

# Home decision

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Woven Shivers It is really nice to have an investment of your own, especially when the money comes from your own pocket (2012, First Time Home Buyers). Like for example, one of the best investments that a person could have in their life is to have his or her own home, a home that he or she could call their own. When it comes to purchasing a car, new home or even clothing you must weigh the benefits and cost properly so that you do not lead yourself down a path of financial ruins.

While the idea of purchasing new home is very excellent, it can also sometimes be overwhelming. A significant amount of time for consideration and evaluations is necessary when making a major purchase such as buying a new home. Purchasing a home can have severe financial repercussions, thus making the decision to purchase a new home a daunting and challenging choice, so when making a large financial decision, the basic principles of economics along with one's relative needs you must closely assess.

Many of the decisions we make as consumers directly relate to the current state of the economy. While the search for a new home continues, a couple of key principles should be used and will prove to be rather helpful to the new homemaker. Comparing marginal costs with marginal benefits while weighing out the disadvantages and advantages of the purchase is included in this process (NAB, 2011). As homeowners have testified, a couple of key principles will contribute to this life-changing decision. Trade-offs" is one of the principles you will face before and after your purchase. That means that there is a cost for everything. When a major purchase decision is made nonusers definitely have to give up another thing that they equally like such

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as a new car, vacation, other major purchases, or savings and investment. Trade-offs exist for almost every decision contemplated, but in the real estate market, trade-offs can be serious when money is the concern.

Neither buyer nor seller wants to lose money in one of the biggest transactions they will ever complete. You can make better decisions when you realize that life has tradeoffs. The cost of what one decides to buy is equivalent to the cost of what one gives up for it. Choosing entails riding off a target against another and is a fundamental issue of the decision-making process. In order to purchase a beautiful home, one will have to sacrifice "opportunity cost"; for instance, I have to cut-down on individual costs like entertainment, clothing and food.

When you have to choose one thing over another then you have to make do without the benefits of that which you do not have. You have to compare the cost and benefits of what you have to make the best choice. For graduate more opportunities begin for a better paying job. However, in this market the opportunity cost is typically minimal because the buyer can simply find another home that meets his or her needs. Cost is not a matter of dollars and cents; it also represents what we must give up to get something else.

In reality, we do not always make decisions that are all or nothing. Some choices are made based on "marginal changes". When we think of purchasing a home one must compare the marginal cost of purchasing a home. Amortization is a marginal cost, will the payments be an addition to what you are already paying if you are renting. The difference in the amount is marginal cost. You must also consider the mortgage insurance cost, as a

result, of purchasing a home. Will the house be bigger, adding more room for your growing family?

Will utilities be higher? Other marginal cost to be considered would be; the cost of moving, your travel time, the expense of gas and mileage on your car, which is associated with your travel time, if your new home is further away from your place of work compared to your current apartment. The maintenance cost of a new home must be considered because the owner of a home is solely responsible of aging sure their home is maintained and secure. Consider all of the benefits and costs that a home presents. What might a year of security monitoring cost?

Assign a value to benefits or costs that do not have an explicit price tag. The benefits of living closer to the job could be calculated as more pay for work from extra hours that would otherwise be spent commuting from a home further away. Your optimal goal is to find a home in which the total benefit, marginal and otherwise, exceeds the total cost. While one considers the marginal cost, you must also consider the benefits. Consider the marginal benefits of owning your own home. The tax shield with renting an apartment, and we must compare the marginal benefits (the joy) of owning your own home.

The tax break and financial security of owning a home are essential in appreciating the purchase of a new home. In a decision to purchase a home you must carefully analyze the cost and benefits in order to make the most rational decision for your family. Investments can sometimes be confusing, especially on real estate. One must always be careful when investing in the

purchase off new home cause this is not just money it is your hard-earned dollars you will be investing and unlike a pair of shoes you can't return it if you don't like it.

The economy plays a major role in the decision to purchase a new home. If the economy has recovered fully or still at a low point, one thing is for sure, your finances must be secure no matter the rates. The economy is made up of different factors such as trading, exporting and importing, unemployment, house market and inflation. The economy plays such an important role because home prices are usually very high and will require a substantial down payment, (most lenders require around 3.5% of the value of the home), which may sometimes deplete your savings.

The demand for houses is considered highly price elastic. Economic theories state that the larger the proportion of income a certain purchase requires the more price elastic the demand will be. Your lender will explain that your house payment should not exceed more than one third of your monthly income. You, as the buyer, should have an understanding, as it will require the spending of a large proportion of your income, so this will considerably lower your purchasing power when you decide to make the purchase of program if unemployment falls to under 7 percent. Unemployment is projected to reach 6. percent in 2014, according to the Fed's projections. Currently, unemployment stands at 7.6 percent (Brenan, 2013). Brenan said that if the economy continues to show improvement the Fed will "ease the pressure on the accelerator". The Fed has kept interest rates low to stimulate the economy and the low rates have helped boost housing

affordability. The federal government will adjust accordingly if the economy veers from projections. The housing sector is looking a little better so the state and local governments are in a position where they do not have to lay off many workers.

That means that the economy is improving. Domestic economy is made up of several components such as government spending, trade, level of consumption and investments. The strength of the economy is affected by changes in these components. Domestic economy and international trade play an important role in affecting the economy. If government spending increases, it will help the GDP (Growth Domestic Product). Because of this, we have economic growth in which will increase jobs and wages but if the government spending decreases, the effect is contraction.

This is somewhat of a ripple effect because it reduces the GDP, which thus reduces the level of income and number of jobs in the economy.

International trade affects the country's balance and trade. We make choices daily based on the benefits. We have the freedom to want whatever but the resources to obtain that are limited. In our day-to-day life, we use several principles to make decisions. We often-times make choices by realizing what SST we give up to gain something else or something better.

Studies show that once consumers buy a home, get a mortgage and have a positive experience owning, they wanted to continue to own. In a study concerning affordability both for the home purchase itself and upkeep was a major factor that discouraged renters from taking the plunge (Tara Bernard, 2012). A personal example of a decision in which I compared

marginal benefits and marginal costs associated with the decision was the time I decided that I was not happy in my job and that the only way for me to get a better job would be to go back to college to earn my degree.

The reason I wanted to earn a college degree was for better job advancement and better job opportunities. Financially, the rate of return made my decision easy. In addition, college graduates enjoy better health, save greater percentage of their income; improve quality of life for them and their family (Sweatier, DCE. 2011). The marginal costs of my decision was the time and effort it took to complete course work, time away from family, the commuting and the stress of starting back to school at my GE after years of not attending.

The incentives that would have led me to make a different decision might have been a job in my field of expertise, more and better job opportunities and more opportunities that did not require a college degree. After looking over all of the pro and cons of buying a house in the current market, I have concluded that it is the perfect time to purchase a home for my family and I. The government has been influenced by the recession to increase incentives for recurring as well as new buyers, in addition to low interest rates, and the large amount of repertoires to choose from.

If the market were balanced, unemployment was at an all-time low and inflation was not so high, I believe I would not be able to afford the dropped to comparable prices, then I feel I would not be able to afford the over-priced properties. For new home buyers, the tax credit is a great incentive; without it, I wouldn't even consider buying a new home. Therefore, I am only

able to buy a new home in this economy and be able to take full advantage of the incentives which comes along with the market, while making the best use of my marginal benefits and re worth all of the subsidiary costs.