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YAMAN Coach

EMPOWERING YOU

Should I Buy a House or just Rent?

by Coach Atty. EnP, Zigfred Diaz, ReA, ReB, CSS, AEPP, RFP®

I wish there were a direct answer to the question posed by this article.

The decision as to whether you should buy or just rent a house will depend on your goals and the cost involved. Here are the details to consider:

1. Determine what are your goals – How do you see yourself for the next 5 years or so? Do you have any plans of getting married if you are not already? Do you see yourself getting a promotion and transferring to another location? Do you see yourself living in the same location for the next 5 years?

   Some millennials have big problem answering these questions as most believe in the philosophy of 'I'd rather live in a suitcase and see the world'. So, it is difficult for them to figure out if they would be able to stay in a location for the long run.

   If you think that you will have no changes in your geographical location in the next 5 years or more, most likely buying a house is the best option for you. I know some people personally who rushed to buy a house only to find out later that their plans changed, and they needed to move to another location because of certain reasons like career changes or getting married. As a result, their properties became idle for some time as there was nobody who could manage them. Some even lost the enthusiasm to keep up with mortgage payment, eventually leading them to default on their loan amortizations thereby incurring loan penalties.

2. Determine the cost – A lot of people will argue that "buying" a house is the more logical option because, regardless of what will happen, you end up have an asset. Besides, they say it is much wiser to use money, that was originally intended to pay for rent, for servicing monthly mortgage payments dues. Well, that is true in a lot of cases but not in all cases. Because there are times when renting is much more cost effective than buying.

   When you buy a property, there is such a thing as opportunity cost. If you are buying from another homeowner, you will need to come up with the total price up front. On the other hand, if you are buying from a developer, most likely you will go for a loan. In this case you will be required to make a down payment and pay equity. Equity cost as much as 30% of the total contract price while funding for the 70% will be most likely sourced from a bank. The equity you pay the developer does not earn anything could have gone to an investment and made you more money. That is the opportunity you are giving up.

   Another thing to consider is your monthly mortgage payment. If what you pay for rental is substantially lower than your mortgage payments, then you could also invest that difference.

There are other factors that you need to consider in order to make decide on whether to buy or rent a house. The price of the house that you will be purchasing, the interest rate of your mortgage price, average appreciation of property prices in your area, maintenance cost of your house, are just some of the other things you need to consider.

Whew! That is a whole lot of things to consider! But you do not need to do the "heavy lifting". Just consult a financial planner nearest you to help you make the life-changing decision.

Making a decision to buy or rent may be difficult. But living with that decision can be a lot harder. So, choose wisely.

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Retirement Planning 101 (conclusion)

by Coach John Hero A. Salvador, RFP®

Retirees risk running out of funds quickly due to the increased chance of hospitalization. To retire with peace of mind, the retiree needs to incorporate risk management as regards health and wellness. The foremost advice for people already in retirement is to still maintain an active lifestyle. For the retirees to be, the vest advice is to take care of their health through healthy diet and exercise as early as possible.

Ensuring that life insurance policies with critical illness benefits are still in force is the norm. Taking on limited pay life insurance policies provides an edge especially if the payment period will be completed before retirement.

Critical illness benefits address the most common causes of death in the Philippines – heart attack, stroke, cancer, and pneumonia, which can all drain retirement funds. The current regular treatment for stroke, heart attack and cancer, for example, cost around Php1.8 million, Php0.98 million, and Php0.4 million (at least), respectively.

Being older increases the odds of disability due to accidents. Minimizing the risk of disability due to accidents can be had from avoiding unnecessary risky activities to ensuring that the home is regularly inspected for possible disability risks (e.g. slippery floors). But should disability due the accidents occur their financial impact may be cushioned by disability benefit riders to life insurance policies. A person just needs to know exactly the conditions that payouts from such riders will be made.

Also, some health maintenance organizations (HMO's) provide coverage for people aged 60 and above. Aside from defraying costs of hospitalization and possible additional expenses for medicines, HMO products also provide preventive benefits such as periodic check-ups, free medical procedures, and wellness programs.

While private sector financial products offer a lot of benefits to retirees, government programs can offer the same. PhilHealth for instance provides inpatient (deductible case rate amounts) and outpatient benefits (e.g. elective surgeries, radiotherapy, hemodialysis, blood transfusion, and primary care benefit). PhilHealth also has Z benefits which provides assistance to specific types of cancer, end-stage renal disease, bypass surgery, and mobility conditions (especially for PWD's). PhilHealth has coverage for malaria and tuberculosis medication as well.

The PCSO also provides benefit during hospitalization through their Medical Access Program and Outpatient Services Program.

Retirees both can access private and public institutions to manage health risks during retirement. With these safety nets in place, eventual retirees can focus on the possible sources of income during retirement.

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Editor's Note

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Editor-in-Chief

Have you ever heard of the phrase "marriage made in heaven"? PFA believes that indeed all marriages are made in heaven. But it is still up to the married couple to keep it there.

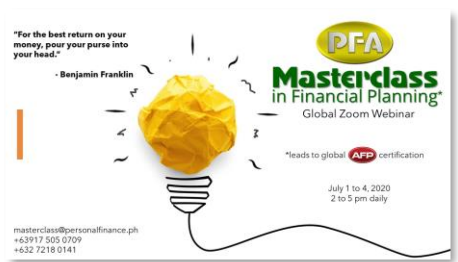
In marriage, the couple will use whatever they have to start with and combine their efforts throughout the marriage to acquire assets to enjoy a better life for themselves and their children. The question is, who among the couples owns which assets?

In Philippine law, there are default property regimes. If a couple was married before August 3, 1988, the couple falls under conjugal partnership of gains where properties brought into the marriage remain exclusive. But gains on said properties, including properties acquired during the marriage are equally owned.

A couple married on or after August 3, 1988 fall under absolute community property where all assets brought into and acquired during the marriage are equally owned by the couple.

Learn more on this in our "Make it with You" Webinar. (see poster for details)

PFA EVENTS



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