



To Buy, or Not to Buy

One of the biggest marketing pitches of recent years has been “Why rent when you can buy?” We are constantly being reminded that it’s possible to get a mortgage payment that’s no more than a rent payment. So why should you rent when you could buy? The truth is, there’s more to owning a home than just the monthly payment. If you can’t afford the true cost of owning a home, you’ll be better off renting until your situation improves.

Many people simply assume that it’s always to their advantage to buy a home, and for many, it is. But for some, it’s not. Here are some of the advantages and disadvantages you should consider to determine if buying a home is really the right choice for you. If you have questions about them, ask your FFEF counselor for assistance.

Renting Advantages

- A rent deposit is usually smaller than a down payment or closing costs for a home purchase
- Majority of costs are fixed for the length of the lease
- Although you’re not gaining equity, you’re not losing any either

- You can easily move when the lease is up—no home to sell

If you are new to an area and want to rent an apartment while you decide what to buy, be careful where you rent. If you rent for six months or more, you will probably get attached to the area. When it comes time to buy, you’ll be reluctant to leave that area. Have a realtor educate you on the different areas that may interest you when you are ready to buy.

- Maintenance of a rented home or apartment is often the responsibility of the landlord

Disadvantages

- No matter what happens to the value of the home you’re renting, you will never earn the equity
- You will have limited or no ability to paint or personalize a rented home
- There are no tax advantages when you rent; your landlord gets all the tax deductions.

Assume the mortgage payment is \$876. That includes Principal, Interest, Real Estate Taxes, and Homeowner’s Insurance. Much of this mortgage payment is deductible. In fact, between 90% and 95% of the

payment is interest and taxes during the early years of owning a home. With an annual house payment of \$10,500 and 90% of that being deductible as interest and taxes, your landlord would be entitled to a federal tax deduction of \$9,450. In a 28% tax bracket, he or she would save about \$2,646 per year in federal taxes.

Buying Advantages

- Over time, the mortgage balance decreases and equity grows, even if the value of the home does not change
- You can remodel and redecorate your home anyway you want
- You may enjoy tax advantages attached to your home ownership, e.g., deductions for mortgage interest paid

Owning a home can significantly cut your taxes. Mortgage interest is a straight deduction from your income tax, plus you can deduct some real estate taxes. For example: If you are in the 28% tax bracket and pay monthly on a \$150,000 loan, you could receive a credit that will reduce your annual income taxes by about \$3,600.

Disadvantages

- There is usually a substantial initial investment as a down payment or closing costs

Despite all the great loan opportunities being offered these days, it is still best to get your finances under control before applying for a home loan. The interest rate and terms of your mortgage are often based on

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Saving on the Cost of Maintaining Your New Home

Once you are the proud owner of your new home, reality sets in. Not only are there monthly utilities to pay, there are also repairs and upkeep.

Energy-Saving Tips-Air

Small, everyday habits can save a surprising amount of energy and help reduce your energy bills each month. Any amount of savings that go toward paying off any debts you have could be considered double the value. You'll save money on your monthly bills, plus you'll save money on the interest charged on your debts.

1. In warm weather, close all the windows and window coverings that face the sun to cut down on the amount of heat your home absorbs during the day. The sun heats not only the air in your home, but it also heats the walls, carpet, and furniture.

Turning your air conditioner off during the day and then turning it to a low temperature when you get home to cool the house down actually makes your air conditioner work much harder. Try leaving it set at a moderate temperature during the day and then turning it a little lower when you get home. You will get better results.

Setting the thermostat to 60 degrees to cool off a home that has been heating up all day will not cool your home down any faster, and it could cause your air conditioner to freeze up.

2. Adjust the vents in your home to make the most of the air flow to rooms that get used the most. If you have ceiling fans, use them. They cost very little to operate, and the moving air can make you feel cooler at warm temperatures.

3. Household fans can very effectively make the temperature more comfortable, but avoid using them at the same time as your air conditioner.

4. Plant shrubs or other plants that will shade your air conditioning unit if you have one outside. Make sure you keep any growth that might hinder the flow of air trimmed to keep the unit clean for proper air flow.

Energy-Saving Tips-Water

1. You've probably been told many times to fix running toilets, dripping faucets, or other plumbing leaks as soon as possible. Yes, that's right. Every drip out of your tap is costing you money. Leaky faucets can often be repaired simply by turning the water off under the sink, removing the faucet, changing the washer, and reconnecting the faucet. Shower heads can be fixed the same way. Make sure you replace the washers with the same size and type that you took out. You can avoid doing these repairs very often by being careful not to use excessive force when you turn off your taps.

