



Own vs. Rent?

Should you rent or buy a home? Experts insist that owning a home is a great investment. First-time homebuyers have a special opportunity to take advantage of the new Stimulus bill that provides a tax credit of up to \$8,000. There are several reasons why homeownership should be a top priority to those on the fence between owning or renting:

- **Tax breaks.** The U.S. Tax Code lets you deduct the interest you pay on your mortgage, property taxes you pay, and some of the costs involved in buying your home.
- **Gains.** Between 1998 and 2002, national home prices increased at an average of 5.4 percent annually. And while there's no guarantee of appreciation, a 2001 study by the NATIONAL ASSOCIATION OF REALTORS® found that a typical homeowner has approximately \$50,000 of unrealized gain in a home.
- **Equity.** Money paid for rent is money that you'll never see again, but mortgage payments let you build equity ownership interest in your home.
- **Savings.** Building equity in your home is a ready-made savings plan. And when you sell, you can generally take up to \$250,000 (\$500,000 for a married couple) as gain without owing any federal income tax.
- **Predictability.** Unlike rent, your mortgage payments don't go up over the years so your housing costs may actually decline as you own the home longer. However, keep in mind that property taxes and insurance costs will rise.
- **Freedom.** The home is yours. You can decorate any way you want and be able to benefit from your investment for as long as you own the home.
- **Stability.** Remaining in one neighborhood for several years gives you a chance to participate in community activities, lets you and your family establish lasting friendships, and offers your children the benefit of educational continuity.

Below is a chart that depicts the cost comparison with owning versus renting. After approximately 6 years, owning a home can be cheaper than renting. (**This assumes a 5% rent increase each year.)

Years	Rent Payment	Mortgage Payment	Monthly Difference	After Tax Savings	Yearly Difference	After Tax Savings
1	800	1000	-200	-50	-2400	-600
2	840	1000	-160	-10	-1920	-120
3	882	1000	-118	+32	-1416	+384
4	926	1000	-74	+76	-888	+912
5	972	1000	-28	+122	-336	+1464
6	1021	1000	+21	+171	+252	+2052
7	1072	1000	+72	+22	+864	+2662
8-30			Savings increase each year!!			

