

Advantages Of Renting

- The initial investment to rent a home or apartment is quite low. Buyers often need to have anywhere between 5 to 10 times to move into a home than to rent an apartment.
- Renting costs less money. The funds that would normally be used toward a down payment or higher mortgage payments can be invested into savings accounts that give higher returns. This is especially true in situations where the property is lived in by the renter for less than four years.
- The renter has limited responsibility because they do not have to take care of repairs. The landlord is responsible for these tasks. When owning a home, the owner is responsible for all repair costs.
- The renter has less of a tax impact on their financial situation. The renter is not impacted by such items as property taxes that can fluctuate often.
- The renter may be able to budget easier. Rent is an amount that is fixed and may even include utilities in the rental amount. A fixed amount can allow the renter to set a budget easier because the renting cost is set.
- The renter has more mobility and flexibility to move since leases tend to be short-term.
- Insurance costs are lower for renters because the renter only needs to insure the contents of the rental property and not the structure itself.
- The cost to move in is lower. There may be no down payment and less deposits required.

Things To Know Before Renting A Home

Despite the advantages of renting, there are some things that renters should take into consideration before choosing to rent.

- The renter should know what the lease can and cannot do before signing. Local laws do not always cover the conditions covered by leasing and tenancy agreements. The renter's lease is legally binding when it comes to the living arrangements and the renter's rights.
- The renter should know how to protect their security deposit. This can be done by doing a thorough walk-through prior to signing a lease. All pre-existing damage must be documented.
- The renter should know about the renter's insurance policy. Renter's insurance protects the renter against damage and losses due to flooding, fires, robbery, and other adverse events.

Advantages Of Buying

- There are instances in which the cost of ownership can be less than renting.
- The buyer has control of the property and realizes that the acquisition of the home is a capital gain.
- The buyer has "forced" savings, which can be important when the buyer pays down the balance by a substantial amount.

- The buyer experiences tax advantages. Up to \$10,000 in property taxes and interest on up to \$750,000 of mortgage debt can be itemized for tax deductions. Interest on second mortgage debt of up to \$100,000 is also deductible provided it is obtained to build or substantially improve the homeowner's dwelling.
- The buyer experiences personal freedom by being able to redecorate, remodel, or make improvements as they see fit.
- The buyer experiences fewer restrictions. There are a fewer number of rules that the homebuyer must abide by, which includes restrictions as far as pets, children, and noise goes.
- When mortgage payments are made on time, the homeowner can achieve a better credit rating.

Things To Consider When Buying A Home

Despite the various advantages, there are some things that buyers need to know and be aware of before choosing to purchase a home:

- The buyer is responsible for more than the mortgage payment. There are also taxes, insurance, maintenance and repairs to be concerned with. There may also be dues from the Homeowner's Association to consider.
- The homeowner has less flexibility to move. After buying a home, there is not much flexibility when choosing a new job in another town.
- The market and home prices fluctuate. The appreciation or depreciation of the property value depends on when the home was bought, whether during a boom period or a bust period. The property may not appreciate at the rate the homeowner anticipates, leaving the homeowner with no profit when planning to sell it.

Should I Buy Or Rent?

There are two factors to consider in this equation: How much the homeowner expects the home to appreciate and how long the homeowner plans to stay. A homebuyer usually needs to stay in the home for at least three years to make up the costs. Staying for five years is a more preferable timeframe. However, the homeowner may need to stay longer to be ahead compared to renting, which depends on the part of the country one resides.

[Affordability](#) must be taken into consideration when deciding to buy or rent, despite the plans of a person to stay in a home for a long time. Many financial experts suggest that buyers keep their monthly residential payments at 33% or below their gross monthly income.





RENTING



Greater short-term flexibility

- can adjust dwelling size with family condition
- easier to move for a new job opportunity or family

Real estate sales are high friction



- Realtor commissions can cost up to 6%
- It can take months to sell a home
- Sellers have to live somewhere while selling their homes



Down Payment can be invested elsewhere

- rather than concentrated wealth in a single asset, one can diversify their investments
- between 1928 & 2013 house prices increased 3.7% annually
- stocks returned 9.5% during the same period

Landlord liable for maintenance and repairs



VS

BUYING

Real estate typically appreciates slightly faster than inflation



Improves sense of family stability

Fixed-rate loan payments are static



- from 2000 to 2019 primary resident rents rose 78.37% *
- even if property values & property taxes rise, other loan-related payments remain flat



Emotional⁺ benefits

- 79% believe buying a home changed them for the better
- over 80% of homeowners said they would not go back to renting
- 88% of homeowners believed buying a home was the "best decision they ever made"