personal enjoyment may be the only guaranteed return on any renovation.

How Much Should a Parent Pay for a Child's Instrument?

PERSONAL
RON LIEBER

Some stress quality so it's a joy to play; others urge delayed gratification.

It should have been a simple request. My 10-year-old, after several years of piano and voice lessons, had asked for a guitar.

But what to buy?

A couple of guys from the best campus band from my college days suggested the Baby Taylor, a three-quarter size acoustic guitar made by the El Cajon, Calif., compa-

ny that the likes of Taylor Swift and Jason Mraz count on. A new one sells for around \$329.

My friend Craig Bromberg, the father of 11-year-old guitar-playing twins and a serious musician himself, let me have it for considering buying a new guitar. "I for one can't stand the idea of kids with fancy instruments before they have even taken a single lesson," he wrote.

He had a point. I've devoted a chunk of my professional life to trying to talk parents out of over-indulging their kids. But musical instruments are tools for learning. Even so, I realized that I got caught up in all the usual aspirations we have for our children, as well as my own regrets about my musical train-

ing. The lesson: We ought to put every object of child desire through its own wants-versus-needs test.

Andy Powers, who oversees guitar design for Taylor Guitars, outlined two approaches for choosing a guitar for a 10-year-old. The delayed gratification theory has children doing the hard things first. You study, practice and bear with it, and then you get the nice guitar. The other is instant gratification — buy the nice guitar to make learning the guitar enjoyable as soon as possible.

Mr. Powers advised against the delayed gratification approach. "The least enjoyable part is the moment you first pick it up," he said. "You're physically struggling with an instrument that you don't know

much about."

For a child like mine who wants to play acoustic, he talked highly of the virtues of the Baby Taylor's function over form: its intonation, seasoning and reparability.

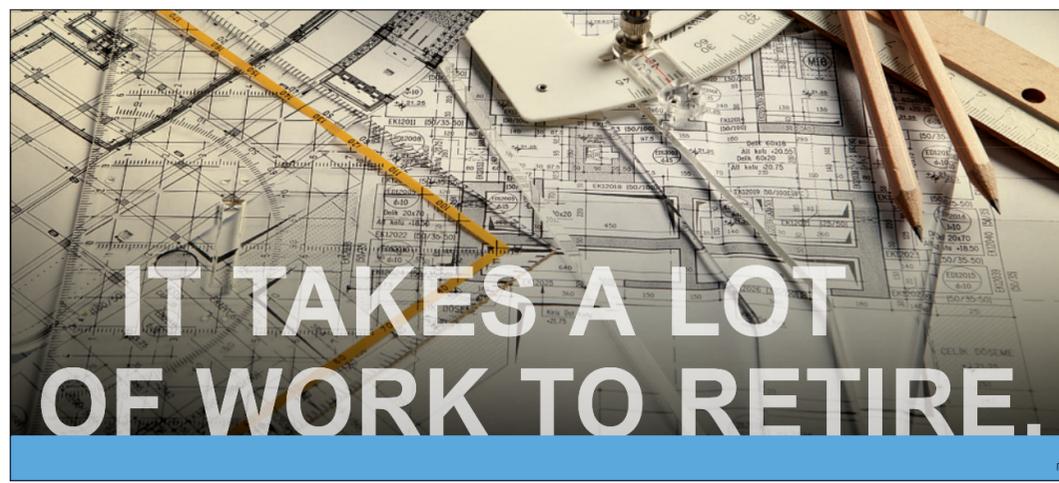
I took his comments back to my friend Craig. He reminded me that most famous musicians did not learn to play on top-of-the-line equipment. One of Craig's most recent musical purchases for one of his sons was a used instrument. Indeed, buying someone else's Baby Taylor would set us back \$200 to \$250. Older ones seem to hold their value, which means we could hock ours if my daughter doesn't take to playing or graduates to a bigger guitar.

And to Mr. Powers, the choice of

instrument is important, as he's not sure he would have stuck with it if he had been learning on a glorified toy. "The difference between that person who says 'Oh yes, I took lessons when I was a kid' and someone who engages forever is when they cross over from studying to doing an instrument."

I do want my daughter to play on a guitar that gives her the best chance of crossing that chasm. But my hunch is this: It wouldn't have taken \$329 to get me to "do guitar," had anyone suggested it.

And perhaps that's one more reason I find the used Taylor so enticing. If my daughter doesn't stick with guitar, I just may keep her instrument for myself.



About 51,000 hours, actually, on average. And over that time, you've worked, sacrificed, lost sleep, and even saved a few bucks along the way. Our team will honor this lifelong effort with the same level of dedication—and the same work ethic—that it took to realize your dreams.



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