

## Buying vs. Renting: How Much Are You Worth?

We believe that buying a home is one of the wisest financial choices that anyone could ever make.

In a Consumer Finance survey done by the Federal Reserve, there has been a constant gap between the wealth of homeowners and those of renters. See this incredible chart below:

Average Net Worth of Homeowners vs. Renters	Owners	Renters
Annual Income		
\$80,000 and up	\$451,200	\$87,400
\$50,000 to \$79,999	\$194,610	\$25,000
\$30,000 to \$49,999	\$126,500	\$10,600
\$16,000 to \$29,999	\$112,600	\$4,240
Under \$16,000	\$73,000	\$500

Source: VIP Forum, Federal Reserve Board

Owning a home can build wealth in a couple of ways:

1. Paying down the mortgage and increasing the equity.
2. Appreciation (the rise in a home's value).

The earlier you purchase your own home, the sooner you can enjoy appreciation over the years!

Bestselling author David Bach says, "If you rent, you'll always be poor." He further states, "the longer you rent, the less likely you are to buy and you fall further and further behind."

For those who are waiting for the current housing market to crash, beware that you may be waiting for a long time. And generally, the market crashes for a reason. High interest rates, bad economy, etc.

Bach acknowledges, however, that buying a home isn't always a right choice for everyone. For some, it may be smarter to hold off on purchasing a home. Let The Stott Team help you decide if it's a good choice for you!

### 4 Keys to Profitable Home Ownership

You're most likely to win by owning, if the following apply to you:

1. **You plan to stay put for at least 3 years or more.** In most markets, it can take 3 to 6 years for a home to appreciate enough to offset the costs of selling and moving.
2. **You are psychologically prepared.** Remember, you won't be able to call the landlord about the noisy neighbor or the clogged toilet.
3. **You have some extra savings.** Smart homebuyers make sure they have savings at least equal to 2 months of mortgage payments after the deal closes.
4. **You know how to manage your money.** If you live off of your credit cards or can never remember where you spent your money, you would need to turn your habits around before you think about buying.

Also, in a study done by the Joint Center for Housing Studies at Harvard University, they found the following:

- The housing market makes important contributions to the larger economy and also remains the primary accrual of wealth for most Americans.
- Home equity constitutes 1/5 of the total household net wealth.
- 6 in 10 Homeowners had more home equity than other assets combined.
- Home equity is important to lower income households. The median wealth of these households is **81 times greater** than the median wealth of renters with comparable income.
- Home equity loans and lines of credit have built-in tax advantages for households that itemize their deductions.
- Homeowners tend to accumulate substantially more wealth than renters. Preliminary estimates suggest that a typical renter household in 1984 had accumulated \$42,000.00 in net wealth by 1999. However, a typical owner household in 1984 had accumulated \$167,000.00 over the same period of time – **that's almost a 400% difference! What could you do with an extra \$125,000.00?**

**For more information, contact The Stott Team ([www.stott.com](http://www.stott.com)) via e-mail, [team@stott.com](mailto:team@stott.com) or phone us at 808-254-1515 or toll free at 1-800-922-6811**