

## Why You Shouldn't Think Of Your Home As An Investment



According to a recent survey by the National Association of Realtors, 84% of Americans see homeownership as a good investment<sup>1</sup>. And it's not surprising. With rents increasing at record rates and property values soaring in the country's most populated areas, purchasing a home can be a way to control long-term housing costs.

However, strictly speaking, your primary residence is not an investment and you'll do better financially if you don't think of it as one<sup>2</sup>. In reality it's an asset and a very unique one. It might sound like splitting hairs but the distinction is an important one.

An investment is an instrument or entity into which you place your money with an expectation of a return on your principal. Unless you have created a highly unusual arrangement, it may be hard to make a profit from yourself by living in your own home. And that's not a bad thing, because you need a place to live and should expect your housing to cost you money in the long run.

So even though your primary residence may be worth a lot of money, it probably won't generate a return on your investment<sup>3</sup>.

"But," you point out, "what about the people I know who bought their homes 20 years ago for \$100,000 and could now sell them for \$400,000?" Isn't that a return on an investment?

Actually, it's more a reflection of inflation. Lots of things have gone up in price in the past two decades. And before you credit your friends with \$300,000 in profit, you need to subtract repairs, utilities, property taxes, mortgage interest, and real estate transaction costs. The sum total of those costs would be a better reflection of the home's actual cost basis, rather than just its original purchase price. Additionally, when

they do sell, their next house will also have risen in price at a similar rate of inflation and so is likely to absorb these gains.

It's true that there are people who have made profitable businesses out of buying run-down houses, fixing them up while living in them, and reselling them. But this is improving the asset to increasing its value. Just buying a house with the hope of reselling it at a profit is speculation, and really no different from betting on commodities, high end art, or any other asset.

### **When A House *Is* An Investment**

Big investors have been buying up single family residences, not with the hope of "flipping" them, but enjoying a return on their investment through rents. The difference here is cash flow. Like a stock, a rental house can be accurately valued by its earnings. It should be purchased on that basis and not because of any hope of a jump in resale value.

### **A Haven From Volatility**

One of the benefits of owning a home is that its value fluctuation is not nearly as apparent as your stock and bond investments. Imagine if you had a meter hooked up to your home that quoted the current market value and minute-by-minute price movement like a stock. Would you put the home on the market when the price started to drop or start packing boxes when it shoots up? Hopefully not. Patience and the long-term perspective home ownership brings can be a great reminder of how ignoring short-term volatility in your investment portfolio is so important.

You should be prudent about buying and selling your primary residence, but remember that it's an asset that's particularly unique because it provides you a place to call home. For questions about how much of your income should go to housing and how that fits into your long-term retirement plan, give us a call.

Have a great weekend!

Source: Efficient Advisors

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## Golf Tip of the Week



### Swing Past Parallel to Gain Distance and Speed

Tired of watching your ball travel more slowly and shorter than you planned? Your backswing may be holding you back. Adding drag on your swing can make a real difference; every extra mile-per-hour in your driver swing can get you three extra yards off the tee. By swinging past parallel, you add 10 mph.

To swing past parallel successfully, soften the top of your backswing. Rather than extending your arms back higher or forcing an unnatural shoulder turn, let your wrists and elbows do the work. By hinging your wrists while bending your elbows slightly more than normal, you should feel your clubhead dip just a few inches at the top. That dip gives your driver additional distance and time to gain speed.

Your ultimate goal? Meet the clubhead at the ball with the maximum velocity possible. From there, you should see your ball go farther and faster.

Tip adapted from Mark Durland | Golf Magazine<sup>i</sup>

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## Recipe of the Week



### Mini Italian Beef Sandwiches With Pepperoncini Slaw

**Serves 12**

#### **Ingredients:**

17 ounces roast beef au jus, cooked (pre-packaged works)  
2 cups bag of frozen bell pepper (red, yellow, and orange) and onion medley  
1 teaspoon dried Italian seasoning  
 $\frac{1}{8}$ – $\frac{1}{4}$  teaspoon crushed red pepper  
2 cups coleslaw mix of shredded cabbage and carrots  
 $\frac{1}{2}$  cup pickled pepperoncini peppers, stems removed and chopped  
2 tablespoons pepperoncini brine  
12 rolls, 2–3 inches and split

#### **Directions:**

##### **Beef**

1. Put precooked roast beef in a medium saucepan and break down any large chunks into smaller pieces.
2. Add frozen peppers and onions,  $\frac{1}{2}$  teaspoon Italian seasoning, and crushed red pepper. Heat all ingredients just until boiling.

##### **Slaw**

3. Mix together the coleslaw mix, pepperoncini brine, and remaining Italian seasoning in a medium-sized bowl.

##### **Sandwich**

4. Spoon roast beef mixture onto the roll bottoms.
5. Top beef with coleslaw, and cover with roll tops.

Recipe adapted from Midwest Living<sup>ii</sup>

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## Health Tip of the Week



### Medical Ailments to Look Out for Past 50 Years Old

Aging is a natural part of the human experience. Once you reach 50 years old, specific ailments can arise that can affect your wellbeing. Fortunately, by being proactive, you can take preventative steps to stay as healthy as possible at any age.

Here are some common health ailments that affect people 50 years and older:

- **High Blood Pressure:** Our blood vessels lose flexibility the older we get, creating stress on the body. This change contributes to high blood pressure in 2 out of 3 adults aged 60 and over.
- **Osteoarthritis:** Degrading joints is common in older adults. Wear and tear, genetics, and your lifestyle can affect whether or not you develop this disease.
- **Chronic Obstructive Pulmonary Disease (COPD):** COPD is a slowly developing disease that causes inflammation in your lungs and blocks airways. Not only is breathing difficult, but it also causes symptoms like wheezing and excess mucous.

Be sure to consult your doctor if you think you may be developing any one of these medical problems.

Tips adapted from WebMD<sup>iii</sup>

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**Sources:**

1. <http://go.efficientadvisors.com/e/91522/ffordability-a-growing-concern/4rld1/280983368>
2. <http://go.efficientadvisors.com/e/91522/our-house-is-not-an-investment/4rld3/280983368>
3. <http://go.efficientadvisors.com/e/91522/terms-i-investment-asp/4rld5/280983368>

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<sup>i</sup> <http://www.golf.com/instruction/2017/09/22/swinging-past-parallel-could-be-just-what-your-game-needs>

<sup>ii</sup> <http://www.midwestliving.com/recipe/sandwiches/mini-italian-beef-sandwiches-with-pepperoncini-slaw>

<sup>iii</sup> <https://www.webmd.com/healthy-aging/ss/slideshow-health-problems-after-50>