

LearnVest Goes Live:

Real Estate 101: Your First Place

Real Estate 101: Your First Place

Join LV Expert, Alison Rogers, as she discusses the basics of buying a home and building your wealth through real estate.

Email feedback@learnvest.com with any questions

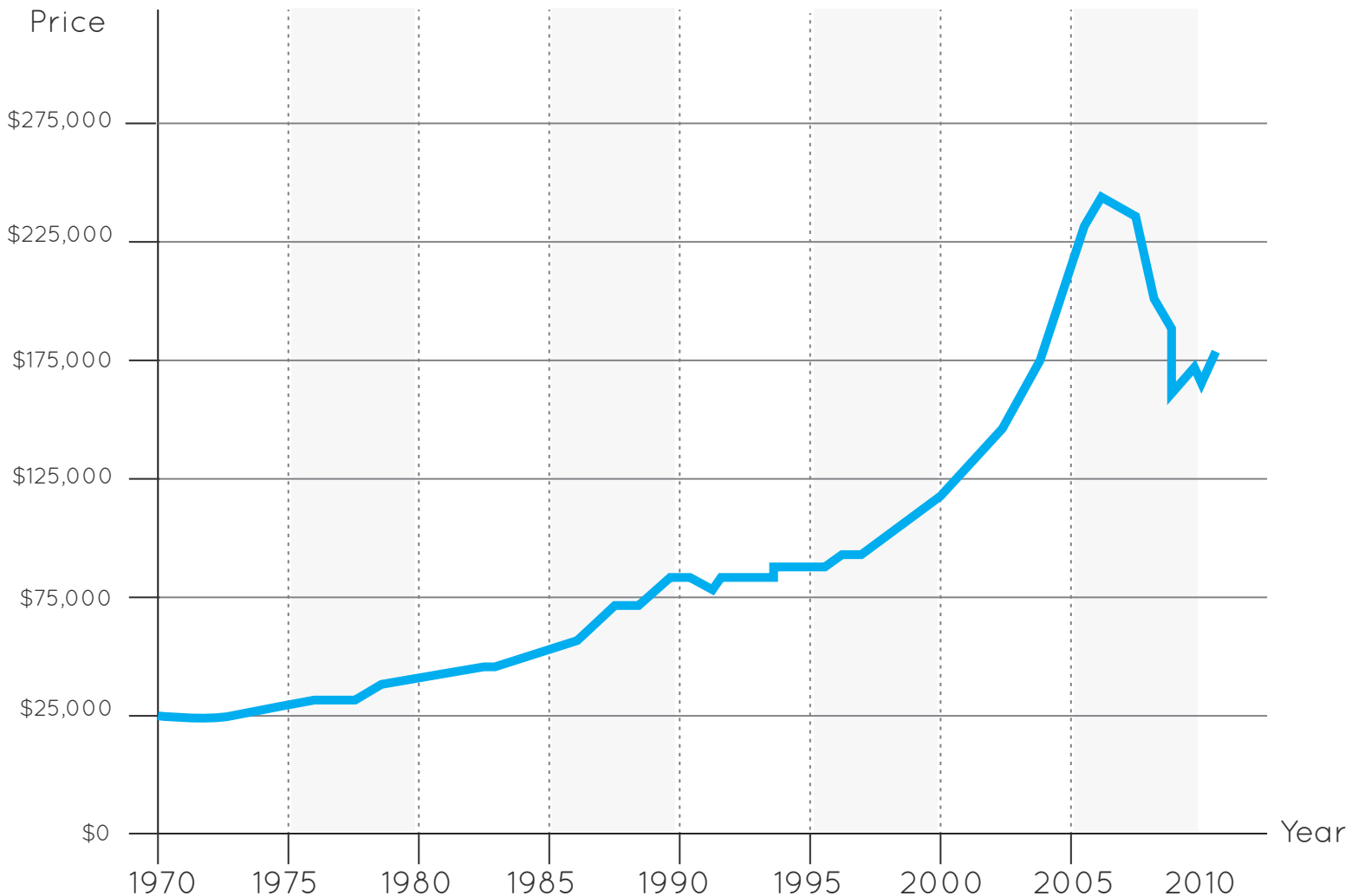
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Is It Time For YOU To Buy?

Understanding The Real Estate Market: Risks, Opportunities, & Market Myths

The State Of The Real Estate Market: Housing Prices



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Should You Buy, Or Should You Rent?

