

Why a Home May Still Be Your Best Investment

While everyone's situation is different, buying a home that you plan to live in for many years may still be one of the best investments you can make. An uncertain market should not necessarily deter prospective buyers, but rather prompt them to develop a more realistic perspective on homeownership.

Instead of viewing real estate primarily as an investment vehicle for the short term, potential buyers can recognize homeownership for what it really represents: a long-term financial commitment that can provide a secure, comfortable place to live for many years.

Buying a home can provide a sense of stability because you are no longer subject to the uncertainty of the rental market. Paying a mortgage each month can be likened to a forced savings account. As the mortgage principal shrinks, you accumulate more equity in the home and, eventually, you will own the asset outright.

When you buy and live in a home, you can reap the benefits of what is known as "net imputed rent." Basically, the money you would have paid on rent contributes to the equity you accumulate over time, after maintenance and taxes. The U.S. Department of Commerce calculates this at approximately 6% per year, which is better than any savings account or CD available today.

Finally, homeowners have the opportunity to minimize their tax liability by taking a tax deduction for any mortgage interest paid for their primary residence.

Although there is no guarantee that your home will increase in value or even hold its value in the short term, it can provide a place for you and your family to live that you can continue to afford and to enjoy for many years to come.

Providing New Opportunities

Even in an unpredictable economy, the current real estate market can provide opportunities for those with good credit and the funds for a down payment. With relatively reasonable real estate prices and good mortgage rates, this may well be one of the best times to buy a home.

Experts project that the demand for housing may increase in the years ahead. Although new home construction has slowed, the U.S. Census Bureau projects that the number of American households will increase each year by 1 to 1.5 million. Eventually, demand may realign with the supply of new houses.

No one knows what's in store for today's real estate market. However, it does present opportunities for those with a long-term plan to buy a home that will provide a stable lifestyle for years to come.

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