

## 5 Major Reasons Why You Should Buy a Home Instead of Rent

*By: Alexis Dey*

There are times when it is better for a person to rent, but most often home ownership has many more benefits and advantages.

About 10 year ago I had a retired aunt and uncle who rented a condo in Las Vegas. Uncle Jim (not his real name) was a retired minister. Throughout his career he and his wife lived in parsonages, which are homes furnished by the congregation while they ministered there.

He and his wife told me that the biggest mistake they ever made was not to invest in buying a home. In their retirement years, when their other retired friends were living in homes that were almost paid off and had appreciated greatly, Uncle Jim and his wife were using a huge portion of their limited retirement money to make expensive condo rent payments. They strongly cautioned me not to make the same mistake they had.

Recent studies are showing that there are many benefits for both the owners and the community for owning your own home, including increased education for children, lower teen-age pregnancy rate and a higher lifetime annual income for children. Besides these, listed below are some of the primary advantages for owning your own house.

### 1) More Stable Housing Costs

Rent payments can be unpredictable and typically rise each year, but most mortgage payments remain unchanged for the entire loan period. If the taxes go up, the increase is usually gradual. This stable housing cost especially important in times of inflation, when renters lose money and owners make money.

### 2) Tax Savings

Homeowners can be eligible for significant tax savings because you can deduct mortgage interest and property taxes from your federal income tax, as well as many states' income taxes. This can be a considerable amount of money at first, because the first few years of mortgage payments is made up mostly of interest and taxes.

### 3) Debt Consolidation

If you need to, you can refinance a mortgage loan to consolidate other debts (an opportunity you don't have if you are renting.) And the interest on this is also tax deductible.

### 4) Equity

Instead of payments disappearing into someone else's pocket, homeowners are building equity in their own home. This is often one of a person's biggest investment assets. Each year that you own the home you pay more toward the principal, which is money you will get back when the home sells. It is like having a scheduled savings account that grows faster the longer you have it. If the property appreciates, and

generally it does, it is like money in your pocket. And you are the one who gets to take advantage of that, not the landlord. You can then use this equity to plan for future goals like your child's education or your retirement.

#### 5) It is Yours!

When you own a home you are in control. You have the freedom to decorate it and landscape it any way you wish. You can have a pet or two. No one can pop in and inspect your home and threaten to evict you.

Even young people, like college students out on their own, can often benefit from home ownership. It puts them ahead of other young people their age financially by helping with their credit and giving them what is often an excellent investment. Often a college student buying a home will rent the rooms out, and his or her roommates end up making the payments for the house. When the student is ready to move on, her or she can sell the home (hopefully making a profit) or keep it as an investment and continue to rent it.

Buying a home is an important decision. It is often the largest purchase a person makes in his or her life. Home ownership also comes with some increased responsibilities, and isn't for everyone. There are some disadvantages to homeownership that you should take into account.

#### 1) Increased Expenses

Your monthly expenses may increase, depending on your situation. Even if the monthly payments are the same, homeowners still have to pay property taxes, all the utilities, and all the maintenance and upkeep costs for the home. Often you need to supply appliances that were furnished with a rental.

#### 2) Decreased Freedom of Mobility

Homeowners can't move as easily as a renter who just has to give notice to the landlord. Selling a house can be a complex and time consuming process.

#### 3) Risk of Depreciation

In some areas with over inflated prices there may be a risk that the house will depreciate instead of increase in value, if the prices go down. If you then sell the house, you may not get enough money from the home to pay back your mortgage, and you will still owe the mortgage company money.

#### 4) Possibility of Foreclosure

If for some reason you are unable to make your payments, you risk having the lender foreclose on your property. This can result in the loss of your home, any equity you have earned, and the loss of your good credit rating.

When considering home ownership, you need to weight the advantages and disadvantages for yourself. If you are like most people, you will find that homeownership is worth the risks and disadvantages.

## **4 keys to profitable home ownership by Liz Pulliam Weston**

You're most likely to win by owning, rather than renting, if the following are true:

- **You plan to stay put at least three years and preferably more.** In most markets, it can take three to six years for a home to appreciate enough to offset the costs of selling and moving. (Bach thinks anyone who knows he or she won't be moving in the next year should roll the dice and buy; I'm a little more cautious, particularly in overheated markets where you may need to stay put even longer than five years to ride out a real downturn.)
- **You're psychologically prepared.** Home ownership means dealing with whatever comes up -- from noisy neighbors to clogged plumbing. You can't just call the landlord for help or pack up and move as easily as when you were renting.
- **You have some extra savings.** Homebuyers who spend every dime they have buying a house inevitably are blindsided by repairs, maintenance and all the other costs of owning a home. Then they go into debt trying to keep up their current lifestyle. Smart home buyers make sure they have an amount in savings at least equal to two mortgage payments after the deal closes, and preferably much more.
- **You manage your money pretty well.** That forced savings aspect I discussed above works only if you can keep your hands out of the cookie jar. Otherwise, it's too easy to drain away your wealth with home equity loans and lines of credit. If you're the kind of person who lives on credit cards and doesn't know where the money goes, you'd be smart to clean up your financial act long before you go hunting for a house.