



## Are you unsure about becoming a HOMEOWNER?

## Do you wonder about the TAX INCENTIVES?

## Are you worried about whether homebuying is a good INVESTMENT?

Buying a first home can be an intimidating process.

But the first step is deciding if: I want to own a home;

I can afford to own a home; owning a home makes

sense for me financially and emotionally. If you are still

struggling with those decisions, here are some facts that

might help you take that first step towards becoming

a homeowner.

### Rents Increase Over Time

Over the past ten years, the cost of rental housing in the U.S. has increased an average of 3.5% per year. If that trend continues, that means that an apartment or home renting for \$1,000 per month will cost more than \$1,300 a month in ten years. If you rent the same home for ten years, the total amount you would pay for rent will equal \$140,777!

Year	Monthly Rent <small>(avg. increase 3.5% per year)</small>	Total Annual Rent
1	\$1,000	\$12,000
2	\$1,035	\$12,420
3	\$1,071	\$12,855
4	\$1,109	\$13,305
5	\$1,148	\$13,770
6	\$1,188	\$14,252
7	\$1,229	\$14,751
8	\$1,272	\$15,267
9	\$1,317	\$15,802
10	\$1,363	\$16,355
<b>Total Rent Paid Over Ten Years</b>		<b>\$140,777</b>

### Owning Can Lead to Tax Savings

None of that \$140,777 is returned to you, either through savings or as an investment. Homeownership, on the other hand, often has tax advantages over renting a home, and those advantages can help you save money. For many homeowners, part of the monthly mortgage payment “comes back to you” in tax savings.

### An Example of Ownership

You purchase a home that costs \$200,000. Your downpayment is \$10,000 (plus closing costs – expenses incurred to actually process the transaction). You finance the balance with a 30-year fixed rate mortgage at 5.5 percent interest. Your monthly payments (not including utilities, maintenance, insurance, etc.) are:

### Monthly Mortgage & Tax Payments

mortgage	\$1,079
property tax (@1.25% tax rate*)	208
<b>Total Monthly Payment</b>	<b>\$1,287</b>
tax savings per month (assuming a 25% income tax bracket)	
mortgage interest tax deduction	\$216
tax deduction for property tax	52
<b>Total Monthly Tax Savings</b>	<b>\$268</b>
<b>Total Monthly Cost After Tax Savings</b>	<b>\$1,019</b>

*\*property tax rates vary by city and county*

Owning your home reduces your federal income tax bill by \$268 a month. In addition, as you pay down your mortgage loan, your equity – the wealth you have in your home – increases. If home prices rise, the equity you have in your home increases, too.

### Buyers Usually Come Out Ahead

Given that price growth has recently deviated from its usual pattern of increase, the table on the next panel considers four different price growth scenarios, including a loss. You may be surprised to see that the homeowner still comes out ahead of the renter even if there is a small decline in the home’s value over the next year. Favorable interest rates and lower prices have ushered in some of the best affordability conditions in a generation.

### Annual Costs

	Homeowner	Renter
<b>Total Annual Costs</b>		
annual mortgage/rental payment	\$12,948	\$12,000
real estate taxes	2,500	0
<b>Tax Deductions/Equity Builders</b>		
mortgage interest deduction	2,592	0
tax deduction for property tax	624	0
mortgage principal accumulation	2,559	0
appreciation		
no growth	0	0
loss*	-2,000	0
below trend growth**	1,200	0
average growth***	9,000	0
<b>Annual Costs Less Equity Gains</b>		<b>\$12,000</b>
no growth	9,673	
loss*	11,673	
below trend growth**	8,473	
average growth***	673	

*\* assumes a 1% annual depreciation*

*\*\* assumes a 0.6% annual appreciation*

*\*\*\* assumes 4.5% annual appreciation*

### Get An Immediate Tax Break

Further, special limited-time tax incentives exist. Through April 30, 2010 qualified first-time and repeat home buyers receive a tax credit of up to \$8,000 and \$6,500 respectively on a home purchase. Repeat buyers must have lived in their residence for 5 of the last 8 years. Tax laws change, so ask your REALTOR® or tax advisor for current information.

### Homeownership is a Good Investment for Qualified Buyers, But No Investment is Guaranteed

For the majority of Americans, a home is their largest financial asset and a major component of their investment portfolio. The NATIONAL ASSOCIATION OF REALTORS® estimates that home value rises, on average, by 4.5 percent a year. That’s a steady return on investment. Still, no investment is guaranteed. Many Americans lost value in both their homes and investment accounts in the last couple of years, and it will take some time to recover. Even when the recent downturn is considered, one’s own home is a much less volatile asset than stocks, bonds, or mutual funds. And most importantly, it is a place to call home while you own it.



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