

Rethink Paying **Cash**



Paying Cash for your home purchase?

Many homebuyers are offering cash to purchase their new home. In order to be competitive in the market, this may seem like a great option. However, there are some important financial pieces to consider when paying cash for your home.

- 1** Paying cash means that the money you are putting into the home is not earning interest and is not put to work to build your wealth.
- 2** Your effective return on investment can be much higher when you put less cash down. For example: A \$500,000 home purchase with a 5% down payment (\$25,000) could appreciate 10%, raising your property value by \$50,000 to \$550,000. Your effective return on investment on your \$25,000 however would be 200%! If you put a 20% down payment (\$100,000) with 10% appreciation would drop your effective rate of return by a factor of four to 50%. And, with an all-cash offer (\$500,000) with 10% appreciation, your effective return is just 10%.
- 3** There isn't any way to access the money in the home unless you apply for a loan. However, if the funds were instead in an asset account the funds would be accessible to you anytime.
- 4** Once the cash is in the home, you will need to qualify for a loan to pull out the money if you should need it in the future for emergency funds. Often, people need the money for an emergency at the same time they struggle to qualify for the home loan. An example is, the loss of a partner and their income, the loss of a job and the income needed to qualify for a loan, an illness that requires time off from work and a decrease in income, etc.
- 5** You can also consider delayed financing; closing in cash and later getting financing.
- 6** The home will go up in value despite how much money you put down as a deposit. If you make a 3% or a 20% down payment you're still getting every penny of equity from the home's appreciation.
- 7** After becoming a Zenith Certified Homebuyer, you can write "Cash Offer. We reserve the right to obtain financing as long as it does not delay the closing."
- 8** Zenith Certified Homebuyers can close on most properties in 8 days (condos and some rural properties excluded) which is the same as most cash purchases.

If you're considering a cash purchase, you may want to consult with your financial advisor first. If you need a top notch financial advisor please let me know.

Call Jessica Glaeser at Zenith Home Loans to hear more about her Zenith Certified Homebuyer Program.



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