

## The top 10 reasons you should buy a home

By Erin K. Witt

Every month, renters in central Indiana and across the nation struggle with the same frustration, paying monthly fees sometimes equal to or more than an average mortgage payment, but having little to show for it. Although renting is a good option for many, there are many reasons to take steps towards homeownership.

**Reason #1: It's a good investment.** As a general rule, homes appreciate about three to five percent a year. The figure will vary from neighborhood to neighborhood, and region to region. Five percent may not seem like that much at first—stocks may appreciate much more, and you could easily earn over the same return with a very safe investment in treasury bills or bonds. But presumably, if you bought a \$200,000 house, you did not pay cash for the home, but got a mortgage. Even if you put as much as twenty percent down—an investment of \$40,000—an appreciation rate of 5 percent annually would equate to a \$10,000 increase in value during the first year. In this scenario, your annual return on investment would be a whopping 25 percent. Your rate of return when buying a home is higher than most any other investment you could make.

**Reason #2: It can provide income tax savings.** Through income tax deductions, the government, in essence, subsidizes your home purchase. According to the Web site Real Estate ABC.com, 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. Whatever property taxes you pay in a given year may also be deducted from your gross income, lowering your tax obligation.

**Reason #3: You will enjoy 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.

**Reason #4: It can help you “save.”** A house is an automatic savings account. Every month, a portion of your payment goes toward the principal. In the early years of the mortgage, this is not much. Over time, however, it accelerates.

**Reason #5: It allows freedom and individualism.** When you rent, you are normally limited on what you can do to improve your home. You have to receive 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 who primarily benefits is the landlord, not you. When you own a home, you enjoy the benefits of any improvements you make, plus you get to live in an environment you have created, not some faceless landlord.

**Reason #6: More space.** You will probably have more space both indoors and out if you own your own home. Most apartment complexes are more interested in creating the maximum number of income-producing units than they are in creating space for each of the tenants.

**Reason #7: It benefits your credit.** Buying a home is a significant step in solidifying a good credit report. Buying a home shows the willingness to pay bills, and stability over a specified period of time. Both of these factors equate to positive points on your credit report.

**Reason #8: It may have a positive impact on your family.** Many studies have tried to measure the intangibles of homeownership. One showed that homeowners rated themselves to have a higher sense of self-satisfaction and lower levels of depression. Additional research suggests that, all other factors being equal, children in home owning households dropped out of high school at a lower rate and had a lower teenage-pregnancy rate than children in families that did not own their homes.

**Reason #9: It's good for your neighborhood, and your community.** The link between homeownership and household behavior is based on the thought that owners have an "investment incentive" that renters do not. According to Habitat for Humanity, it is believed that because they have capital gains and losses at stake, homeowners are more likely to maintain and invest more in their property, as well as investing more in the neighborhood. There is also a spillover effect for nearby property, leading to an increase in value for other homes in the immediate area.

**Reason #10: It can help improve local public services.** Habitat for Humanity also believes that homeownership can result in better provision of local services. The idea is that more involvement in terms of local services, local government and asking for services to be delivered to the area you are living in can also result in increased home prices in the area. There may be a direct link between property values and homeowner incentives.