

The top six benefits of owning a home

Sure, buying and owning a home has its share of problems. First there's the down payment and closing costs to muster. Then there's the property tax hit. And maintaining a residence isn't cheap. When it's time to move, "pick up and go" is hardly a feasible option. But the rewards, in most cases, make those drawbacks seem like minor inconveniences. The large numbers attached to a real estate purchase can often overwhelm first-time homebuyers, so they continue to rent as a result. The advantages far outweigh the risk or effort required in obtaining and maintaining one's own personal residence. Those perks are both financial and feel-good. According to the National Association of Realtors (NAR), record numbers of Americans have purchased a home in recent years. U.S. Census data for 2003 show a total of 68.3 percent of Americans are homeowners.

Here are six significant reasons to grab that hefty piece of the ownership data pie:

- **Tax deductions**—Although they're the stuff that bill-paying grumbles are made of, mortgage interest and property tax obligations are a homeowner's best friend come April 15. For both federal and state income taxes, these payments are usually fully deductible. And in the first years after a home purchase, most of the money paid toward those mortgage payments represents interest. Think of it as a government subsidy on the purchase. In addition, many closing costs, such as points paid and fees for your loan application and appraisal, may be deductible, either immediately or down the line when you plant that "For Sale" sign in your lawn.
- **Appreciation**—We're talking about the financial kind. Homes are considered a safe, steady investment, with values that rise while debt amount drops. The national median home price has risen every year—even during recessions and periods of sales declines—since 1968, when the NAR began tracking it. Typically, the values appreciate at the rate of inflation, plus 1 or 2 percentage points. Sometimes it's even greater. In 2004, for instance, the median price went up by 9.4 percent. A long-term investment? Yes. Harvard University's Joint Center for Housing Studies found a dramatic increase in the rate of return on housing the longer it's held. For example, a buyer who makes a 10 percent cash down payment with an annual home appreciation rate of 5 percent could expect a 94 percent return on the cash after three years of homeownership. After five years, the return increases to 225 percent, and after 10 years, a whopping 623 percent.
- **Equity**—The portion of property that's actually owned, or equity, also rises over time. Owning a home allows you to build the equity that accompanies appreciation. You can't build equity if you are a renter. Equity buildup and appreciation in a first home help in the transition to a second. According to the NAR, first-time home buyers' median down payment is 3 percent; repeat buyers, meanwhile, put down 22 percent.
- **Borrowing power**—For owners who opt to stay put, equity still comes in handy. It can be used to secure a loan or obtain a line of credit, meaning more buying power to fund home improvements or to assist with the purchasing of investment property. Cash for emergencies or big-ticket items is also an option.
- **Stability**—Renters generally have no idea what they'll be paying a few years down the line. Home owners with fixed-rate mortgages, however, essentially have the same payment for up to 30 years. Even those with adjustable rates have a cap and can figure out their maximum potential mortgage payment. The stability also comes from the sense homeowners get of being anchored to their community. It gives you a little more leverage when it comes to community issues and activism. When you own your home, and you're paying taxes on it, you might have your voice a little better heard when it comes time to speak up about neighborhood or community issues.
- **Freedom**—Speaking up within your home is also much easier when you own it. No need to worry about the downstairs neighbors complaining you're too loud, or the upstairs neighbor stomping around at midnight. You can plant perennials and enjoy them forever. You can plant a tree and watch it grow. You can plant a family and watch it blossom.