2. Use cold water when you run your garbage disposal. It will not only save on your gas or electric bill, it also helps protect your disposal motor.

3. Avoid using the rinse-and-hold cycle on the dishwasher, and run the dishwasher when it has a full load.

Energy-Saving Tips-Heat

1. Preheat your oven for only five minutes when you cook, and turn the oven off a few minutes before the baking time is up. The oven will stay hot enough to finish cooking your meal. Likewise, turn the electric burners on your stove off a few minutes before cooking is complete. Food will

continue to cook for a little while.

2. Wherever possible, use compact fluorescent bulbs rather than regular bulbs. Fluorescent bulbs are much more energy efficient.

3. Microwave or use your outside barbecue when possible rather than using the oven during the hot weather. It will help prevent the oven from heating the house up. You can save yourself a lot of money by taking the appropriate precautions as the seasons change. Spending some time and effort as the warm months and cold months come and go can prevent some major financial upsets when the temperatures drop. Every year, millions of dollars are lost due to burst pipes, frozen rain gutters, and other weather-related problems. FFEF has included some tips in this chapter to help you prevent calamities and to help you get your home ready for seasonal weather.

Important Knowledge

An important step in any kind of disaster prevention is making sure that critical information is available to anyone who might need it. Knowing where the shut-off valves are located could mean the difference between saving your home and losing it. Know how to shut off the mains for the electricity, know where gas pilot lights are, and how your heating system works. If flooding does occur, appliances with pilot lights may be extinguished by rising water, and it will be essential that gas and electricity are turned off before anyone enters the flooded area.

It's a good idea to tag all the valves in your home and keep a written log of where they are located. Leave the log with anyone left in charge while you are not at home, whether it be the babysitter, a house sitter, or your kids, so he or she knows what to do should flooding begin.

Tag each main shut-off point to your home as well as individual valves

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An Ounce of Prevention

When it comes to your home, an ounce of prevention goes a long way toward preserving your home and preventing unnecessary expense. Encourage everyone living in the home to practice a few good habits to save you the heartbreak of serious property loss. Use the suggestions below to create a family disaster prevention plan.

Fire Prevention

1. Whether you're finishing the basement, adding on a room, or just installing a new clothes dryer, don't cut corners when it comes to getting the work done right. Have a trained professional do the work and make sure that all the necessary building inspections occur and are complied with. Spending the extra now will prevent the danger of electrical or gas fires later on that could leave you homeless. You may have trouble getting your insurance company to cover damage caused by unprofessional workmanship.

2. Store flammable materials such as paint, gas for the lawn mower, kerosene for a lantern, matches, candles, etc., in proper containers and away from heat sources. Store them in cool places away from your furnace and water heater or other pilot lights or flames. Keep your pets out of the furnace closet also.

3. If you have a wood-burning fireplace in your home or cabin, have the chimney professionally cleaned at proper intervals; always use a screen or glass door when a fire is burning; make sure the fire is all the way out before you close the flue; and don't leave the house empty while the fire is still burning. Remember, never use liquid fire starter indoors.

4. Install smoke detectors and take good care of them. Make sure each person in the home, including small children, recognizes the alarm sounds and knows what they mean. Change the batteries annually

whether the detector indicates a low battery or not.

5. Keep a household fire extinguisher in an easily accessible place. Show everyone where it is and how to use it.

Flood Prevention

6. If possible, make the ground within five to 10 feet of your home slope away from the house, and remove anything that blocks the flow of the water as it runs away. Don't plant any plants or install any sprinkler heads within that first five feet.

7. Make sure you keep your gutters free of leaves, twigs, and other debris, and try to position your downspouts so that water runs away from your home and over the grass, flowerbeds, or vegetable garden.

8. Suggest to your neighbors that each of you take responsibility for keeping one storm drain on the street clear of anything that blocks the flow of water. Keeping the drains clear for unrestricted water flow is the best way to protect your property.

9. If you are leaving town and no one will be in your home for a few days, turn off the water to your home at the outside water meter to prevent flooding through a plumbing leak or break while you are gone.

10. When possible, install solar collection panels, air conditioning units, and hot water heaters in less-risky areas, like above the garage, porch, workshop, or on the ground.

