

Home Improvement Corner

The cost of saving money.

Throughout late 2008 and most of 2009, there has been an increase in the number of customers offering to supply their own materials for their contracted home improvement projects. On-line availability coupled with a tight economy makes logical sense to look for ways to save money. However, a quick analysis of cost vs. value reveals a liability many homeowners may choose to avoid.

Contractors buy products from their vendors and sell them at a higher cost as part of the finished product. Markup is a factor added to the base cost to cover the contractor's overhead and profit. The target profit range is roughly 5% to 15% based on national industry surveys. By providing finish materials, contractors can warrant their installation and compatibility. Homeowner-provided products are generally excluded from contractor warranty.

Vendors negotiate discounts to contractors based on volume and servicing cost. A contractor that consistently buys a lot of materials and pays their bills on time is more likely to receive a greater discount than a low volume contractor with poor credit. Vendor discounts generally range 10% to 40% off retail for an established account. Wholesale suppliers exist to offer the discounted pricing to licensed contractors without the added cost of a retail presence.

Side note: The State of Washington requires the "Notice to Customer" disclosure be signed by residential customers for any job over \$1,000. The document references a Washington State RCW and advises the homeowner that material vendors have the right to notify the property owner that their material has been delivered to the property, but not yet been paid for. The notice is typically delivered by certified mail in the form of an "Intent to Lien" document. Once the material has been paid for by the contractor, the vendor is able to supply a "Lien Release" upon request. A lien cannot be made on the property after the material has been paid for.

Homeowner-supplied materials can be less expensive at time of purchase, but more expensive over time. Consider the effects of compatibility, serviceability and reliability. When materials are contractor-provided, they can be at a reasonably priced, function together, and most importantly, the contractor can be held accountable to warranting their installation.

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