

# Why home-ownership is a bad idea

A couple of years ago I almost bought a house. The mortgage was ready. The seller had chosen me as his #1 buyer. I simply needed to say yes and sign the papers. Due to some dumb luck I got distracted, then got cold feet and finally backed off. Thank you, Dear Universe, for the intervention!

Why I believe that home-ownership is a bad idea:

- If you have \$1M in cash and are making >\$150k a year: By all means, go wild and buy something. For everyone else, I urge you to think twice. That, by the way, is how Warren Buffett did it back in the 1950s. He waited for many years until he finally bought his house. He was rich already!
- #1: Compared with renting, home-ownership can be 15-30% cheaper. The emphasis is on *can*. The reason is simple: Usually you don't buy the same size as you currently rent. Of course not. You upgrade! And gone is this advantage, and you end up paying at least the same.
- #2: In Switzerland the minimal down-payment is 20 percent. Which is a smart policy. Often it means, that all your savings are gone (and maybe even more...).
- #3: Opportunity cost! Your cash is tied up. You cannot invest it. Even compared with a boring ETF Index Fund which returns 5-8% per year, the opportunity cost can be massive over a period of 10, 20 or 30 years. It can literally be the difference between financial freedom or not!
- #4: Often, you end up being a slave of your own house (which would have been my own fate...). All you work for is to pay the interest and amortization of your mortgage, and of course repairs and running expenses. Thinking about taking a 6-month sabbatical? No can do. Gotta pay the bills. I have friends who bought a house and now decided to sell it again, because they want to get out of this rat-race.
- #5: Repairs, the garden and all the other mundane stuff. This is your responsibility now. Gone are the days when everything was automatically taken care of. This can be fun if you are the Do-it-yourself type. I am not. I prefer delegating that stuff.
- Join a house cooperative ("Genossenschaft") instead. It is home-ownership on steroids. You are a co-owner and usually pay 30% less compared to market-rent. And everything from gardening to repairs is taken care of. For me, it's the perfect sweet-spot between ownership and renting. That's why I live in one. A very popular model in Switzerland.
- Real Estate Investing is a whole different story. I was talking about home-ownership in the classical sense: Buying and living in your own home. If you want to become a Real Estate Tycoon and build up a cash-flow stream, then by all means, go for it! A good friend of mine is now a proud owner of 70 units (all self-made!) and he could easily retire if he wanted to (he is 34 years old). Another friend is building a real estate conglomerate, vertically integrating all real estate services. His group of companies now employs 70 people, and his business is growing very fast! Of course both of them didn't tie up their first cash in a home. They invested it, and today - if they wanted - could buy any house.
- Of course you can be lucky. If you find a bargain way below market price, or live in an area where prices will likely go up, home-ownership might make sense. But do your homework - and think twice - before you buy!