Be an Ant, not Grasshopper- Prepare for winter early

1. Get rid of dead branches and trim the weak ones. If the trees near your home have branches that could snap under the weight of ice or snow, have them removed to prevent damage to your home or car or the possibility of causing an injury to someone walking by. Consult a professional to help you trim the branches without caus-

ing damage to the growth of the tree so you can still enjoy the shade it provides when the sun shines again.

2. Wrap the pipes in winter woolies. Heating tape around your pipes will help prevent your pipes from freezing. Make sure you know where the pipes are located, how to get to them, and how to turn the water off. If your pipes do start to freeze, being able to turn the water off quickly will give you a better chance of stopping the pipes from bursting.

3. Check your water heater for leaks and maintain a proper temperature setting (the Department of Energy recommends 120 degrees). On older water heaters that don't have much insulation, you save six percent of your heating energy for every 10 degrees Fahrenheit you lower the temperature.

4. Insulate, insulate. When heat escapes through the top of the house, the snow on your roof melts and can refreeze as ice. Too much ice on the roof can cause enough weight to collapse your home or patio roof. The best way to prevent this is to keep the attic only 5 to 10 degrees warmer than the outside air. How do you do this without freezing everyone inside the home? Insulation. Well-insulated attics prevent ice developing on your roof. Well-insulated basements help prevent your pipes from freezing.

5. Heat your home. While it's tempting to turn your thermostat down low to keep your heating bills from skyrocketing, if you're too thrifty it can cost you rather than save. Your home should never go below 65 degrees. The air inside your walls gets considerably colder than the air in your home, so if you keep your home lower than 65 degrees, the pipes inside your walls will be in danger of freezing.

6. Proper care of your furnace and any fireplaces in your home will help you prevent fires or smoke damage. Have them serviced at least once a year. Clean permanent furnace filters and replace paper or disposable

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ARTICLES

TIPS & TRICKS

To Buy, or Not to Buy *(Continued from page 1)*

your credit score and financial history. To get the best loan, you will need to make sure that you have a down payment and excellent credit.

- Equity may go up, down, or stay the same; there are no guarantees

It is true that renting is an expense while home ownership is an investment. To get the best investment, hire a realtor, buy a home in the right location, take good care of your home, and live in it for a reasonable amount of time. If you do this, you should realize a gain on your investment when you sell.

- If you want to move, your home usually has to be sold

If you are going to live somewhere less than two years, renting is probably the wisest choice. Currently, tax laws allow you to keep the profits from selling a home up to \$250,000 if you've lived in the home a minimum of two years. If you're married, you can keep a profit of up to \$500,000.

- You're responsible for the cost of maintenance

No matter how new or in what great condition a home is when you buy it, your home will require maintenance. Your home is a financial investment that retains its value and even increases in value if you commit the time and money needed to keep it in good shape. ■

An Ounce of Prevention *(Continued from page 3)*

filters. Check your smoke and fire alarms regularly and install a carbon dioxide detector if possible. This is particularly important in the winter months when your furnace is running much of the time. Clean and vacuum baseboard heating ducts and vents.

7. If you have a wood stove or fireplace, have your chimney swept thoroughly. It should be cleaned before the soot build up reaches one-fourth inch thickness inside the chimney flue.

8. Keep your gutters clean. If ice collects and creates a dam in your gutters, water cannot drain and begins to leak into your house instead. This can cause serious damage to your ceilings and walls. One way to help prevent this from happening is to keep your gutters

clear of leaves, sticks, and other debris. Gutter screens are available at home stores that help prevent debris from collecting and also help direct water away from the house.

9. Keep your stairs in good repair. Winter ice and snow on sidewalks can be hazardous to you and to your visitors. Keep your stair railings and steps in good shape and free of ice to prevent injuries. Have your home examined by a professional contractor each fall to check for structural damage like cracks and leaks. Early repair of problems before they get too bad will save you money in the long run. Good advice about how to make your home more winter ready is a bonus. ■

Find more great money saving ideas on our web site, FFEF.org

Saving on the Cost

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for the dishwasher, water heater, washing machine, icemaker, water softener, toilets, and other plumbing-related appliances.

When you're going to be away from home for an extended period of time, have someone check on your home regularly so that if there is a problem, it can be fixed quickly to lessen the damage. If you're going to be away during the cold weather for an extended amount of time, have your water system drained to prevent freezing. ■

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Family Financial Education Foundation

ACCESS EDUCATION SYSTEMS

724 Front Street, Suite 340

Evanston, WY 82930

contact: (877) 789-4175

www.ffef.org | info@ffef.org



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