

Buying vs Renting



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At some point in their lives, most Canadians have probably asked themselves whether it is better to buy or rent a home. And purchasing a home is one of the biggest decisions most people ever make.

Owning a home is generally considered to be a sound, long-term investment that can provide satisfaction and security for you and your family.

Each month when you make your mortgage payment, you are building equity in your home.

Equity is the portion of the property that you actually build through your monthly payment versus the portion that you still owe the lender.

At the beginning of your mortgage, more of your payments go toward paying off the interest and less toward paying off the principal. But the longer you stay in your home and the more mortgage payments you make, the more principal you pay off and the more equity you accumulate.

Most mortgages also offer you the option of making additional monthly or annual payments to reduce your principal faster. Some prepayment privileges, for instance, enable you to pay up to 20% of the principal per calendar year as little as \$100 at a time always on the original amount of the mortgage. As well, by going bi-weekly accelerated as opposed to monthly, will also help reduce your amortization period (the length of your mortgage), which, in turn, saves you money.

There is also a tax advantage. If your home is your principal residence, any profit you make when you sell it is tax-free. A home can appreciate – or increase in value – as time passes, building more equity. As you build up equity, it's usually easier to upgrade to a more expensive home in the future thanks to the profit you'll make when selling your current home.

As an owner, you can also decorate and improve your home any way you like. Ownership tends to give you a sense of pride and can offer you and your family stronger ties to the community.

If you do decide that home ownership is right for you, it's important to choose a home you can afford. If you can't afford to buy your dream home, purchasing a more modest home can be a great place to start building equity that one day may allow you to buy the home of your dreams.

Since we're currently in a buyer's real estate market and interest rates have been dropping, now may be an ideal time to enter into home ownership for the first time.

Real estate is, however, usually considered a good investment over the long term.

When making the decision about whether to buy or rent, it's important to carefully choose a home you can afford, and then weigh the pros and cons. Millions of people enjoy the rewards of home ownership but, ultimately, it's a personal decision based on your own priorities.

Please don't hesitate to contact Jane Graydon or Rita Nicholson to answer any questions you may have and get you pre-approved for your new home purchase.