

# Should You Own Your Home? The American Dream Of Home-ownership Isn't Right For Everybody... Or Is It?

## Weighing the pluses and minuses of home-ownership...

Buying a home can be one of life's most exciting and yet most challenging experiences you can go through. With the numerous loan programs available to consumers today, it is easier than ever to get into a house. However the question remains, "Should you own your own home or rent?"

There are many benefits to owning a home but there are also just as many tradeoffs. To help you decide if owning a home is right for you we've listed the pros and cons of buying versus renting.

### Equity

One of the most common complaints among renters is the discouraging feeling that you are simply throwing your money down the drain. This is typically true for the homeowner who lives in a specific house for a long time. However building equity isn't an automatic universal truth. In some cases the property values are too high to start with so the resell just won't net you a profit and in other cases the property values don't increase at all.

Buying: You build your equity with every payment made. For the first half of the mortgage, most of each payment pays off interest. However every month some part does go towards your principle. Your equity will fluctuate as the market value of your home changes. Over time though, history has shown us that building equity in a home is a smart investment.

Renting: You pay for a place to live, period. While you have a lease for a certain time period, you are not *investing* in the home. The plus side is you have no responsibility for ongoing repairs but you are also not building equity. However you are investing for the landlord. You are essentially making the landlord's payment and building her equity.

### Monthly Payments

In many cases, and depending on the home that you plan to purchase, your monthly payments will likely be comparable to your current rent or quite possibly much higher. Many first time buyers purchase a "starter home." This may be a smaller or an older home that can be purchased at an affordable cost. As mentioned above you can begin to build equity in this home and you can then upgrade to a more expensive home in a few years.

Buying: Costs can fluctuate somewhat on a yearly basis over the first few years due to escrow adjustments. After this initial adjustment

period, your payment could be fixed for the remainder of the loan assuming you opt for a fixed interest rate.

Renting: Costs are fixed at least for the term of the lease (generally 1 year) but usually increase after the lease expires.

### **Up-front Costs**

Up-front costs are possibly the most misunderstood aspect to the home purchase and the one that keeps most renters from even researching purchase. The perception that you must have huge down payments to purchase a home is no longer accurate in most cases today.

Buying: Typically requires a larger investment than renting initially. However there are many programs that require very little for down payment.

Renting: Usually does not require as much up front as buying but still requires fees such as deposit, pet deposit, 1<sup>st</sup> months rent and possibly more.

### Tax advantages

#### **One of the most advantageous aspects to home-ownership.**

Buying: There are significant tax advantages to home-ownership. Interest that you pay on your mortgage and property taxes are all deductible. These deductions can make a huge impact on your federal and state tax returns.

Renting: Renting offers no tax advantages. Only your landlord will reap tax benefits that are available.

### Other Considerations:

#### Maintenance

Buying: Any maintenance must be done and paid for by you. Home maintenance costs average about 1% of your home's value per year.

Renting: You typically are responsible for very little maintenance and maintenance costs when you rent.

#### Time to Move

Buying: If and when you want to move, you will have to sell your home first.

Renting: Your only concern is fulfilling your lease.

#### A Place to Call "Home"

Buying: You have the right to remodel and redecorate at your discretion. You own it; you can do with it what you wish.

Renting: You have very little flexibility besides decorating the home. Carpet, wallpaper, paint, etc are all items that the landlord will change at his discretion with little to no input from you.