Are You Losing Your Home?
Things may not be as bad as you think

Advantages to Renting -vs- Owning in Today's World

Less than a decade ago it was the American Dream to own your own home. However, back then, no one heard much about owing more money on a home that it was appraised at. Home values back then appreciated, not depreciated like they do today. Therefore, the new American Dream has changed to "rent and save money."

Warren Buffet, the financial advisor and billionaire, recommends renting. In his biography entitled "The Snowball," it states:

> "Warren rented because he didn't want to tie up his money in a house at that time, after all, he needed to live off of the interest on the stocks he owned. This was highly unusual at the time, especially considering that even at 26, he would have been considered rich by most standards. So all of you renters out there that claim your way is the best… you might be right, especially if you have investing skills like Warren did."

With this thought in mind, let's uncover four popular myths surrounding buying a home:

Myth #1: Renting an apartment is like throwing your money away.

Renters pay for one thing every month: shelter. Renters also pay a reduced rate based on national statistics. Some could argue that homeowners throw their money away for the first five years they own a home because they simply give money to the bank for the privilege of borrowing money. Many buyers in the past 5 years have seen little or no appreciation and in fact, the opposite has occurred. Renters on the other hand do not pay interest to a mortgage company, do not pay property taxes and do not pay maintenance fees. Renters simply pay r-e-n-t.

Myth #2: It Costs the Same to Buy as it does to Rent.

Examine what it costs to first buy a home. The average buyer pays a minimum of 5% of the purchase price of the house to close the loan. On a home that costs $150,000, that amount is $7,500. A renter generally pays the first month's rent, last month's rent and possibly a security deposit. On a rental that rents for $1,000 a month, that total is $3,000. The renter is already $1,500 ahead of the buyer.

There are also other costs a buyer is responsible for that a renter is not. There is mortgage interest, property tax, insurance and maintenance. These costs can add up and may even increase significantly over a period of years. In addition, buyers are responsible for maintenance and repairs that could cost them thousands of dollars a year.

Myth #3: Houses are a Good Investment

In the past 12 months there have been a record number of foreclosures in many states across the U.S. This record-setting trend could possibly continue for some time into the future. During the housing boom, many buyers believed that housing was a great investment. For many it was. But the boom turned to bust for millions. No one at this point can foresee the future t o predict what will happen to the housing market. However, by renting, you will not be at the mercy of the economy.

Myth #4: There are Income Tax Benefits When You Pay Mortgage Payments

Mortgage interest can only be deducted from taxable income. What this means is that for every dollar you spend on interest, you save about 28 cents. Most buyers are going to pay more money for the principal, interest, taxes and insurance than they would for rent. You can calculate the amount of money you can save with your taxes and then determine if this myth is fact or fiction.

Summary

There may be a time when it is better to buy a home than it is to rent but today is not that time. However, if you can get a great deal on a home or a foreclosed piece of property, you should always take that into consideration regarding your decision to purchase rather than rent. Until the economy returns to where it was, there are a lot of banks and mortgage companies willing to accept your money every month.