

Why Buy?

A simple enough question. Why buy a home? Why spend that much money, time, and effort into finding a new place to live that you, personally, own? This is a question that must be carefully considered before you act; if you don't have good, solid, rational reasons for purchasing your own home, you may well find yourself regretting it halfway through the transaction, or even after the deal is closed. So let's go over some of the prime reasons to own a home.

The Best Investment

On average, houses appreciate for four or five percent a year. This is not the absolute *most* you could earn – some safe, wise investments in stocks or bonds would likely yield more. However, let's use an example, here. Say you purchase a 200,000\$ house with a mortgage loan, on which you put twenty percent down: 40,000\$ down. At an appreciation rate of 5%, your home would increase in value by 10,000\$ the first year. You just earned 10,000\$ with an investment of 40,000\$ - an excellent "annual return on investment" rate of 25%.

Granted, you are making other payments – mortgage, property tax, etc – but since the interest on your mortgage and taxes are both tax deductible, the government is essentially subsidizing your home. Buying a home has a higher rate of return than just about any other investment you could make.

Income Tax Savings

As mentioned above, the government is basically subsidizing your home purchase, since your mortgage and property tax interest rates are tax deductible. All of the interest and property taxes you pay can be subtracted from your gross income to reduce your taxable income.

Let's use another example. Let's say your initial loan balance is 150,000\$ with an interest rate of 8%. During the first year, you'd pay just under 1,000\$... whereas your taxable income is almost 10,000\$ less! This is due largely to the IRS interest rate deduction. A similar minor miracle happens with your property taxes.

Stable Monthly Housing Costs

When you rent, your rent usually increases from year to year, or even more often! When you purchase a home, you either have a fixed interest rate, in which case the monthly payments (other than utilities, which vary from season to season) will never change. Even if you get an adjustable rate, it can still only fluctuate within a certain range, so you'll know beforehand the maximum that you could end up paying per month. Imagine how much rent might be in ten years – or twenty – and then picture yourself in your own home, paying the very same amount that month twenty years from now as you did the first month you moved in. Which is more appealing?

Forced Savings

Your home helps you save in two ways – whether or not you can keep a savings account, or have trouble with spending. One, your home appreciates, at an average rate of 5% each year, giving you a 10,000\$ return on a 200,000\$ home. Two, a portion of each

month's house payment goes towards the principal; this amount accelerates as the years pass. Owning a home is one of the most productive and wisest investments one can make.

Freedom and Individuality

When you rent, you are limited by both your lease and by common sense on how much you can improve or change. There's no point to spend thousands of dollars replacing carpet or repainting the walls when you plan to move out in a year or two, and when such an investment would only benefit your landlord. And your landlord is trying to keep his expenses low; he's only going to make improvements that are absolutely necessary. You're also low on space; apartment complexes want more units for the building size and will make everything very compact.

However, when you buy, you suddenly have more room and more freedom. Even if you're only moving from apartment to condominium, you'll be surprised at how much more spacious everything is; you'll have storage space and probably a laundry area as well all your own, and perhaps a balcony or patio. Not only will you have that much more room, but what you live in is now *yours*. Not only do you have the freedom to customize and improve all you want, but your investment benefits *you*, not your landlord. When you sell your home years down the road, those improvements will raise its value, so you'll get a return on what you put in – and for now, while you're still there, you get to enjoy creating your own unique home.