

1 Real Estate Advisor



Buying vs. renting your home

Is now the right time for you to buy a home? You have many options to consider and choices to make. Buying a home is a big responsibility, financially and emotionally, but, most people want to own a home. Homeownership often is referred to as "the American dream." Why is it so special? Among the reasons: Real estate often is an excellent investment, perhaps the number one source of wealth-building for families.

Owning a home has many benefits. When you make a mortgage payment, you are building equity-and that's an investment. Owning a home also qualifies you for tax benefits that may assist you in dealing with your new financial responsibilities-such as homeowners' insurance, real estate taxes, and upkeep, which can be substantial. But given the freedom, stability, and security of owning your own home, they are definitely worth it! Owning your own home also can be a great source of pride and stability.

But homeownership may not be for everyone. It's a big financial commitment-starting with the initial shock of your purchase (including a down payment and fees paid to a real estate agent, the lender and others) followed by years of monthly mortgage payments, real estate taxes, property insurance, and maintenance costs. When you decide to purchase a home, you accept responsibility for paying for these expenses. They are additional costs to your monthly

mortgage payment and should be included in your budget estimates: Property Taxes and Special Assessments, Home/Hazard Insurance, Utilities, Maintenance, Home Owner Association (HOA) Fee if applicable.

Consider these questions when making your choice:

- Do you want to spend several years in a house and in a neighborhood?
- Do you enjoy lawn and garden work?
- Might you need to move suddenly to care for family?
- Do you want to keep your assets accessible in the bank, or do you want to invest long-term in a home?

One of the advantages of renting is being generally free of most maintenance responsibilities and the flexibility of moving almost as soon as you decide. But by renting, you lose the chance to build equity, take advantage of tax benefits, and protect yourself against rent increases. Also, you may not be free to decorate without permission and may be at the mercy of the landlord for your housing needs.

Home ownership also comes with short and long-term tax advantages. The mortgage interest and real estate taxes are tax deductible, which allows you to subtract part of your

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housing-related expenses from your taxable income and could reduce your tax bill. In many cases, the amount of money a renter spends on rent can be about the same as or less than the amount a homeowner spends on a mortgage. With the tax benefit for homeowners, the savings can be significant.

Buy vs. rent: cost comparison

The chart below shows a cost comparison for a renter and a homeowner over a seven year period. The renter starts out paying \$800 per month with annual increases of 5%.

The homeowner purchases a home for \$180,000 and pays a monthly mortgage of \$1,000 (based on a 4% interest rate and 20% down payment) . After a year, the homeowner's payment is lower than the renter's monthly payment.

| Yrs | Rent | Mortgage | Monthly Diff. | Yearly Diff. |
|-----|------|----------|---------------|--------------|
| 1 | 800 | 842 | -42 | -504 |
| 2 | 840 | 842 | +2 | +24 |
| 3 | 882 | 842 | +40 | +480 |
| 4 | 926 | 842 | +84 | +1008 |
| 5 | 972 | 842 | +130 | +1560 |

2-30 Savings increase every year

And remember, with tax-deductible interest, you'll save even more!

Rachel Engle, Realtor
7625 N. Palm Suite #106
Fresno, CA 93711



Rachel Engle, Realtor
#01448299
7625 N. Palm Suite #106
Fresno, CA 93711
(559) 304-6810
rachelengle@kw.com
centralvalleyhomeinfo.com



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