

# 7 Reasons to Buy Real Estate Before the End of the Year

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The end of the year is a great time to become a first-time homeowner or close the sale on that pending investment property, vacation home or future residence. As we close in on the final weeks of the year, we offer three (3) reasons to enter the real estate market during the time of year most people hibernate on available deals. If you are close to buying a home before the end of the year, don't miss out on these special perks.

## 1. Save on Taxes

Closing the sale on a new home by December 31 means you can deduct some closing fees, mortgage loan interest, property taxes and points on your home loan from your income tax return. These deductions are significant, especially in the early years of your loan when most of your mortgage goes towards paying off loan interest.

If you can afford it or need additional tax savings for the year, make an extra mortgage payment late in December to count it toward your deductions — just be sure the check is in the mail with enough time to be processed by your lender before the end of the year. In addition, take care of any repairs before the end of the year to be fully deductible against income taxes.

### **Other Tax Credits and Deductions Available to Homeowners before December 31:**

- **Energy Efficiency Tax Credit**

Homeowners who completed and paid for residential energy efficiency projects, are eligible

for a one-time credit of up to \$500. The energy efficiency tax credit may apply to some types of water heaters, furnaces, insulation, windows, roofs, heat pumps, boilers and air conditioning units.

- **Home Office Deduction**

Homeowners who use part of their home for business or in-home office may be able to deduct expenses for the use of the home. The deduction is available to homeowners and renters. Account for every home expense paid by the business (such as mortgage costs, utilities and repair bills) or use a prescribed rate allowable by the square footage of the office for a tax deduction.

*Note: Beware of the lowering your taxable income too far as to become subject to the Alternative Minimum Tax (AMT) which counteracts any savings from available itemized deductions and tax saving vehicles.*

## **2. Capitalize on Motivated Sellers Looking to Save on Taxes Too**

Many real estate sellers will also be looking to close the sale of their property by the end of the year so that they, too, can enjoy tax savings on the next home they purchase. The need to close may be a boon to buyers looking for leverage in negotiations, faster responses to offers and flexibility with listing prices. Speak with a trusted real estate agent to design a smart property negotiating and purchasing strategy.

## **3. Less Competition from Other Buyers**

Generally speaking, October and November are great months for house hunting as many buyers suspend their search until the time to re-enter the market comes in spring. In December, with most the buying competition put off by the holiday season and/or snow, smart end-of-year buyers can make deals when bidding on desirable properties.

## **4. Access to Affordable Contractors**

The winter season slowdown in real estate also frees-up contractors, including inspectors, electricians, plumbers and roofers who may be needed to pass inspection and make your new home livable. With less work to be done, your repair and renovation project may be completed faster and at lower cost.

Additionally, it may be easier to secure the services of a moving company around the end of the year. Lower seasonal demand will also be an incentive to score some discounts.

### 3 Additional Long-Term Advantages of Buying Real Estate

In the end, you are going to enjoy the many benefits that come with homeownership, regardless of what time of year you buy, including:

**5. Owning a Place of Your Own** – Unlike a rent payment, your monthly mortgage payment goes toward something you own. When you own your home, you can update your kitchen, replace carpeting, decorate, and build equity according to your choice (and municipal building codes).

**6. Build Equity** – Most of your mortgage payment goes toward paying off loan interest. Once you begin paying off your principal or the value of the property is increased (via market appreciation or remodeling), equity builds up in your home which allows owners to take out loans for college tuition, vacations, or additional property investments.

**7. Earn a Consistent Income** – Once real estate investors secure a mortgage, they can rely on a consistent flow of rental income as a tool for long-term financial security.

Build a secure financial safety net through real estate investing. Consider finalizing a home purchase before the end of the year to take advantage of tax savings. And if you do nothing else, be sure to schedule a meeting with your trusted financial advisor and tax preparer to craft personalized strategies to buy new real estate and save more money at the end of the year.

If you need a referral to a great real estate advisor, let me know. ---