



COMPASS
PLANNING ASSOCIATES

Fee-Only Financial and Investment Planning

(888) 320-9993



On Course

March 25, 2014 Volume 14, #3

Welcome! Last year about this time, we wrote about how to sell your house. In just a year, there has been a dramatic turnaround! What was a buyer's market has become a seller's market. If you are thinking about buying a house, it may be fiscally wise to spend some time making sure that's the right choice given what's going on in real estate in and outside Boston.

If you'd like help figuring out whether to buy, how much to spend, and what to budget, remember we're here to help you stay *On Course*!

-Jennifer Lane, CFP

In This Issue

[To Rent or Buy](#)

[Question & Answer](#)

[What's New](#)

[Monthly Tip](#)

To Rent or Buy

According to the Massachusetts Association of REALTORS, more sellers accepted offers from qualified buyers in February 2014 than any February since 2004! Real estate blogs are coaching buyers on how to make a winning offer because often times houses are receiving multiple bids, all of which are over asking prices. So, while it may be different in other parts of the country, in eastern Massachusetts, a good question to ask is whether you should be renting or buying.

Renting's bad rap

- Yes, the American dream has always been to own a home.
- But, that makes sense only when the financial considerations all fall into place. Otherwise, you will be house poor and the other parts of your life will suffer.
- It's ok to rent - in some instances it's the smartest choice for your long-term financial health.
- Many families have found great rental homes in good neighborhoods where they might not have been able to buy.
- Renting doesn't have to be forever. It can be the stepping stone to the house you really want, in the town you really want. It gives you flexibility and, more importantly, time.

Before buying

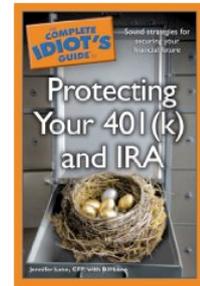


Jennifer's Hint

If you're not planning to retire in the home you're living in now, a break from the real estate taxes and maintenance costs can be a welcome respite. And, you don't have to buy your new place; tax laws allow unmarried homeowners to realize \$250,000 in capital gains when they sell their primary residence without having to reinvest in a new home. Married homeowners, or homeowners selling because of divorce, get double the benefit, \$500,000.

Get more tips in Jennifer's book

- Check out Bankrate.com's [rent vs. buy calculator](#) to make sure buying is the better choice for you right now.
- Rule of thumb for what you can afford is 30 percent of your gross income so figure that out.
- Go to a bank to get pre-approved for a mortgage. Beware if the bank approves you for an amount larger than the 30 percent. Do a budget to make sure you can really afford it!
- Save enough money to put down 20 percent.
- Buy enough disability and life insurance to cover mortgage payments should something happen.
- Ensure that after the purchase, move, and updates, you will still have three months of cash for your emergency savings.



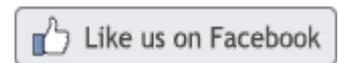
([click here for link](#))

Helpful Websites

[Bankrate.com](#)

[Trulia.com](#)

[Zillow](#)



Q&A

Q: My sister and I are thinking of buying a two-family home. She will live there for a few years before moving for work. I plan on living there a long time. Should we own jointly? Some friends suggest forming an LLC.
-- Kerry, Stow

A: Kerry, it's best to think of this as a business partnership for which you need a written agreement that includes what-if scenarios. Think about what could happen and how you both would like to handle the situations. You also need to understand how personal and commercial mortgage rates differ if you do form an LLC. My advice is to speak with an attorney to help you through all these issues. And, again, every couple of years be sure to review everything to make sure you're both covered for any changes that might have occurred. Good luck!

What's New

- Jennifer contributed to a recent Bankrate.com article on retirement, *More Americans Face Retiring with Debt*. Click [here](#) to read the article.
- **We've moved our Boston office to Three Post Office Square, Suite 602! Phone and email remain the same.**
- Jennifer recently answered NECN viewer questions about whether you need credit cards and how safe they are. Click [here](#) to watch the segment on her blog.
- Follow us on Facebook! Visit www.facebook.com/AskJennifer and like us!
- Jennifer appears on NECN every other Monday morning at 9:30 am in addition to her Tuesday 6:30 pm appearance.

Compass Planning Associates helps families, individuals, and small-business clients achieve financial security, knowledge, and control over their money. Our **fee-only, client-centered approach** provides education and guidance for achieving financial goals and dreams.

All contents of this newsletter Copyright 2014 Compass Planning