

IS IT BETTER TO INVEST IN THE STOCK MARKET OR BUY MY FIRST HOME?

Thanks to the concept of “leveraging,” purchasing a home is by far the best long-term investment. Leveraging means putting down a small amount of money to earn a big return.

For example, say you use that \$10,000 to purchase a \$250,000 home, and the house appreciates a modest 3 percent during the first year. That means after one year, the house would be worth \$257,500 – a gain of \$7,500. Your annual return on your \$10,000 investment would be 75 percent.

By contrast, putting the same \$10,000 in the stock market and posting a similar 5 percent gain would only net a \$500 return on investment.

And as a home owner, your savings continue to grow in two ways. Every year, a greater portion of your monthly mortgage payment goes to the principal, reducing the overall loan amount. Second, your home appreciates over time, making it one of the very best financial investments.

And don’t forget the important tax incentives. Owning a home is by far the biggest and best tax break for middle America. In most instances, all of the mortgage interest and property taxes you pay in a given year can be fully deducted from your gross income to reduce your taxable income. These deductions can result in thousands of dollars of tax savings, especially in the early years of the mortgage when interest makes up most of the payment. To look at this another way, if you are in the 28 percent tax bracket, you only pay 72 cents on the dollar in mortgage interest payments.

Not only is homeownership a stepping stone to a future of financial security, it also helps to build neighborhoods and strengthen communities. It is truly the cornerstone of the American way of life, and the fulfillment of the American dream.