

# What are the pros of being a homeowner?

This question comes up for many individuals who are wondering if they should make the investment in buying a home. While the ultimate decision will vary based on your current financial situation and goals, here are some pros to consider about homeownership, and how buying a home can save you money in the long run.

You build equity. When you take out a mortgage, your initial payments will go mostly towards paying interest because of the structure of a typical amortization schedule. As you pay down your mortgage, the ratio of interest to principal (the actual money that you borrowed as part of the loan) begins to shift, and more of your money goes towards paying down your loan amount each month. As a result, you start to build more and more equity in the home that you can later use to refinance, or to take funds out of if you decide to sell.

For example, if you took out a loan for \$700,000

with an interest rate of 4.5 percent, you would pay \$31,269 in interest in 2014, but you would pay only \$11,292 towards the principal. But, by the year 2024, those payments will have shifted so that you would pay \$24,866 towards the interest, and \$17,695 towards the principal.

You'll have access to loans with low interest rates. As I mentioned in the first point, one great thing about owning a home is that you build equity. This leads to another benefit – using that equity when you need a loan. Current interest rates are at such lows (the average, according to Freddie Mac on January 17, 2014, was 4.41 percent) that a home equity loan will most likely have lower interest rates than other types of loans, like personal loans or student loans. For example, federal student loans were a whopping 6.4 percent for students starting school this past fall.

You can be eligible for tax savings. There are a few different ways that owning your home could

make you eligible for saving on your taxes, and they can add up. One of them is the Mortgage Interest Deduction, which gives you the opportunity to deduct any interest you have paid on your mortgage for that year, up to \$1 million. Last year, Americans saved more than \$100 million from this deduction alone.

If home renovations are in your future, you may be eligible for the Home Improvement Loan Interest Deduction. This one lets you deduct any interest you've paid on a home equity loan taken out for capital improvement purposes. Other deductions include private mortgage insurance deductions, energy efficiency deductions, and many others you may be able to benefit from. Since the deductions you may be eligible for can vary, be sure to check with your tax professional to see what you may qualify for.

Your home is your clean canvas. Another great pro of homeownership – savings aside – is that

it's yours, so you can do essentially whatever you want with it. Turn the backyard into a tranquil garden, or paint that mural on your hallway wall. You won't need to get approval from your landlord, although your family members might have some opinions about your decisions. There's great power in having the ability to make your own decisions about your living space, and that is perhaps one of the best things about owning your own home.

Wondering how to get started on the road to homeownership? A good first step is meeting with your financial advisor who can guide you in deciding how much house you can afford and the types of loans you may be eligible for. From there, you can start the search for the home of your dreams.

*This week's question was answered by Susan Williams, Gibson International, (310) 990-5686. "Voted Best Real Estate Agent on the Westside – The Argonaut 2013."*