

For Charlottesville Renters: The 5-Year Tesla Plan

My 5-year Tesla Plan is fanciful, but based on what could be the situation some Charlottesville renters can probably relate to.

The imaginary 5-year Tesla Plan participant could be any gainfully employed Charlottesville renter who has been living comfortably in a nice rental for the past few years. It's either a comfortable home or a nice apartment: that doesn't matter. What's important is that the monthly rent has been rising. It's now \$1,570. This is now gobbling up just about every spare dollar of the Charlottesville renter's income, perhaps leaving only an annual \$6,000 bonus for savings, which the tenant has banked religiously for the past five years. The renter is driving a seen-better-days Subaru, newly paid-off. In fact, the renter has recently been tempted to take that \$30,000 bonus savings and buy a brand new Tesla Model 3 sports sedan—but so far, prudence has won out (besides, the trove is \$5,000 short of the Tesla's price tag).

The 5-year Tesla Plan gets started with a call to my office (actually, any Charlottesville REALTOR® could be called—but this is my Tesla Plan, after all!) The object is to find a suitable Charlottesville home to buy. This we accomplish with a spacious 3-bedroom 2 ½ bath in an out-of-the-way location. Its asking price is low because the motivated seller has been absent for months and now, in July, the yard looks terrible. So it's a real buy at the just-reduced asking price of \$210,000.

The average nearby comps come in at \$240,000, so the bank has no trouble offering a home loan at that week's rate of 3.835%. The bonus trove will cover nearly 15% as a down payment (saving those annual bonuses instead of buying the Tesla was certainly a good idea)! Because the down payment was less than 20%, the new homeowner will have to add about \$65 a month extra for private mortgage insurance (PMI)—but even so, it's still a great deal.

The bottom line is a monthly mortgage payment of \$1,137 including property tax, house insurance, and the PMI insurance. So the proud new Charlottesville homeowner is now saving \$433 every month. This might seem to be an annual saving of \$5,200—but that's not so! There are two other financially lucrative things going on that weren't available to renters.

First is the appreciation in the value of the house once the yard is back in shape. But that's not part of the 5-year Tesla Plan—it's just a long-term bonus.

The second advantage most definitely *is*: a hefty income tax break. During those first five years, the mortgage interest paid equals \$32,636—the entirety of which is a federal income tax deduction. So is the \$3,900 in PMI payments. In the 25% tax bracket, that comes to \$9,134 less headed to Uncle Sam. When you add everything together, during the first five years, the new homeowner will have pocketed about \$35,134.

That's good because it just so happens that the Tesla Model 3 is being advertised at a starting price of \$35,000. So who needs to even trade in the now-rusty Subaru?

That's my fanciful 5-year Tesla Plan—which gets you your new Tesla at the same time you are establishing a long-term Charlottesville real estate investment. Individual tax situations differ, and should be always be referred to a tax professional—but you don't have to be driving a rattletrap Subaru to benefit from the moral of this story—which is the undeniable financial advantage in store for Charlottesville renters who make the arithmetic work for them when they choose to become Charlottesville owners. Also, it's easy to start: just give me a call!



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SETH BATTON

REALTOR, ABR®, e-PRO®

Born and raised in the Shenandoah Valley of Central Virginia, I love everything outdoors. Most of my free time is spent hiking, rock climbing, playing water sports, or cooking out on the back deck with friends. As a child, my parents built me with the core values of a southern gentleman. Trust starts with honesty and honesty builds integrity. I'm a technology guru! One of my favorite hobbies is restoring old homes in depressed neighborhoods to meet the needs of our generation today. My mission is to build a career worth having, a business worth owning, and a life worth living.

I'm an Accredited Buyer's Representative (ABR) with the National Association of Realtors. Which means I have extensive training to help walk you through the home buying process from start to finish. From lenders and home inspectors to mortgage agents and closing companies, together we will find the best home for your family's needs!

As an e-PRO®, I can show your home to over 500 million visitors today. And you don't even need to vacuum! Curb appeal isn't just about looking good from the street. It's about looking good from the digital highway!

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