

For many people, owning a home is the fulfillment of the American dream. For others, it is their worst nightmare. Purchasing a home is one of the biggest financial decisions you will make in your life. So, before you decide to buy, carefully consider the pros and cons of homeownership.

When you think about buying a home, many questions will come to mind. Do I really need to buy a home? Is my income going to grow? Will I stay in a home long enough to benefit from the purchase? Have I got enough money saved? Am I ready for the responsibility? Buying a home is a major financial move, so you're wise to look carefully at the positive and negative aspects. Information in this chapter will help you examine the pros and cons of owning a home, based on your personal desires, future plans, and general financial position.

Advantages and Disadvantages of Owning a Home

Before buying a home, it's important to consider how such a purchase will affect your finances and your lifestyle. It makes sense to review all of the advantages and disadvantages of becoming a homeowner before making this big commitment

What are the advantages?

- Greater privacy.
- Homes typically increase in value.
- Your costs are predictable and more stable than renting because they're ideally based on a fixed-rate mortgage.
- The interest and property tax portion of your mortgage payment is a tax deduction.
- There's pride in homeownership, which also closely ties you to your community.

What are the disadvantages?

- Homeownership is a long-term financial commitment.
- You're responsible for all maintenance on your home. This can include inexpensive repairs like fixing a broken toilet to complex and costly repairs like replacing a furnace.
- Owning a home ties you to your community, making it more difficult to suddenly pick up and leave a location.
- Although mortgage payments are usually fixed, they're generally higher than rent payments.
- Buying a home requires a down payment, closing costs and moving expenses.
- The bank can take your home away from you if you don't make your mortgage payments.
- The value of your house may not increase – especially during the first few years.

Advantages and Disadvantages of Renting a Home

Depending on your financial situation and preferred style of living, there are many advantages to renting:

- Renting a home can be cheaper than buying a home. Your payments tend to be lower than a comparable house payment. Also, your rent may cover utility costs (additional savings).
- You have more flexibility when you rent. Most leases are for 12 months. So, if your job requires you to move frequently, renting can be a desirable alternative to owning.
- Your landlord, not you, is responsible for performing nearly all maintenance and repair work on the property.

Renting a home does have some major financial disadvantages to consider:

- There is no tax break for renting. You won't be able to claim any deduction for mortgage interest and property taxes when you file your tax returns.
- Your housing costs aren't fixed like they are with a fixed-rate mortgage. Your rent will most likely grow from year to year.

Table 1-1: Owning vs. Renting

Own Or Rent	Advantages	Disadvantages
Homeownership	<ul style="list-style-type: none"> • Privacy • Usually a good investment • More stable housing costs from year to year • Pride in ownership and strong community ties • Tax incentives • Equity buildup (savings) 	<ul style="list-style-type: none"> • Long-term commitment • Maintenance and repair costs • Lack of flexibility • Usually more expensive than renting • High up-front costs • Foreclosure
Renting	<ul style="list-style-type: none"> • Lower housing costs • Shorter-term commitment • No/minimal maintenance and repair costs 	<ul style="list-style-type: none"> • No tax incentives • No fixed housing costs • No building of equity

Summary

Here are the factors to consider when comparing buying to renting a home

- Homeownership is not for everyone.
- Homeownership requires you to have a stable or growing income.
- Financial benefits of homeownership are long term. You should have a budget and savings plan in place before buying a home. Owning a home is a big responsibility.