When housing prices first fell, so too did the cost of renting (on average).

With prices so low, in relative terms, many people are wondering if now is the time to buy. You should consider three factors:

- + Are you emotionally ready to buy?
- + Does buy versus rent make sense for you?
- + Are you ready to get organized?

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Are You Emotionally Ready? The Upside Of Buying

- + Stability in terms of housing stock and costs
- + Buying is a means of forced savings
- + Tax perks

Check out this calculator to understand potential tax savings when buying a home:

<http://www.bankrate.com/calculators/mortgages/loan-tax-deduction-calculator.aspx?pid=p:lrnv>

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Are You Emotionally Ready? The Downside Of Buying

- + High monthly costs
- + Mortgage + potential condo fees
- + Risk of foreclosure if you are unemployed
- + Maintenance hassles
- + Lack of liquidity – can be tough to sell fast

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Forced Savings

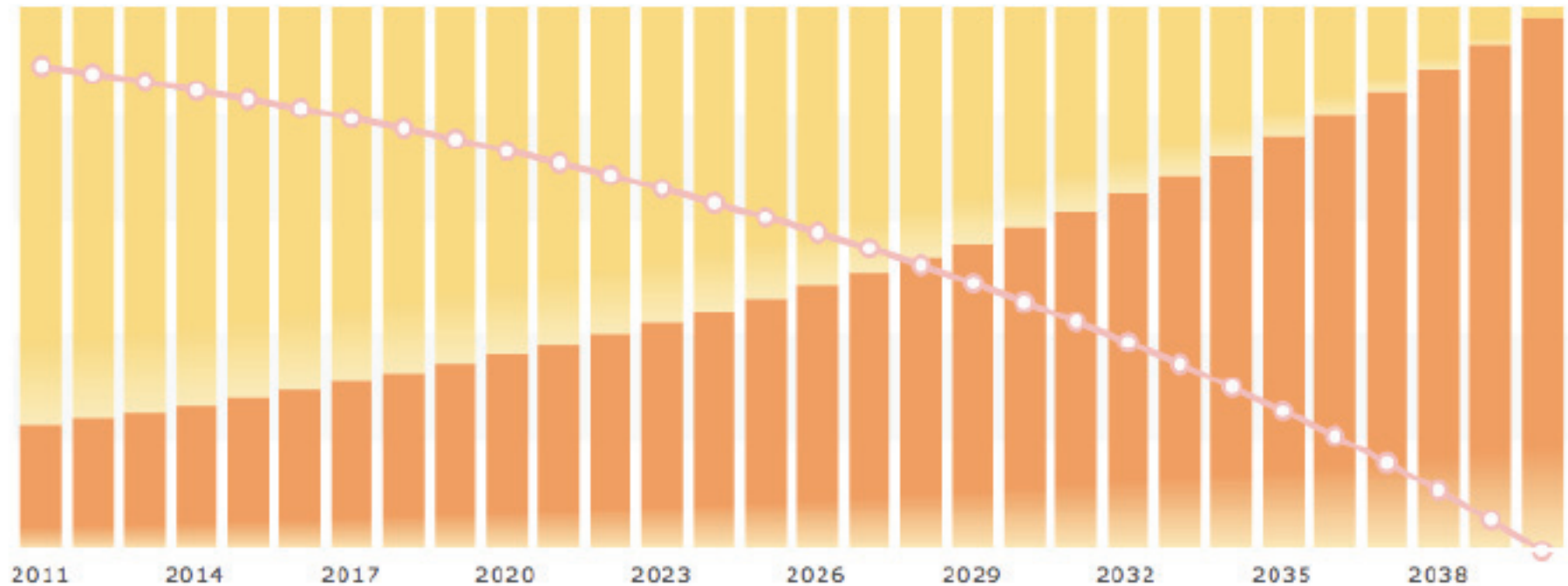
Meet Laura...

Cost of home: \$400,000

Down payment: \$40,000 (10%)

Amount of mortgage: \$360,000

Mortgage details:
30 year mortgage fixed at 5% interest rate



represents how Laura is paying down the interest.

principal on the loan, what the house actually costs.

shows how Laura is paying down the debt.

