

# [Benefits of buying a house](https://assignbuster.com/benefits-of-buying-a-house/)

Buying a house is one of the smartest financial decisions a person can make.

People have been reluctant to invest in a house for many reasons. Among the reasons are decreasing home values, high student debt, the volatile job market, and other reasons. This reluctance has caused a drop in homeownership, especially by the millennial generation. Many people rent because it is easier and seems cheaper. But, when considering likely resale value, and emotional benefits, the benefits of investing in a house are apparent.

When renting a house or apartment from a landlord, the renter pays the landlord a monthly fee at the beginning of the month. When purchasing a house, the purchaser borrows money from the bank to pay for the house. The purchaser must pays back a monthly amount equal to a portion of the borrowed money plus interest associated with the borrowed money. Many people compare the price difference between rent and mortgage payments, and seeing that the monthly rent amount is less, decide to rent.

Generally, rent payments are initially cheaper which is attractive. But, if you compare the total long-term financial differences between renting and paying a mortgage, you’ll likely see the opposite.

Rent payments go to your landlord as pocket money. Mortgage payments are an investment to a likely appreciating asset. As a purchaser pays off a mortgage, the purchaser’s home equity increases. In other words, the purchaser is building his or her retirement account and not a landlord’s.

When comparing rent payments versus mortgage payments, there are a number of variables to consider, including the characteristics of the properties, their location, their condition, and the potential of the properties to appreciate in value. Below is a table showing the average comparison between rent monthly payments and mortgage monthly payments, taking inflation into consideration.

As you can see on the table, we are comparing the mortgage of a home that costs $160, 000 to renting that home for $800 per month. Rent is cheaper throughout the first five years, which is what causes many people to decide to rent. But, due to inflation, rent becomes more expensive than mortgage would cost after those initial five years.

Rent payments and mortgage payments for similar properties are only marginally different. The long-term aspects between the two, however, are significant. A renter is not encumbered with the longer-term responsibilities that accompany home ownership such as maintenance, upkeep, and the potential of having to sell the house before having the ability to relocate. On the other hand, while paying a mortgage, a purchaser is building equity in an asset. While paying rent, a renter is paying a fee to a landlord without any long-term financial benefit. Buying is a financially superior decision.

Buying a house is an investment, meaning it is possible that an investor can lose money or make money depending on whether the asset depreciates or appreciates in value. A renter does not have the investment risk associated with owning a house. In the case of real estate, though, it is more likely that an investor will make money. For example, properties sold in cities like New York, DC, and Miami are good investments because those areas tend to attract professional people who plan to stay for a long period of time. Buying in an area like these, where the market is trending up increases net worth. In 2000, a house that cost $300, 000 could sell for $500, 000 in 2017, which means an investor who bought a house in 2000 and sold it in 2017 made $200, 000 from the investment. The likely potential to realize appreciation on the investment in a house is a big benefit to the purchaser.

People who invest in buying a house often benefit from more than just financial benefits. When buying a house, the purchaser can redesign and make alterations to the home. In other words, the purchaser can personalize their home in ways that a renter cannot. This gives a homeowner a sense of control that a renter doesn’t have over their home. It results in homeowners having a higher satisfaction with life, a more positive mindset, and a home that suites the needs of the entire family that can be modified as needed.

There is a sense of pride that comes along with buying a home. Most people who purchase a house plan to stay for a while. So when an investor buys a home, they are also investing in the local community. They are not simply buying a piece of real estate. They are buying a home in a neighborhood, surrounded by people who are all working together for the greater good – to make it a fantastic place to settle down and call home.

People who rent a house rather than buy a house are not likely to create these interpersonal relationships in the community to the same degree. The renter knows they may have to move when their lease is up and so may not be as invested in the community activities. These relationships create a reliable support system, which is emotionally healthier.

Although renting and buying each have pros and cons, buying is a better long term investment. In most places, mortgage and rent payments are only marginally different. Paying a mortgage for a house and building equity in the house has long-term benefits, both financial and emotional, that renting does not provide. Although renters are not encumbered with many of the responsibilities of home ownership, investing in a home is a great long term investment. A purchaser has the potential upside of asset appreciation and emotional attachment. Assuming a purchaser can handle the responsibilities of home ownership, the long-term benefits of home ownership make purchasing a home a great investment.