

## LEASE LAND vs. FEE SIMPLE

### FINANCIAL BENEFITS

The primary difference between buying land and leasing it is obvious, leased land reduces the cost of the home by 20 to 30%. Once the structure is built, the land beneath it can be of no other use to the homeowner. So, by owning on leased land, the homeowner gets the use of the land without the capital outlay – and can afford a far more luxurious home for less money. Furthermore, since no one actually owns a home until the loan is paid off, most so-called “land owners” don’t really own their property for 30 years.

### WON'T THE VALUE OF MY REAL ESTATE CLIMB FASTER IF I OWN THE LAND?

While many things determine resale value values, all available figures indicate that resales of homes on leased land (such as Mission Hills Country Club, and Canyon Estates) have climbed in the exact proportion as other homes in the area. The condition in which you keep your home has far more influence on its resale value than the fact it is or is not on leased land.

### WHAT ABOUT MY CHILDREN AND GRANDCHILDREN, CAN I PASS A LEASEHOLD ESTATE ON TO THEM?

Of course. You can give or sell your home on lease land just as easily as on fee land. However if you are concerned about your heirs 65 years from now, there are four realistic questions you should ask yourself.

Will they really want a 65 year old home when the average life of most California residences is estimated at less than fifty years?

Considering that most residences change ownership about every five years (which would be more that 10 turns of ownership during the life of your lease) is this home really like to stay in your family for 65 years?

If you have a savings of \$206 per month (\$2472 per year) by leasing land vs. purchasing, over the life of a 65-year lease, yours savings would total \$160,680 even if it earned interest. If you kept this monthly savings in an account paying 10% annual interest, your savings would exceed \$1,250,000 over 65 years (and even more if interest were compounded monthly). Wouldn't that be better way to take care of your great-grandchildren?

What happens at the end of the lease? Since there is no legal restriction prohibiting the Indians from selling their land, you or your heirs may have the option to purchase if you wish to do so. However, most probably, you would be offered a new lease based on conditions existing at that time. There would be no financial advantage to taking back the land.

### WHY DO PEOPLE COMPARE A HOME ON LEASE LAND TO A VARIABLE ANNUITY LIFE INSURANCE POLICY?

Probably because it is easier to understand? Just as a variable annuity gives you the possibility of gaining from both fixed interest rates and asset appreciation, a home purchased on leased land give you a monthly savings along with the possibility of home appreciation.