

## **YOU CAN BECOME A HOMEOWNER**

### **Realizing the American Dream**

For most people, buying a home is one of the most important decisions of their lives. The decision is not usually an easy one. But, trends in home prices and mortgage rates, combined with the tax advantages of home ownership, make this an excellent time to turn the home of your dreams into a reality.

### **Buying vs. Renting**

If you're thinking of buying a home, you've probably already asked yourself, "Can I afford to buy?" Another good question to ask is, "Can I afford to continue renting?"

Rental payments are gone, once you make them. But with each mortgage payment, you are "buying" something tangible, building up equity. The longer you own your own home, the larger your equity.

Also, a home is an investment that helps you keep up with inflation. Although not all homes appreciate at the same rate and some years are better than others, real estate has historically kept pace with and usually appreciated faster than the rate of inflation.

Keep in mind, too, that through the years, your income most likely will increase faster than any increase in your mortgage payment. Rent payments, on the other hand, tend to increase — right along with your paycheck.

### **Mortgage Rates**

As a rule of thumb, a one point drop in mortgage rates means that half a million more families will qualify for affordable financing. Yours could be one of them!

Rates for conventional, 30-year fixed rate mortgages are now in a reasonable range. Increasingly popular alternate forms of financing may make your loan even more affordable. Your real estate broker can provide information on the types of mortgage plans available to you.

## **Homeowner Tax Advantages**

When you're figuring out how much you can afford to commit to monthly mortgage payments, don't forget the tax advantages of home ownership.

Both property taxes and interest payments on a mortgage for an owner occupied home are currently tax-deductible. In the early years of a typical mortgage, all but a small percentage of each monthly payment is used to pay off the interest on the loan. This means that as a homeowner, your annual taxable income could be substantially reduced by deducting the payments you make on property taxes and yearly mortgage payments.

And, later on, should you decide to take advantage of the growing equity in your home by taking out a home equity loan, the interest on up to \$100,000 of home equity indebtedness is tax deductible.

## **Home Value Appreciation**

Additional tax advantages relate to home value appreciation. When a home is sold for more than was paid originally, the gain is not taxable if another home is purchased for a price equal to or greater than the sale price of the home sold. And, if you're past age 55 when you sell your home, and do not purchase another home of equal or greater value, you can recognize a tax-free gain of up to \$120,000. You Can Make Home Ownership a Reality Take a good look at your personal financial situation in comparison to housing price trends and mortgage plans available in your community. You will probably discover that you are closer to home ownership than you realized. And that, in fact, this is the time you've been waiting for. See Your Real Estate Professional Buying a home is probably one of the biggest investments you'll ever make. And when it's your first home, it is especially important that you seek qualified assistance. Your local real estate professional has the experience and expertise to help you find — and purchase — the home of your dreams.