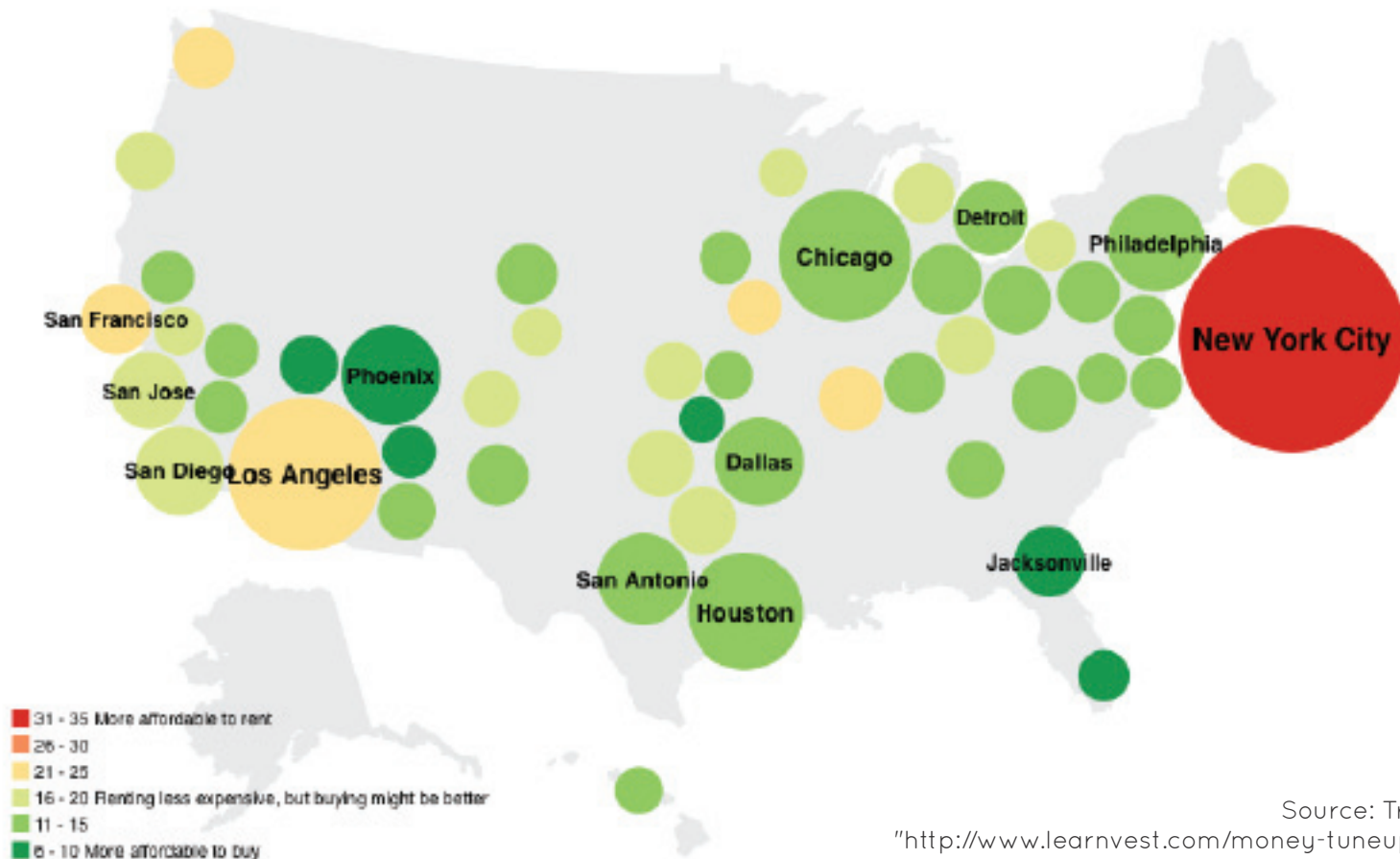
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Buy Vs. Rent: The Big Decision

Question: You're emotionally ready for a home, you think you're going to stay put for a few years, and you're ready to deal with maintaining a house. Does it make sense to buy rather than rent?

Answer: It depends on your local market.



