

# MONEY SENSE

**Genesis**  
FINANCIAL MANAGEMENT INC.

Volume 4, issue 9

September 2008

## NEW BEGINNINGS, DEBT FREE

### Buying Vs. Renting: Is Now The Right Time To Own?

The news is full of discouraging stories about the housing market right now, but it's not all gloom and doom. If you're a potential buyer, this could be a perfect time to consider making that purchase, as there are deals to be had. But proceed with caution—and armed with information! Even when all indications favor the buyer, it's still possible to get in over your head if you aren't prepared—and educated—about the potentially largest purchase you'll ever make.

We're going to kick off an occasional series on home-buying this month by considering the pros and cons of renting Vs. buying. First up, renting:

Renting gives you flexibility. Sure, you usually have to sign a lease when you rent a home or apartment, but you have the flexibility to pick up and move out once your lease is up—usually six months to a year after you move in. On the other hand, when you own a home, you will have the time, effort, and expense of selling your home, should you decide to move elsewhere. For this reason, renting is often a good idea if you only plan on staying in an area for a relatively short time or if you don't know how long you'll be staying in one place.

Renting can help you avoid some costly expenses. Homeowners need to have adequate insurance to cover their home and their belongings and are re-

quired to pay property taxes. As a renter, you should carry renter's insurance, but this is normally much less than what you might have to pay for home insurance. As for any property taxes that come due, these are paid by the landlord when you rent. It's typical for the landlord to pay for necessary repairs too. This means that if the air conditioner or the furnace goes on the fritz, you won't be the one footing the repair bill. You might even get a break on some of your utilities because some landlords cover part of them.

Poor credit won't influence how much you pay in rent. If you've had some trouble with your credit in the past, the best time to work on improving it is while you're still renting. While your landlord may pull your credit report, he or she won't base the amount of your rent on your credit score. However, your credit score will determine what loan rate you will receive when you purchase a home, so the lower your credit score, the higher interest rate you can expect to pay. And a higher interest rate means a higher payment.

Of course, homeownership has many advantages too.

You gain financial rewards. In most instances, buying a home is a wealth building investment that will

provide a return on your money as your home appreciates in value over time. Instead of writing a check that goes to your landlord, you'll be building equity in your home. What's more, homeownership allows tax advantages that renters don't have available to them. And when you make improvements to your home, you increase the value of what you own, not what the landlord owns.

You gain some freedom to do what you want. When you own a home—it's yours. You can plant trees or get a pet. You can paint your walls the color of your choice and hang pictures where you wish. You can knock down a wall to open up the kitchen or replace worn carpet.

You put down roots and gain privacy. When you own a home, you have stability for your family. You also have more privacy than when you rent.

Bottom line: if you are planning on staying in your area for 3 or more years, perhaps it's time to look more closely at homeownership. In future issues, we'll explore the home financing and selection process in more detail.

*Portions of article contributed by American Center for Credit Education*

#### Payment Address

**Genesis Financial Management**  
P.O. Box 100280  
Atlanta, GA 30384-0280

#### **STOP THE PRESSES!!!!:**

#### **NEW LOCKBOX ADDRESS**

**Effective SEPTEMBER 1, all Money Order Payments should go to our NEW LOCKBOX ADDRESS:**

**PO Box 100280**

**Atlanta, GA 30384-0280**



### Free Credit Scores and Monitoring:

As reported by *Money* magazine, if you've had a credit card or loan at any time in the past 20 years, you may be eligible for no-cost credit monitoring and score reports from TransUnion. This deal is part of the settlement of a class-action suit filed against TransUnion for selling customer profiles to third parties. The company denies wrongdoing. You can benefit by registering at [listclassaction.com](http://listclassaction.com) or calling 866-416-3470 by Sept. 24th. You can sign up to receive unlimited copies of your credit report and score for free for up to six months. (usual cost is \$60)

Who says nothing's free? There are great deals to be had if you know where to look.

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## To Borrow Or Not To Borrow- From Your 401K

Ok, so we know that our 401(k) (or 403(b)) plans are supposed to be our retirement nest eggs– the funds we're not supposed to touch until we hit age 59 1/2– right? Well, what if we need that money sooner?

Many employers (but not all) will allow you to take a loan from your 401(k) if you need money for emergencies or perhaps the down payment on a house. Being your own lender probably sounds a lot better than owing money– and interest– to someone else. But there are both pros and cons to this deal.

On the plus side, it's convenient. You don't have to pass a credit check or fill out lengthy loan applications. The interest rate is usually low (and you're

paying it back to yourself!). It's set by the plan and is usually 1-2 points above the current prime rate. You can usually borrow money for just about any purpose. Finally, you can choose where the money comes from– or in other words, which investments within the plan you want to sell to come up with the money. You can leave the better performing investments alone and tap those that might not be doing as well.

On the other hand, think long and hard about the "costs" of this loan. First, the interest rate you pay back on a 401(k) loan is often less than what that money would have earned had it stayed in the plan to begin with. Having to pay back a loan against the plan might also mean you stop contributing

new money to the plan– or reduce your contributions for a time– thus ultimately reducing the amount you eventually accumulate for retirement. Interest on the loan is not tax deductible, and you have no flexibility in changing the payment terms of the loan.

Finally, be aware that if you quit working or change employers before you finish repaying the loan, it becomes due and payable in full, in many cases within 60 days of leaving a job. If you can't repay it, it will be considered in default, and you will be taxed on the outstanding balance, including an early withdrawal penalty if you're not yet 59 1/2 or older. There may be fees involved, too.

## Free Stuff! And A Resource For Deals

Who doesn't love getting something for free? It is still possible with resources like [freecycle.org](http://freecycle.org). The Freecycle Network is a non-profit organization comprised of groups across the globe that are giving– and getting– stuff for free in their communities. To join up– for free!– visit [freecycle.org](http://freecycle.org), and locate the com-

munity nearest you. Once you've signed on, you can check out what's being offered by others in your area. To express interest in an item simply respond to a member's offer, and the giver gets to decide who gets the item. You'd be surprised what you can find.

If you're a bargain-hunter, you'll also want to

check out *Dealnews* at [dealnews.com](http://dealnews.com). This site helps you save time by categorizing the best deals to be had (whether online or through a local store) on everything from electronics and games to office supplies and clothing. You can also find lists of coupons and the most popular current deals.

## Please Note: New Address for Money Orders

The following information affects any and all clients who regularly– or even occasionally– make their payments via Money Order.

As of September 1, we have a new payment address: **PO Box 100280, Atlanta, GA 30384-0280.**

This address replaces any

previous payment addresses you may have used, including our home office in Tampa. From now on, please direct all Money Order payments to this lock-box address. For efficiency and ease of processing we will no longer be accepting payments at our corporate address.

This applies both to our clients who pay by Money Order every month and those who may send extra payments or make-up payments via Money Order from time to time.

Please contact our Client Services department at 800-460-8641 with any questions.

Visit our Website: [www.YourGFM.com](http://www.YourGFM.com)