

## RENTING VS BUYING

Should you rent or should you buy? The answer to this question ultimately depends on your individual financial situation. Buying a property means making an investment that will build equity over time. Renting means paying for your current living situation without ever gaining any equity or ownership.

Home ownership will only make financial sense if you are looking to live in a particular home for a few years. Before you make a decision, consider the additional costs of buying real estate. REALTOR® commissions, home inspection fees, lawyer fees, property tax and appraisal fees are only some of the fees you will encounter upon closing a deal.

Real Estate has always been considered a long-term investment that appreciates in value. When money is lost in the real estate market, it's usually due to selling a property too quickly and not allowing the property value to increase enough. Real estate markets rise and bottom out in a cyclic fashion, so before a home is re-sold, current market conditions must be taken into account.

The key to profitable home ownership lies in a few simple principles: planning, budgeting and saving. If you can stick to these principles, you'll win big by owning rather than renting:

**You plan to stay in your home for three or more years.** In most markets, it can take 3-6 years for a home to appreciate enough to offset the costs of selling and moving.

**You're psychologically prepared.** Home ownership means dealing with whatever comes up -- from noisy neighbors to a malfunctioning A/C. You can't just call the landlord for help or pack up and move as easily as when you were renting.

**You have some extra savings.** Home buyers who spend every dime they have buying a house inevitably are blindsided by repairs, maintenance and all the other costs of owning a home. Then they go into debt trying to keep up their current lifestyle. Smart home buyers make sure they have an amount in savings equal to at least two mortgage payments after the deal closes, and preferably much more.

**You manage your money pretty well.** Paying a monthly mortgage and separate bills creates a forced savings habit. If you're the kind of person who lives on credit cards and doesn't know where the money goes, you'd be smart to clean up your financial act long before you go hunting for a house.

Overall, it is far better to own your own home than to rent. Not only for the pride of ownership, but also to build up your assets for future financial security.

