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## To Rent or Buy? That Is The Question.

*By Genworth Financial Canada*

Most Canadians at some time in their lives have probably asked themselves whether it is better to rent or buy a home.

Purchasing a home is one of the biggest decisions most people ever make in their lives. Ultimately, it is a personal choice. But it helps to look at the pros and cons of buying to determine whether home ownership is right for you.

### Some Advantages of Buying a Home

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

A recent survey by real estate company, Re/Max, found that house prices in Canada have appreciated by 53.7 per cent over the last decade, or more than five per cent a year. Prices skyrocketed most dramatically in Montreal (85.9 per cent), Calgary (81.7 per cent) and Halifax (77.3 per cent).

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. However, 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.

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 afford another more expensive home in the future thanks to the profit you'll make when selling your current home.

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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 give 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.

### **Some Disadvantages of Buying a Home**

It's easy to get caught up in the excitement of buying a home. So it's important to remember that home ownership has some additional responsibilities as well.

For one thing, a home can be expensive. Chances are, your mortgage payments will be more than what you are currently paying in rent. There are also added costs of home repairs and maintenance.

Owning a home ties up some of your cash and is likely to reduce your flexibility to move to a new location or change jobs. While your home might increase in value as time goes by, don't expect to get a big return quickly. There are no guarantees that your home will increase in value, particularly during the first few years. In the beginning, you could actually lose money if you sell because your home may not have appreciated enough to cover the real estate fees and moving, renovation and other costs. Real estate is usually considered a good investment over the long term, however.

When making the decision about whether or not to buy, 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 is a personal decision based on your personal priorities.

For more information, visit Genworth Financial Canada, The Homeownership Company at [www.genworth.ca](http://www.genworth.ca).