Source: Trulia Rent vs. Buy Map.
"<http://www.learnvest.com/money-tuneup/real-estate-info/is-it-cheaper-to-rent-or-to-buy-the-map/>"

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Buy Vs. Rent

Meet Gina & Doug, NYC

Household income: \$150,000

Monthly rent: \$3,200

Cost of home: \$380,000

Down payment: 20%

Mortgage rate: 4.875%

Annual property tax: 1.5%

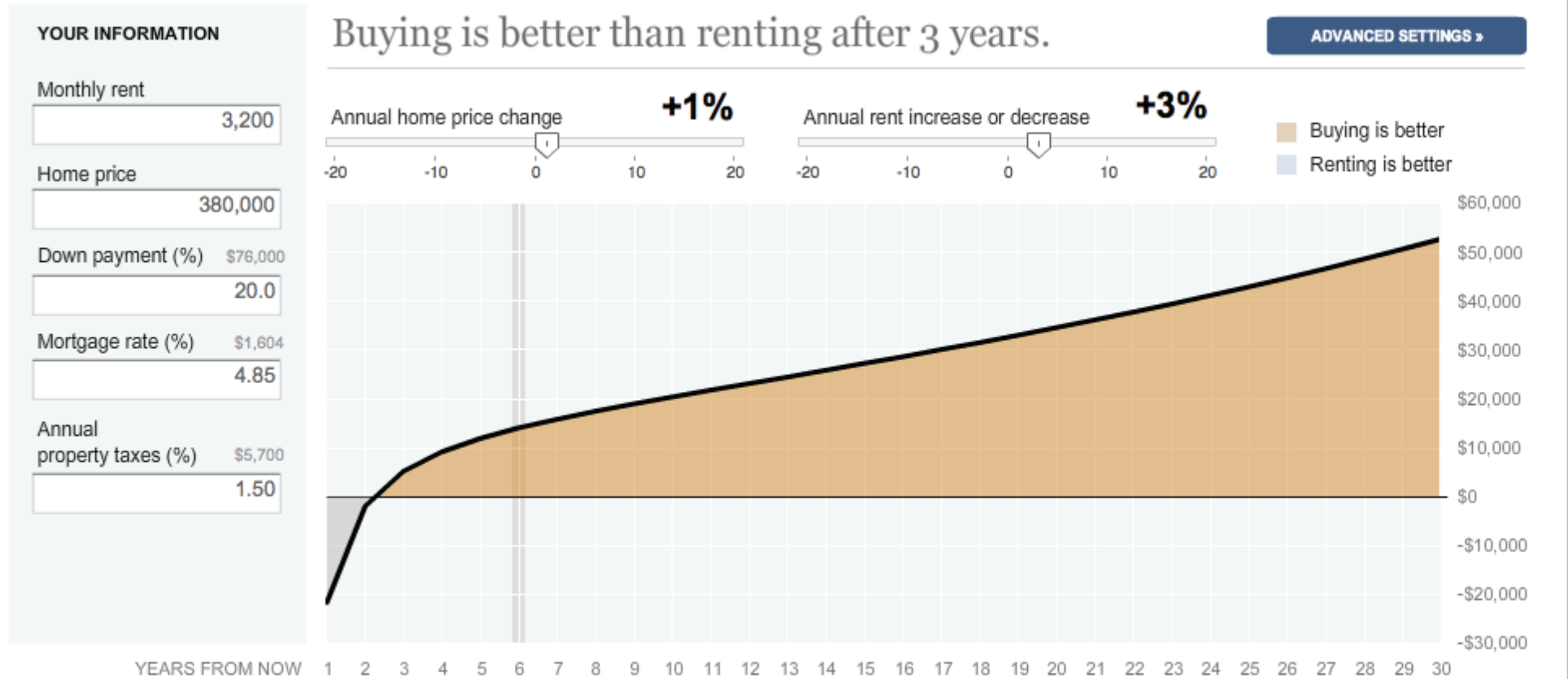
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Buy Vs. Rent

LearnVest recommends running the numbers through the New York Time's Rent vs. Buy calculator:



Take-away

Gina & Doug are better off buying than renting after only 3 years.

