

### Should You Buy or Rent a Home?

Is home ownership the right path for you? Should you rent instead? If you rent will you be jeopardizing the possibility of home ownership in the future due to rising real estate values? How fast will your family grow and how much space is needed for your family and their activities? How much money do you have to pay for housing? When is the best time to buy a house?

With the rising cost of home ownership in America today, combined with low mortgage rates, many first time buyers face are challenged by the answers to these questions.

Buying and owning your own home is more complicated than just having the money for the down payment and monthly mortgage payments. Owning a home requires a tremendous commitment of funds, time, and attention. For some people, owning is not the best or only way to have a comfortable and safe living environment.

The following topics should help make your decision a little easier.

- Advantages and disadvantages of renting a home
- Advantages and disadvantages of buying a home
- Defining your values
- Are you ready for home ownership

### **Advantages and disadvantages of renting a home**

For some, renting can be the best option. Considering the high cost of a down payment on a home, financial considerations are of top priority. Renting can be viewed as a temporary solution while you plan your future.

The ADVANTAGES of renting are as follows:

- You are excused from the bulk of home ownership responsibilities such as:
  - Grounds maintenance
  - Appliance repairs
  - Remodeling
  - Home Improvements
  - Property taxes
  
- Your rental many include amenities such as:

- Pool
  - Tennis courts
  - Social/activity rooms
  - Laundry facilities
  - Security
  - Parking
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- There is no large down payment, only a security deposit.
  - Many of your monthly expenditures (rent, utilities) are fixed making budgeting easy.
  - You are not taking any equity risk on the property should there be a downturn in the market
  - Close proximity of neighbors often create a sense of security.
  - If you do not like where you live, moving is relatively simple.
  - It is easier, especially if you travel/commute often.

The DISADVANTAGES of renting are as follows:

- No special tax deductions.
- There are no equity gains in the rising value of property.
- Space and storage is usually less than a home.
- Changes to accommodate your life or growing family cannot be made or are limited in scope.
- Rents can rise with inflation and or supply and demand in the rental market.
- You will probably have restrictions on noise level, pet ownership, or children.

### **Advantages and disadvantages of buying a home**

The ADVANTAGES of buying a home:

- The home may increase in value, resulting in a significant gain in net worth.
- The emotional high derived from ownership and the sense of status created both at home and in the community.
- Homeowner's tend to have better credit ratings.
- The longer you live in a home, the more equity you build that can be leveraged using an emergency loan.
- Mortgage payments contribute to an investment, particularly if the property is located where it increases in value over a period of years.
- If you have a fixed loan, your payment will remain relatively constant for the life of the loan.

- The interest paid on your loan and taxes are legitimate income tax deductions.
- Ownership may contribute to security, especially in retirement years when income normally decreases.
- A homeowner can borrow against his/her equity, as the value of the home increases.
- More space may be available for family members and their activities.
- As a homeowner you have the freedom to make improvements and changes to the home and surroundings as desired (although a development or association may have restrictions and prohibitions).
- Home ownership can contribute to the general well-being and sense of "roots" of the family, especially for children.
- Homeowners generally are concerned about community affairs and how they may affect their property.

### The DISADVANTAGES of owning a home

- A substantial down payment is needed.
- Owning a home requires a substantial commitment in time, emotions, and money.
- Homes may decrease in value if the neighborhood deteriorates, changes quickly, or the real estate market suffers a decline.
- Due to the initial expense of buying a home, financial resources may be limited or reduced for other purchases or activities.
- Maintenance and repairs are inevitable and could be costly.
- Part of home ownership includes procuring enough income to afford insurance of all kinds including loss of the house as a result of a natural disaster.
- Budgeting is cumbersome and a must in preparation for maintenance, repairs, home improvements, and/or home ownership/association dues.
- Depending on where you live property taxes could increase dramatically.
- The cost of buying a home should also include the cost of moving into it and furnishing it.
- Shifts in the neighborhood could drastically affect one's lifestyle.
- Security is an issue if you are not home often due to travel.
- Unexpected loss of income due to job termination or unemployment may limit money available for home ownership costs.

### Define Your Values

Decisions, decisions. The very best way to proceed is to list all the factors about your life that are important to you.

- What type of living situation would make you feel the best about yourself?

- Do you have certain neighborhood preferences that would be limited by either decision?
- Which decision would strap you the most financially?
- If you have family (married, children) which decision would impact their lives?
- Which is more important to you, what type of place you reside in or the furnishings within, or both?
- What are your lifestyle requirements?
- Do you like to entertain?
- Do you own a boat or RV?
- Do you need a garage because of your hobbies)?
- What is the distance you would have to travel to work, school, church, shopping?
  
- How important is privacy?
- How much time and what skill sets do you need to have to devote to maintenance and upkeep?

### Are You Ready for Home Ownership

The Neighborhood.

Life can be greater than you thought or it can be a nightmare if you do not consider the neighborhood as part of your decision. Here's a list of things to check and consider.

- Local history
- Local government
- Its proximity to:
  - Factories
  - Trains
  - Airports
  - Traffic
  - Highways
  - Farms
  - Sanitation
  
- Appearance
- Schools
- Whether the neighborhood is appreciating or depreciating in value.
- Safety and security.

### Accessibility

Little things like driving through traffic bottlenecks or through industrial zones to get to shopping, schools or work can be a real issue over time. Consider the convenience of your desired neighborhood in relationship to:

- Work
- Shopping areas
- Schools
- Entertainment and lifestyle activities
- Places of worship
- Condition of the roads
- Available public transportation.

### Community Facilities

Unless you are on the Internet 24 hours a day seven days a week, you will want to use the local resources to enhance your life. Consider looking into the following:

- Police
- Fire stations
- Health facilities
- Sanitation services
- After school activities
- Recreational facilities, such as parks, golf courses, hiking trails, etc.

### Other considerations

If you are buying consider what the neighborhood offers for you and your particular lifestyle. Furthermore, this might be a good time to evaluate your particular needs and how they might affect the potential to sell the home in the future. As an example, suppose you choose a home far from schools and children's parks because that is not a concern for you in your life now. What you might want to consider is how distance from these facilities might affect the ability to sell your home one day to buyer who may have a keen interest in those things. Conversely if you are renting, these may or may not have a bearing on your life now or after you move.

### The apartment or home itself

- Space, arrangement, and condition.
- Bedrooms and bathrooms (enough space and privacy).
- Kitchen and work area (well planned and step saving, adequate work and storage areas).

- Dining and living areas (adequate for family entertaining and resting).
- Storage (adequate and well placed).
- Room sizes, shapes, and wall areas to permit use of furnishings and equipment on hand or planned.
- Interior and exterior finishes (acceptable types, condition, and ease of maintenance).
- Heating and lighting (adequate and efficient systems).
- Outdoor space (patio, deck, lawn, garden space, outdoor storage).

### How Much House Can You Afford?

Buying a house commits you to a long-term relationship with a mortgage and requires a considerable amount of time and energy that most homeowner will tell you becomes second nature. American consumers spend from 21% to 54% of family income on their housing. How much each family spends on housing depends on many factors.

Three basic considerations that can help a family determine how much home they can afford are:

- The amount of take-home pay the family can reasonably expect.
- The family's living costs and other debt payments.
- The total amount of housing expenses, including: taxes, insurance, energy, furnishings, maintenance, and mortgage payments.

Because of rising prices and increased housing-related expenses, the old rule-of-thumb on how much to pay for a home no longer applies.