

Why Purchase a Home?

- **The Best Investment...** As a fairly general rule, homes appreciate about five percent a year. Some years will be more, some less. The figure will vary from neighborhood to neighborhood, and region to region.

Five percent may not seem like that much at first. Stocks (at times) appreciate much more, and you could earn over six percent with the safest investment of all, treasury bonds.

But take a second look...

Presumably, if you bought a \$200,000 house, you did not pay cash for the home. You got a mortgage, too. Suppose you put as much as twenty percent down – that would be an investment of \$40,000.

At an appreciation rate of 5% annually, a \$200,000 home would increase in value \$10,000 during the first year. That means you earned \$10,000 with an investment of \$40,000. Your annual "return on investment" would be a whopping twenty-five percent.

Of course, you are making mortgage payments and paying property taxes, along with a couple of other costs. However, since the interest on your mortgage and your property taxes are both tax deductible, the government is essentially subsidizing your home purchase.

Your rate of return when buying a home is higher than most any other investment you could make.

- **Stable Monthly Housing Costs...** When you rent a place to live, you can certainly expect your rent to increase each year – or even more often. If you get a fixed rate mortgage when you buy a home, you have the same monthly payment amount for thirty years. Even if you get an adjustable rate mortgage, your payment will stay within a certain range for the entire life of the mortgage – and interest rates aren't as volatile now as they were the late seventies and early eighties. Imagine how much rent might be ten, fifteen or even thirty years from now?
- **Equity Build-up...** With each mortgage payment, you are buying something tangible. The longer you own your home, the greater your equity can potentially be!
- **Keep-up With Inflation...** Not all homes appreciate in value at the same rate; some years are better than others...but real estate historically has kept pace, and usually exceeded, the rate of inflation.

- **Income Tax Benefits**...Because of income tax deductions, the government is basically subsidizing your purchase of a home. All of the interest and property taxes you pay in a given year can be deducted from your gross income to reduce your taxable income.
- **Return on Improvements**... When you rent, you are normally limited on what you can do to improve your home. You have to get permission to make certain types of improvements. Nor does it make sense to spend thousand of dollars painting, putting in carpet, tile or window coverings when the main person who benefits is the landlord and not you.

Since your landlord wants to keep his expenses to a minimum, he or she will probably not be spending much to improve the place, either.

When you own a home, however, you can do pretty much whatever you want. You get the benefits of any improvements you make, plus you get to live in an environment you have created, not some faceless landlord. As a homeowner, you can recover all or part of the cost of the improvements when you sell your home.

- **Trade-up Value**...Even if your first purchase isn't your "dream home", you will be building equity that, one day, will make your dreams a reality.
- **Security For Retirement**...Unlike rent, which goes on forever, the mortgage on your home could someday be paid, providing you with "rent free" living for your retirement.
- **Investment Property**...For some homeowners, second houses or condominiums are proving to be good investments as income producers and/or tax shelters. As the owner of investment property, you can enjoy not only extra income, but also additional tax benefits.