

# Rent or Buy?

## Why Renting Makes Sense



For decades we've all been told that home ownership is the "American Dream," and "a great investment." Truth is, most people do not realize the huge financial burden that home ownership can entail. We've outlined several myths surrounding home ownership, and proven here that there are countless freedoms and proven financial advantages of renting an apartment home.

**MYTH #1:**

**Purchasing a home will provide huge tax breaks.**

**The Reality:**

Tax advantages for many homeowners may not exist. If your mortgage interest and other itemized deductions don't add up to the standard deduction, you experience no tax advantage. For example, a married couple with \$11,000 total deductions would have a mere \$300 in deductions over a renter who paid zero in interest and property taxes.

**MYTH #2:**

**Paying rent is like throwing away money, especially when a mortgage is less expensive.**

**The Reality:**

The cost difference between home ownership and renting has never been higher. Despite what real estate agents and online "Rent vs. Buy" calculators promote, home ownership allows advantages only for those who:

1. Plan to stay at least 3 years.
2. Are prepared to deal with maintenance and noisy neighbors on their own.
3. Have extra money saved.
4. Understand the importance of managing their money, and include within their expenses/income a budget to ensure positive personal cash flow.

**MYTH #3:**

**No more rent increases!**

**The Reality:**

While it is true that with a fixed mortgage rate your payment will stay constant, you may still experience increases in property taxes, insurance, and maintenance expenses. Even though rent increases do occur occasionally, you may find they are considerably less than the other rising costs of home ownership.

**MYTH #4:**

**Buying a home is a great investment.**

**The Reality:**

Putting all of your money in a house is like putting all of your wealth in a single stock on the stock market. Consider the current housing situation and realize it can be a risky financial strategy!

# Convenience of Renting

- All maintenance and repairs are included in your rent and handled by professionals without the hassle of contacting various repair people and making sure you're home to meet them around their schedule.
- Complete freedom from operating issues (no condo boards, budget questions, etc.)
- Ease of moving: no finding and qualifying a buyer, waiting for closing date, etc.
- No intrusive neighborhood association fees, rules, procedures
- No legal liability involved with home ownership
- Save time, gas, and wear and tear on your vehicle, (not to mention various membership fees) by utilizing amenities within walking distance of your home such as fitness center, tanning beds, swimming pool, etc.
- Never worry about personal mail packages left out in the weather and within sight of neighbors while you're away from home since clubhouse staff can safely store your package until you decide to pick it up
- No lawn care upkeep (mowing, raking leaves, etc.), or snow shoveling
- Work-free weekends are yours to enjoy!

# Economics of Renting

## Estimated cost associated with ownership compared to renting a standard 2 BR/2 BATH apartment:

### Home Ownership Costs

#### CAPITAL COSTS

Purchase price of a 2 Bedroom condo or home of comparable quality and location	\$125,000
Estimated down payment at 20%	\$25,000
Amount to be financed	\$100,000

#### Total Monthly Capital Costs

Monthly payment (assume a mortgage interest rate of 6% for 30 years)	\$600
Lost earnings on down payment (assume 10 year US Treasury bond at 5% would earn \$1,250/year)	\$104

#### OWNERSHIP COSTS

<b>Total Monthly Ownership Costs</b>	<b>\$300</b>
Local real estate taxes	\$143
Insurance - annual property coverage and liability estimated at \$600	\$50

#### OPERATING COSTS

<b>Total Monthly Operating Costs</b>	<b>\$550</b>
Repairs/Grounds keeping	\$200
Income tax benefits of ownership verses using the one person standard deduction:	\$10

<b>MONTHLY COST OF OWNERSHIP</b>	<b>\$1087</b>
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<b>MONTHLY COST FOR RENT</b>	<b>\$800</b>
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<b>MONTHLY SAVINGS BY RENTING VS. BUYING</b>	<b>\$287</b>
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