

Homeownership is
better than renting



**ASSIGN
BUSTER**

Final Paper DraftComm/156Tonya LaliberteOctober 24, 2011Homeownership

in America is not only affordable, but it offers family stability and even financial incentives. The stability of owning a home versus renting offers my family and I pride, freedom, and happy memories. The housing market today has made homeownership actually affordable; mortgage rates are not only comparable to the price of rent, but sometimes even better. Several financial incentives become available as a result of owning a home such as tax deductions and the possibility of income properties. Americans no longer have to throw their money away on rent, homeownership is attainable for all.

Homeownership offers stability with pride, freedom, and a place to make memories. The stability of owning a home versus renting is apparent in my children's behavior. According to childstats.gov, ten percent of children in 2008 lived in two parent households, yet were still impoverished (Federal Interagency Forum on Child and Family Statistics, 2010). My children know that we own our home; they will not become part of this statistic.

We used to rent an apartment and my children were never able to become comfortable and seemed to be concerned about the long-term stability.

Especially my oldest son showed behavioral problems when we rented; these problem subsided gradually after we bought our first home. As a family we are free to enjoy our home and get comfortable, because we know we will be here for a long time. Since we own the home we are free to decorate or remodel the inside and arrange our landscape to suit us as a family. We can focus on building family memories instead of worrying when a landlord might evict us. Family stability was the most important factor for me deciding to

buy a home. Although buying a home can seem out of reach, it is comparable to the price of rent.

In general a rental home with three bedrooms and two bathrooms would run \$800 to \$1000 every month. Although renters may not be responsible for home repairs, property taxes, or landscaping; homeownership is truly affordable. Mortgage lenders are readily available to offer competitive mortgage rates. According to Wells Fargo a 30 year fixed rate loan will have a 4.25% interest rate and a 4.433% APR (annual percentage rate) (Wells Fargo Bank, 1999-2011). In fact a \$150,000 home with a 30 year fixed mortgage rate and ten percent down, the buyer will pay only \$749 per month.

Differing loan durations will result in different mortgage payments such as a 15 year fixed rate loan with the same priced home and down payment previously mentioned will yield monthly payment of \$1,067; and a 40 year fixed rate loan would translate into \$736 a month. Interest rates on mortgage loans are often based on a percentage of the principal.

Mathematically interest equals principal multiplied by rate as well as time, in other words $I = Prt$. Therefore a principal loan of \$150,000 at 4.25% for 30 years translates into a full repayment of \$191,250 with \$41,250 total interest being paid. Today's housing market offers potential home buyers rates that are more affordable than just a decade ago. Not only does homeownership offer family stability and affordability, but also financial incentives. Two specific deductions concerning homeownership according to the Internal Revenue Service (IRS) form 1040A can be itemized to deduct interest paid on mortgage annually and moving expenses can also be

<https://assignbuster.com/homeownership-is-better-than-renting/>

deducted if the move relates to employment (Internal Revenue Service, 2011).

In other words, if a family moves to be closer to employment or to search for employment; the expenses of the move are tax deductible. Deducting the interest paid on a mortgage offers homeowners extra money at the end of the year. It is also possible to deduct major expenses or remodels from capital gains when selling a home. So when a homeowner significantly improves their home and sells it with the improvements included in the price, the difference between the price which the homeowner paid for the home and is selling it for is tax deductible. Another financial incentive of homeownership would be the future possibility of having income properties. Planning for retirement is essential for financial stability later in life. Many people rely on retirement plans such IRA^{??}™s, 401K^{??}™s, and social security; these things may not last until retirement age.

If a person relies on their status as a homeowner and becomes a landlord, planning for retirement could be a little simpler. Income properties however can always provide income for homeowners as people will always need a place to live. Once a homeowner has a first home paid off, it can be a wise decision to purchase more homes to supplement their cash flow. The income from rental properties allows the homeowner to significantly increase their monthly money with little to no work involved. The homeowner can choose to make the tenant responsible for repairs of the rental, yard maintenance, and even annual property taxes. The landlord/homeowner stands to save a substantial amount of money by placing these costs on the tenant or renter. Considering the many benefits of home ownership, renting is more of an

<https://assignbuster.com/homeownership-is-better-than-renting/>

option in America today. Renters need not feel stuck or tied to their situation, simply because they think that owning a home is out of reach.

Families who live in a home, that is owned, are more stable and comfortable. Home ownership offers a sense of pride and freedom for every member of the family, as well as a place to build lasting memories. Affordability of home ownership is attainable; one could say it is a buyers' market. In addition to being affordable, owning a home even offers financial incentives that could boost the homeowner's monthly or annual cash flow. Tax deductions that benefit home owners includes annual interest paid on a home, moving expenses, and major remodels maybe deducted from capital gains when selling the home. Stability, affordability, and financial incentives make home ownership not only attainable, but beneficial. References Federal Interagency Forum on Child and Family Statistics. (2010).

Economic Circumstances. Retrieved October 06, 2011, from childstats. gov: <http://www.childstats.gov/americaschildren10/eco>.

Internal Revenue Service. (2011, February 25). Tax Trails. Retrieved October 06, 2011, from IRS: <http://www.irs.gov/individuals/article/0,,id=132035,00>.

Wells Fargo Bank. (1999-2011). Today's Mortgage Rates. Retrieved October 06, 2011, from Wells Fargo: <https://www.wellsfargo.com/mortgage/rates/>

<https://assignbuster.com/homeownership-is-better-than-renting/>