

Leveraging Your Money

One of the greatest financial aspects of buying a home is the ability to leverage your money. Simply put, leverage allows you to use a small down payment and financing to purchase a larger investment. For example, if you bought a \$125,000 home with 10 percent down, you leveraged the \$12,500 down payment to purchase an asset worth 10 times that amount!

Appreciation

The benefits of leverage really become apparent with appreciation, or the rise in value of a property. Using the above example, say you were to live in the house for 5 years, and during that time property values in your area were to rise an average of 2.5 percent a year. Your home would then be worth over \$141,000. By putting only 10 percent down, you get to enjoy the appreciation for the full amount!

Paying yourself

In addition to the 10 percent down, you'll also have to make mortgage payments. But with each payment, a certain amount of money is being used to pay down the principal balance that you owe. This is called building equity. So in the event you sell your house, not only can you realize a profit from your leveraged money, you also have a chance to pay yourself back for the money you've put in over the years. No wonder so many people consider a home an excellent investment!

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