

## The Pros and Cons of Homeownership - Transcript

**Tim Mullooly:** In episode 238, we're going to talk about the pros and cons of homeownership.

Welcome to the Mullooly Asset Show. I'm your host for today, Tim Mullooly. This is episode number 238. Thanks for tuning in. So real estate has been buzzing for the last year or so, especially here in Monmouth County and all around New Jersey and the New York area. Buying a home is a huge purchase for people, but is it for everyone? There's always constant debates going on about the differences, the pros and cons between renting and owning a home, which one is better, which one is worse. So today we just wanted to outline some of the pros and cons of owning a home.

So let's start with the pros. The first pro that we'll mention is that it's a long-term investment. And the words long-term here are the key keywords here. If you're going to be in this home for more than five years, the odds of the value of that home increasing go up significantly. We always tell people, if you plan on potentially moving within one, two, three, anything less than five years, you might want to think twice about getting a mortgage and moving into and buying a home.

The second pro of homeownership is building equity. So with each mortgage payment, you're paying into the equity of the house, and your equity grows with each payment. That'll help you build wealth over time. And at the end of the day, your home is yours. You own it. And that's a big difference from renting.

The third pro is stability. So with a fixed rate mortgage, you have fixed payments every month. It's the same amount each month, and rent can sometimes increase or decrease depending on the leases or how it's structured in your contract. So having consistent housing payments makes making cashflow planning a lot easier. And we always talk about how that's the foundation for most financial plans.

The last pro that we'll talk about for owning a home is customization. Like I said before, it's yours. Inside, outside. You can determine what changes you want to make to your house because it's yours. You own it. You don't have that power when you rent sometimes.

So what are the cons of owning a home? The first con that I'll talk about is the upfront costs. You have to put down a lot of money to get into a house and a down payment. And there are closing costs wrapped in as well. For a lot of houses, closing costs can be up to anywhere from 10 to \$15,000, or potentially more. So that's a lot of money on top of the down payment that you're going to have to put down right off the bat. You don't always need to do things like that when you're renting somewhere.

The second con that we want to talk about is less flexibility. Like we mentioned before, if you move a lot or you're planning on moving in the next couple of years, it might not be smart to buy a house. The third one that we want to talk about are maintenance costs. It's kind of a double-edged sword. While you have the ability to customize and do whatever you want to your home, it's also yours to maintain as well. So things are going to break, you're going to have to upkeep

the outside of the house, the inside of the house. If they break, you're going to have to get them fixed, and that's all on you. You don't have a landlord to kind of backstop you there with those things.

The fourth con is that property values can fall. Over the long-term, the longer you go out, the odds of your property value increasing, go up. But it's not a guarantee. So just know that property values can fall. It's not 100% guaranteed that they'll be higher than where you bought it when you go to sell it.

And the last con that we want to mention here is just a lack of liquidity. It's not like other investments that you have like a stock or an ETF or bonds or something like that where you can sell it. You can sell it within a day, and then the money settles in a couple of days and you get a check next week. You got to go through the process of selling a home, listing it, and you might not be able to get your money out of it, if that's what you need, as quickly as you would like.

So there are a lot of things, pros and cons that we talked about here. There's more as well in a blog post on our website. And I'll link to that in the show notes. You can check out the full post. But it's never a one size fits all decision. You got to weigh the options. You got to weigh the pros and the cons and decide what's best for you.

That's going to wrap up episode 238 of the Mullooly Asset Show. Thanks for tuning in. We'll see you next time.