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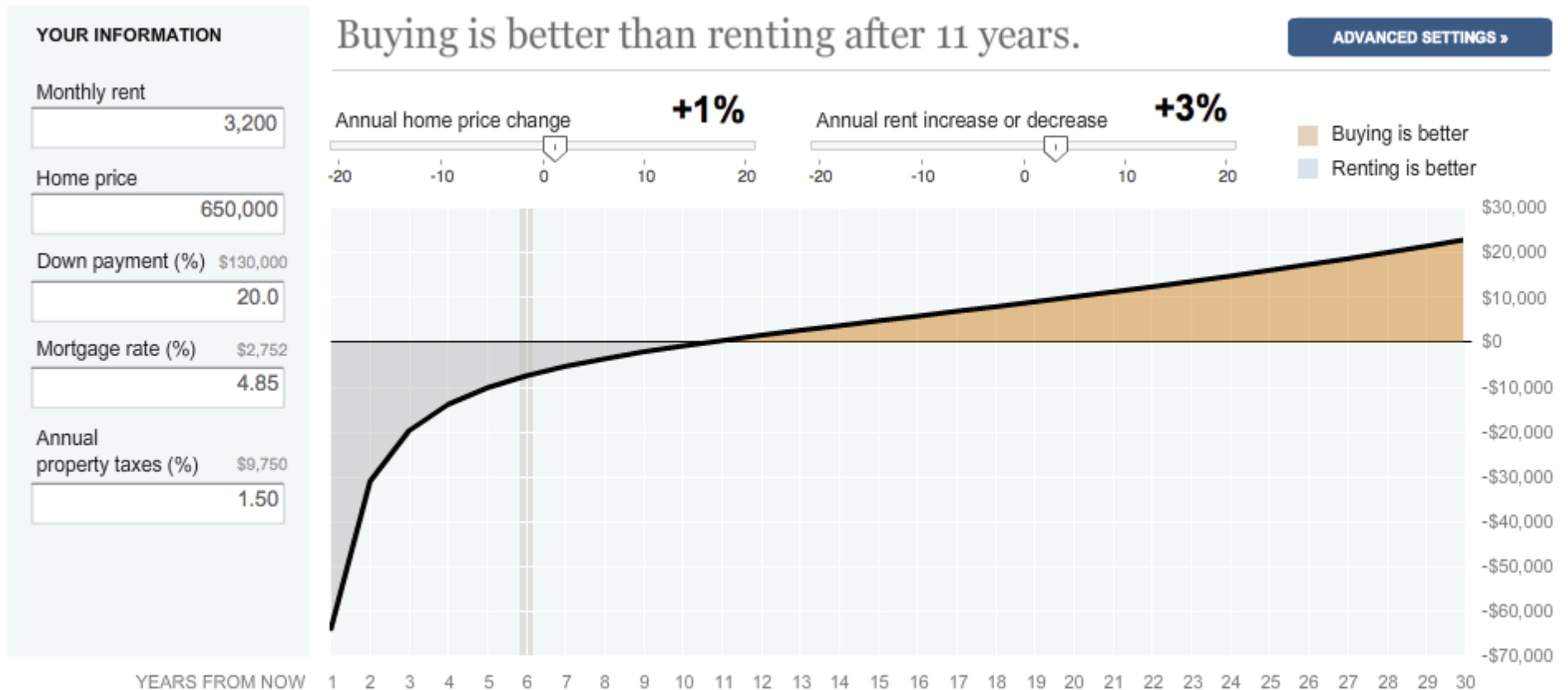
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Buy Vs. Rent

What if Gina & Doug want to buy a more expensive home?

When the price of the house changes, so does the outcome. At a price of \$650,000, buying versus renting only makes sense for Gina and Doug after 13 years.



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Buy Vs. Rent

Meet Dede, Chicago

Take-away

Dede is better off buying than renting if she plans to stay in the home for at least 4 years.

