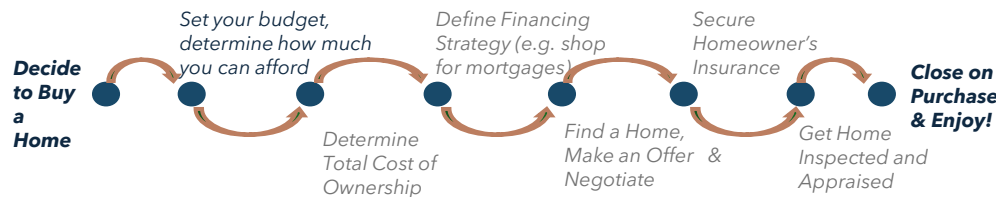


Life Events: Buying a Home

What financial considerations should be kept in mind when buying a home?

- Purchasing a home is a major financial decision, with significant risks and opportunities – key considerations to keep in mind include:
 - **Total Cost of Ownership:**
 - Make sure to factor in not only mortgage payments, but also property taxes, utilities, homeowner's insurance, and maintenance/upkeep
 - As needed, also consider changes to commuting, childcare, and education costs (e.g. private schools if needed)
 - **Financing:**
 - Explore all potential options including cash payment, various forms of mortgages, and reverse mortgages
 - **Insurance:**
 - Ensure that Homeowner's Insurance covers the full replacement cost, and consider implications on e.g., life insurance and umbrella policies
 - The **titling** of the home needs to be considered carefully, as do the **tax implications** (see sidebars on the right for details)
 - Lastly, while every home purchase is different, here is a **typical sequence of events**:



Key titling considerations

- Do you know what effect the title on your home will have on your Estate Plan, Privacy and Creditor Protection?
- Some forms of ownership (e.g., joint tenancy, revocable trust) bypass your Will while others (e.g., tenancy in common, community property) do not
- Owning a home indirectly through a revocable trust or LLC may protect your privacy by keeping your personal name off the title
- Ownership through an LLC may protect the rest of your balance sheet if an accident occurs on the property, but may not be practical for everyone

Key tax considerations

- Keep good records of the expenses you incur during the homebuying process, and throughout ownership, as many of these can be added to your cost basis, potentially reducing gain when you later sell the property (and how much capital gains tax may be due)
- It may be possible for you and the seller to agree to split certain costs in a way that results in the greatest tax benefit to both of you
- Even after the 2017 tax reform, interest on up to \$750,000 of a mortgage used to buy or build your principal or one secondary residence remains deductible

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Supporting Information



Last Reviewed 01/13/2025

Key Sources · I.R.S. [Pub. 530 – Tax Information for Homeowners](#)

Further Reading

- [“Buying a Home” from HUD.gov](#)
- [“15 Steps to Buying a House” from Nerdwallet](#)
- [“Your Complete Guide to Buying a House”](#)

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