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7 Benefits of Buying a Home

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Interest rates are only one factor when it comes to buying a house now.

Interest rates sure do get a lot of attention. But they shouldn't be the only part of your home buying decision-making process. After all, the answer to the question "is right now a good time to buy a house?" boils down to whether the time is right for *you*: To start your new chapter. To invest in what makes you happy. Interest rates don't negate the benefits of buying a home. Unlike that other big-ticket purchase -- a car -- home value doesn't take a nosedive once you get the keys. Quite the opposite.

Is Owning a Home a Good Investment?

Let's dig into the advantages of buying a house.

Benefit #1: Long-term Financial Growth

When it comes to long-term, stable financial growth, real estate is your ace in the hole. If you bought a home 30 years ago for the median price at the time -- about \$105,900 -- that same home would have appreciated by almost \$280,000 in 2022 to about \$384,900, according to the National Association of REALTORS®. Even factoring in the lowest point for the market in recent memory -- the Great Recession -- home values have risen over time and have kept pace with inflation.

Benefit #2: Building Equity

The down payment and the principle in your monthly mortgage payment goes straight to your equity. Rent money just goes. That equity, an interest percentage in the home, gives you a lot of flexibility. You can:

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- Trade up to your next home when the time is right
- Tap equity to borrow money to pay for home repairs and renovations (making your home even more valuable!)
- Use it to consolidate credit card debt or even help pay for college. (Just keep in mind when you use equity, your home becomes your collateral.)

Thanks to equity, the typical net worth of homeowners is \$300,000 compared with \$8,000 for renters, according to 2022 NAR data. That's a lot of financial leverage.

What are the Tax Advantages of Owning a Home?

Benefit #3: Tax Savings

Believe it or not, savings and taxes can play together nicely. Equity is savings, and when you sell a primary residence, you don't typically pay taxes on the gain. You can take up to \$250,000 (\$500,000 for a married couple) without owing taxes. So, all that appreciation goes with you on your next adventure.

Benefit #4: Deduction of Property Costs

If you itemize, you also can deduct some of your property costs from your federal taxes. Those include the annual interest you pay on your mortgage, your state and local property taxes up to \$10,000, and in the year you buy, some of the fees you paid to close on the home. Only itemize if it means you can claim more than the standard deduction, which for tax year 2022 is \$12,950 for single filers and \$25,900 for married couples.

More Advantages of Buying a Home

Benefit #5: Fixed-rate Mortgage Payment

Unlike rent, your fixed-rate mortgage payments don't rise over the years so your relative housing costs may actually go down the longer you own the home. That is, if your earnings go up, a static mortgage payment means your home debt load becomes a smaller percentage of your monthly nut.

Here's an example: Say your mortgage payment is \$2,329 this year and your monthly gross salary is \$6,667 (roughly \$80,000 per year). That means you're putting 35% of your salary toward the mortgage. Now, fast forward a few years. Say you saw 5% salary growth annually, and you're at \$7,700

gross per month. Your mortgage payment is still \$2,320, but now you're only spending 30% of your salary on your mortgage.

Of course, keep in mind property taxes and insurance costs will likely go up.

Benefit #6: Improved Credit Score

Speaking of those mortgage payments: Each one, paid on time, is helping to further build your credit score.

Benefit #7: Remodelling Your Dream Home

One of the biggest pros of owning a home is that you can turn the house you can afford into your dream home - bit by bit. Those holes in the wall and paint colors your landlord freaked out about? No worries. You can upgrade amenities, décor, and style to your vision -- whether that's cottagecore, Barbiecore, or anything in between.

Bonus Benefit: Work with a Realtor®

You don't have to go through the buying or selling process alone. A Realtor®, an agent who's a member of the National Association of REALTORS® and subscribes to its code of ethics, has the expertise to help you assess the market, expand and reframe your home search into areas you might not have thought of, refer you to reliable lenders, and guide you through the offer, negotiations, and closing.

When the time is right to go forth, we've got you covered on every step of the buying process.