Household income: \$150,000

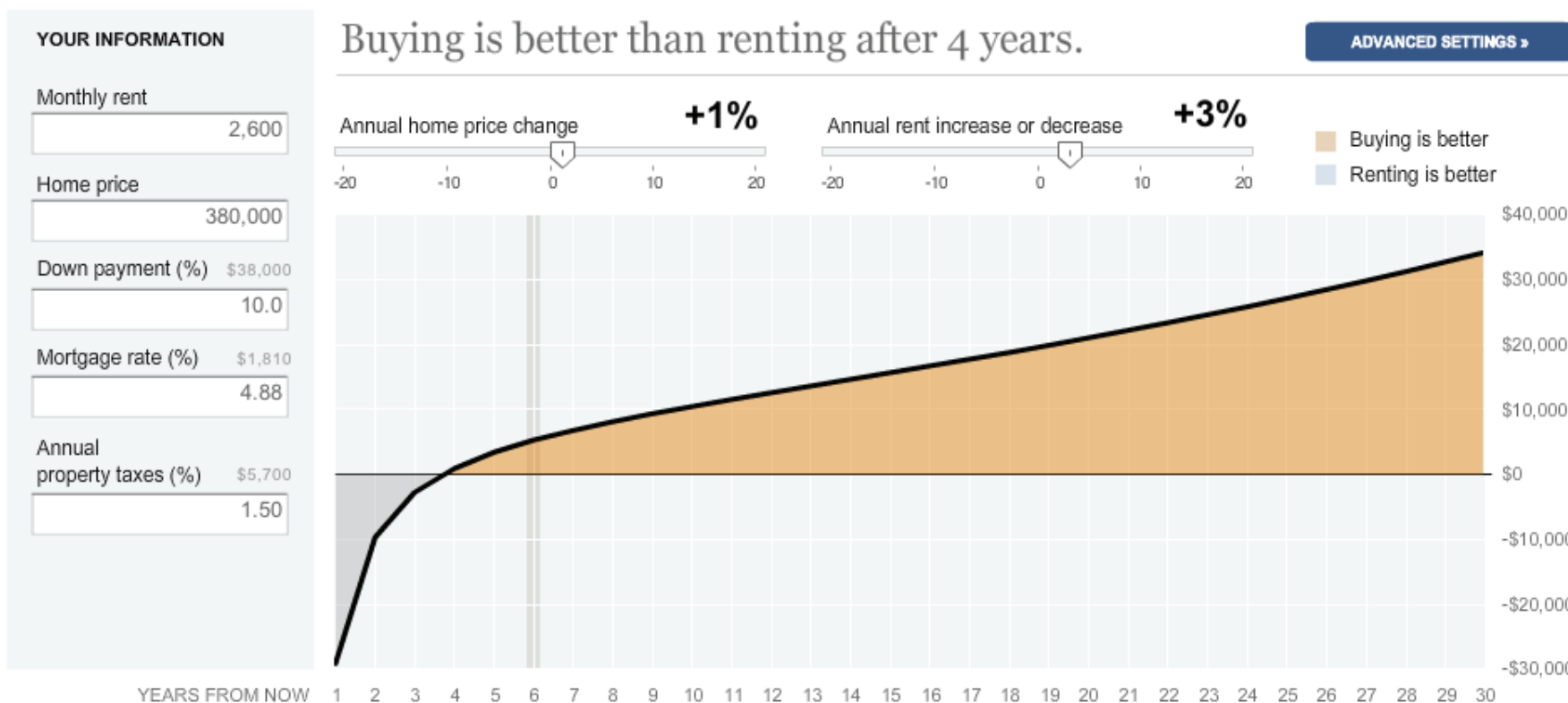
Monthly rent: \$2,600

Cost of home: \$380,000

Down payment: 10%

Mortgage rate: 4.875%

Annual property tax: 1.5%



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Getting Organized: Your Team

- + Approver
- + Real estate agent
- + Mortgage expert
- + Contractor or handyman

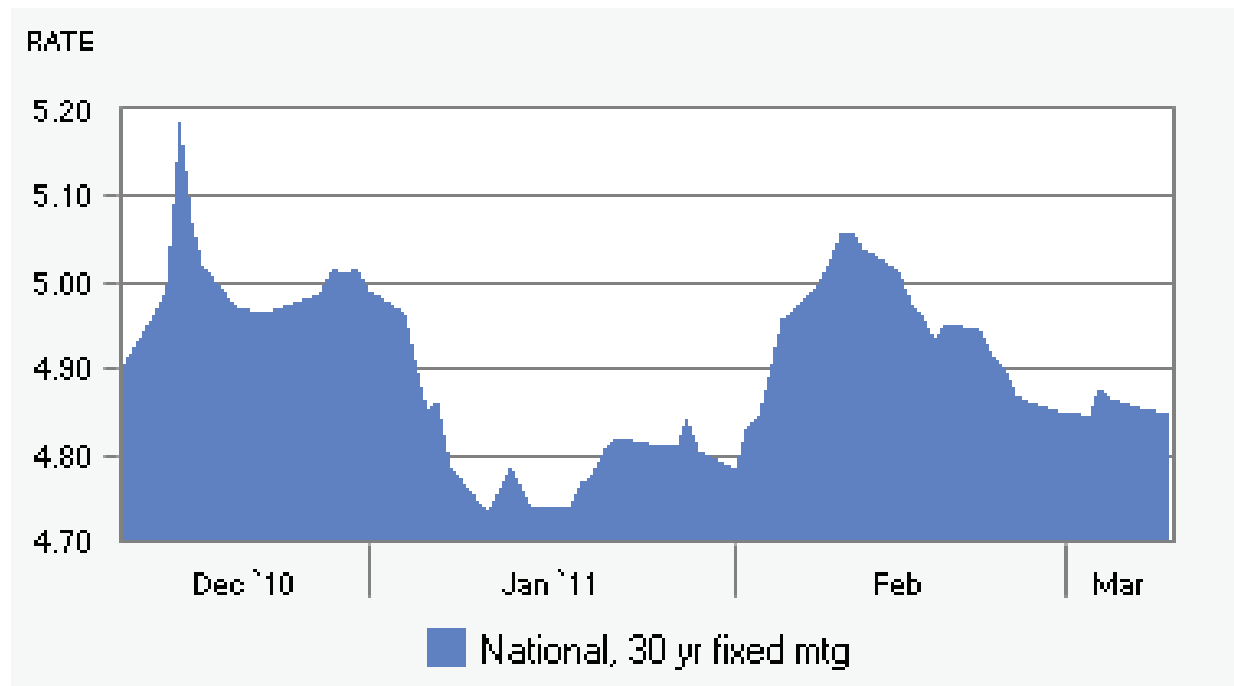
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Getting Organized: Your Money

