



"The Nuts & Bolts of Real Estate!"

By:

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Benefits of Home Ownership.

People buy homes for a variety of reasons. Some people buy homes for psychological as well as financial reasons. Home ownership, to some, is a sign of financial stability. Others feel that they must have a home in a prestigious neighborhood to show that they are doing well financially. To others home ownership gives them a sense of belonging to the community.

Home ownership can be an investment that can appreciate in value and it may provide tax deductions to its owner. When I say it *can be* an investment, I am assuming that the market will appreciate as time goes on. If the values of properties in our area go down (instead of up) then it would not be a good investment. If we take a look at what has happened with the prices of homes in the Pocatello area, we can see that they have gone up year after year. This would indicate that purchasing a property in the Pocatello area is a good investment. Some parts of the country have experienced more growth than we have, while other areas have suffered a decline in values. There are no guarantees and I am not aware of anyone that can accurately predict the future, but it appears that home ownership is a good investment.

By purchasing a home the property's value should increase over time. Once the property is sold, the owner should receive an offer for the property for more than he or she purchased the property for originally. Each month, while the homeowner makes monthly payments on his or her property, the total amount of debt owed on the home should decrease. This increasing ownership interest is called equity. An owner's equity can also increase as the property values in the area increase.

The government encourages home ownership. The government allows homeowners certain income tax advantages by permitting home owners to deduct from their income some or all of the mortgage interest paid, as well as real estate taxes, certain loan origination fees, loan discount points, loan prepayment penalties and certain other expenses (consult with your tax advisor for all the latest details).

There are also capital gains exemptions that are permitted to homeowners once they sell their property. They can exclude a certain amount of the profit they would receive from the sale of their principal residence because of this exemption.

I really think that I would rather be making payment on a property that I own instead of making payment to someone else (as rent) and helping them earn equity in a property. Home ownership is not for everyone. Sometimes renting may be a better choice instead of purchasing a property. Next time let's look at the pros and cons of renting versus owning real estate.

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