Is Buying a Home Right for You?

Owning your own home can make a lot of financial sense – if you are fully prepared for it.

Home ownership allows you to build equity (cash value) in your home over the years, money that is likely to be repaid when you sell the house in 10 or 20 years. Home ownership also offers the promise of payment-free living after your mortgage is paid off, dramatically cutting your expenses later in life. Even the interest on a mortgage is tax deductible, potentially saving thousands of dollars per year versus renting.

Plus, as the equity in a home grows over the years, home-owners are often able to take out low interest home equity loans to cover large expenses.

Sounds like a good deal, right? But owning a home is not without risk, costs, and responsibilities.

Real Estate is a "Local" Investment

While home values for the country as a whole have risen along with the general rate of inflation, real estate is primarily a *local* investment. This means the values in some parts of the country will go up while the values in other parts may decline in value.

In fact, at the end of the last decade, home values declined, sometimes dramatically, across the country – leaving many home-owners owing more on their home than it was worth. Coupled with risky home loans, home ownership has turned into a financial disaster for many Americans.

Expect Expenses Above a Mortgage Payment

Owning a home also means that you are responsible for all repairs, maintenance and upkeep. From mowing the lawn to painting the house to purchasing a new furnace – all expenses are your responsibility. Especially if you are stretched financially with a mortgage, finding the extra cash needed for unforeseen repairs can lead to financial stress and possibly to high interest credit card debt.

Sometimes Renting is the Best Choice

There are often times when renting actually makes more financial sense than buying. If you plan to move within five years or so, the costs associated with maintaining and selling a home probably make renting a better bet. Or if the cost to own a home is significantly more than renting (50% more, for example), then renting may make more sense. And don't forget that the interest rate on a home loan is dependent on your employment history, credit score, amount you owe to other lenders, and the amount of money saved for your down payment.

If these factors don't add up in a favorable way based on your personal situation, buying a home could be an unnecessary financial risk.

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