- + Down payment: aim for 10% of property price
- + Mortgage: rates are around 5%
- + Closing costs: vary, can be 5% of property price
- + Emergency fund: 6-12 months of housing costs



Source: bankrate.com, "http://www.bankrate.com/brm/publ/30yrmolg.asp"

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Getting Organized: Your Paperwork

- + Two years' tax returns
- + Employer letter
- + 401(k) statements
- + Bank statements

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Getting Organized: Your Checklist

- + Have I seen the place at different times of day?
- + Have I talked to tenants or neighbors?
- + Am I ready for the home inspection?

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Getting Organized: Your Checklist

Buying while single

- + Do you have a backup plan if you lose your job?
- + Are you willing to take on maintenance responsibilities?

Buying while in a significant relationship (consider a prenup!)

- + Consider a prenup
- + Decide what will happen if you split up - who keeps the property?

Buying while married

- + Make sure you are both ready for the commitment
- + Make sure you both understand the financial implications

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Getting Organized: Your Checklist

- + My lease expires at the end of the month. I can move into my house then
- + I have to be married before I buy
- + I "should" buy a house
- + Buying a house will make me money

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Questions?

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For more with Ali Rogers, check out:

[Diary of a Real Estate Rookie](#)

[http://www.amazon.com/Diary-Real-Estate-Rookie-](http://www.amazon.com/Diary-Real-Estate-Rookie-Rebuilding/dp/1427754659/ref=pd_bbs_sr_1/104-7226689-0964741?ie=UTF8&s=books&qid=1174322729&sr=8-1)

[Rebuilding/dp/1427754659/ref=pd_bbs_sr_1/104-7226689-0964741?ie=UTF8&s=books&qid=1174322729&sr=8-1](http://www.amazon.com/Diary-Real-Estate-Rookie-Rebuilding/dp/1427754659/ref=pd_bbs_sr_1/104-7226689-0964741?ie=UTF8&s=books&qid=1174322729&sr=8-1)

As Well as LV Expert articles:

[Buying With Your Significant Other](#)

<http://www.learnvest.com/living-frugally/priorities-finances-and-an-escape-plan-find-a-home-with-your-honey/>

[6 Steps To Take Before Leasing](#)

[http://www.learnvest.com/living-frugally/home-and-decor/6-](http://www.learnvest.com/living-frugally/home-and-decor/6-steps-to-take-before-signing-a-lease-to-save-thousands/Home%20Inspection%20Red%20Flags)

[steps-to-take-before-signing-a-lease-to-save-thousands/Home Inspection Red Flags](http://www.learnvest.com/living-frugally/home-and-decor/6-steps-to-take-before-signing-a-lease-to-save-thousands/Home%20Inspection%20Red%20Flags)

[Home Inspection Red Flags](#)

[http://www.learnvest.com/money-tuneup/real-estate-](http://www.learnvest.com/money-tuneup/real-estate-info/before-buying-a-home-be-wary-of-these-home-inspection-red-flags/)

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