



Housing plans - Points to consider

[Introduction](#)

[Buying or building a home of your own](#)

[Economic Factors](#)

[Non-economic factors](#)

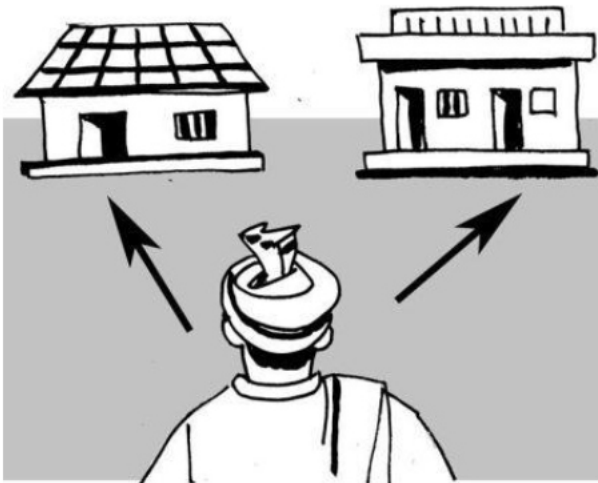
[Renting accommodation](#)

[Economic Factors](#)

[Non-economic factors](#)



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1. **Ready capital:** If you have set aside money to meet all your other long term goals and can still spare enough money, you should consider buying/building your home. It is something that will always hold value... like gold. It will be something that always holds some value...just like gold. Although the prices of homes rise and fall in different years, over a long period of time, they usually move upwards. In the long run, except in the case of distress sales (wherein you need the money urgently), a well maintained home, in a well-chosen location, will finally fetch you a good price.
2. **Availability of loans for purchase/building homes:** It may not be possible for everyone to pay the entire amount required to buy a home. These days most banks and financial institutions offer loans for building a house or purchasing a ready house, at a reasonable rates of interest. They will look at your ability to pay back the loan in the future by considering your expected future income. They may even check whether you have a large loan outstanding that will reduce your chance of paying back the loan. Based on all these

loan outstanding that will reduce your chance of paying back the loan. Based on all these factors, they will then decide how much loan they can offer you. Some banks and financial institutions even allow the loan to be taken in the names of two or three people who have separate income streams but are closely related (husband and wife or parents and children). This gives the lending party the confidence to pay out a larger loan amount as the combined capability to repay is better than that of an individual.

3. **Tax benefits:** There are two types of benefits that you can receive while buying your own home.

- If you purchase the home from the money that you have received from selling another home, within a year of selling your previous home, you will have to pay less (or no) taxes on the profit you made from the sale of your previous house.
- If you build your home from the money you received after selling another home, within three years of selling the previous home, you will have to pay less tax (or no tax) on the profit you made by selling your earlier house.
- If you purchase a home with the help of a housing loan, under section 80 C of the Income Tax Act, you will a tax rebate on your income.

4. **Land available:** If you already own land, which can be used for residential purposes, building a home may be an option that is well within your capability. This may mean that you have to stay on rent for some time so that you can supervise the construction of yours.

5. **Expected increase in the value of homes:** If budgeting and taking a loan can afford you a house in the near future, you must consider it, especially if you expect the rates to rise in the future. Very often, chasing shorter term goals makes us lose sight of bigger goals. If you are clear that you will have to purchase a home in the future, and if your financial situation permits you to, it is always better to purchase a home sooner than later.

1. **No plans to shift residence in the future:** If you are certain that you will stay in the same area for years to come, purchasing a home would be a better decision than staying on rent. You can use the amount you pay as rent to repay the loan amount. In case you can afford to buy the house using your own money, instead of taking a loan, you can still be happy that you saved money by not paying rent month after month.

2. **Short leases on rented property:** In most cases, lease agreements for rental homes range from a period of less than one year to around three years. If you are unable to renew your rental agreement, it can be quite unsettling to move from one home to another, even in the same locality. In such cases, planning for a home of your own may be a good idea.

3. **Decorating and structuring a home in a way that suits your needs best:** It is always possible for us to adjust to the house in which we live in. However, when we live in a home that we own, we have the freedom to renovate and decorate it as we would like it to be. That is a major incentive to have a home of our own.

1. **Insecurity of income:** If the main source of your income is unsteady, it may not be possible for you to avail of a loan to purchase a home. At the same time, blocking a large amount of money in the form of purchasing a home with your own funds may also not be a good idea. This is because you may need to have access to that money easily in case of emergencies or long spells of no income flow.
2. **Already own a retirement home elsewhere:** Although you may be staying and working at a particular place, you may want to shift to a different location after your retirement. If you already own such a retirement home, you may be more comfortable living on rent at your current work location until you shift. If you already own such a home, you may be more comfortable living on rent until you shift there.
3. **Tax benefit:** In a formal employment set-up, a part of the salary is sometimes paid out in the form of house rent assistance or HRA if the employee lives in a house which is rented. This amount of the salary becomes tax free. So to avail of this benefit, employees sometimes stay on rent, even if they have their own home. They benefit in two ways – they rent out their own home and receive income from it and they save on taxes.
4. **Expectations of better financial status a couple of years later in life:** Sometimes you are sure that your financial status will improve in a few years. Perhaps you have just started a business or job and you need time to settle in your career. In such a case, you may prefer to live on rent and purchase a larger home later instead of somehow purchasing a small home sooner.
5. **Other financial commitments at present:** You may be paying for your child's education and boarding in the city or picking up the bills for the treatment of a sick relative. At such a time, you may not be able to even think of taking a loan to buy a house, for fear that the repayment may put you under immense financial stress. You may also not want to block up your own money by purchasing a house because you are not sure if your other financial commitment may require it more urgently. In such a situation, staying in a rented house may be a good solution until you are free from those responsibilities.

1. **On the move due to nature of job:** Suppose your job requires you to shift regularly from town to town and you would like to take your family along with you. In such cases, unless you can decide where you would like to finally settle down it does not make much sense to purchase a house.

