

Is home ownership a good investment?

Owning a home is a financial goal that Canadians strive for. But is it a wise investment? That's a good question.

If you're weighing the pros and cons of buying a house, here are a few things to consider.

Be prepared to pay

A down payment is just the beginning. In addition to your monthly mortgage payments, there are many other expenses associated with home ownership, such as property taxes, home insurance, and repairs and improvements. However, housing bubbles notwithstanding, you should recoup these costs as your home builds equity over time.

Rent or own?

If you are not planning to stay in a house for at least four or five years, you may be better off renting. It may be difficult to break even if you sell within a few years, especially when sales commission and other buying and selling costs are considered. However, you have no chance of building equity if you rent.

A significant asset

There are drawbacks to viewing home ownership strictly as an investment. Although it is generally regarded as a good hedge against inflation, a home is a very illiquid investment. In other words, the chances of being able to sell in a hurry if you need cash are not good.

Deciding which house to buy may be based as much (or more) on personal factors, such as how good the schools are or how close it is to friends and family, as on how well it will perform as an investment. Perhaps a more accurate way to characterize your home is as a significant asset – one that figures prominently in your finances.

A house is a home

And finally, home ownership establishes an emotional connection that owning other investments does not: your home is where you and your family live.



For more information, speak with your BMO financial professional.



We're here to help.™

BMO Wealth Management provides this publication for informational purposes only and it is not and should not be construed as professional advice to any individual. The information contained in this publication is based on material believed to be reliable at the time of publication, but BMO Wealth Management cannot guarantee the information is accurate or complete. Individuals should contact their BMO representative for professional advice regarding their personal circumstances and/or financial position. The comments included in this publication are not intended to be a definitive analysis of tax applicability or trust and estates law. The comments are general in nature and professional advice regarding an individual's particular tax position should be obtained in respect of any person's specific circumstances.

BMO Wealth Management is a brand name that refers to Bank of Montreal and certain of its affiliates in providing wealth management products and services. Not all products and services are offered by all legal entities within BMO Wealth Management.

BMO Private Banking is part of BMO Wealth Management. Banking services are offered through Bank of Montreal. Investment management services are offered through BMO Private Investment Counsel Inc., an indirect subsidiary of Bank of Montreal. Estate, trust, planning and custodial services are offered through BMO Trust Company, a wholly owned subsidiary of Bank of Montreal.

BMO Nesbitt Burns Inc. provides comprehensive investment services and is a wholly owned subsidiary of Bank of Montreal. If you are already a client of BMO Nesbitt Burns Inc., please contact your Investment Advisor for more information. All insurance products and advice are offered through BMO Estate Insurance Advisory Services Inc. by licensed life insurance agents, and, in Quebec, by financial security advisors.

© "BMO (M-bar Roundel symbol)" is a registered trademark of Bank of Montreal, used under licence.

All rights are reserved. No part of this publication may be reproduced in any form, or referred to in any other publication, without the express written permission of BMO Wealth Management.