

## **Buying vs Renting a Home?**

Is home ownership the right path for you? Should you rent instead? How fast will your family grow and how much space is needed for your family and their activities? How much money do you have to pay for housing? When is the best time to buy a house?

Buying and owning your own home is more complicated than just having the money for the down payment and monthly mortgage payments. Owning a home requires a tremendous commitment of funds, time, and attention.

The following topics should help make your decision a little easier:

- Advantages and disadvantages of renting a home
- Advantages and disadvantages of buying a home
- Defining your values
- Are you ready for home ownership

### **Advantages and disadvantages of renting a home -**

For some, renting can be the best option. Considering the high cost of a down payment on a home, financial considerations are of top priority. Renting can be viewed as a temporary solution while you plan your future.

#### **ADVANTAGES of renting are:**

- You are excused from the bulk of home ownership responsibilities such as:
  - Landscaping
  - Snow removal
  - Trash & recycling pickup
  - Appliance repairs
  - Remodeling
  - Home Improvements
  - Property taxes
- Your rental many include amenities such as:
  - Pool
  - Tennis courts
  - Social/activity rooms
  - Laundry facilities
  - Security
  - Parking
- There is no large down payment, only a security deposit.
- Many of your monthly expenditures (rent, utilities) are fixed making budgeting easy.
- Close proximity of neighbors often create a sense of security.
- If you do not like where you live, moving is relatively simple.
- It is easier, especially if you travel/commute often.

#### **DISADVATAGES of renting are:**

- No special tax deductions, no equity gains in the rising value of property.
- Space and storage is usually less than a home.
- Changes to accommodate your life or growing family cannot be made or are limited in scope.
- Rents can rise with inflation and or supply and demand in the rental market.
- You will probably have restrictions on noise level, pet ownership, or children.

## Advantages and disadvantages of buying a home -

### ADVANTAGES of buying a home:

- The home may increase in value, resulting in a significant gain in net worth.
- Home ownership and the sense of status created both at home and in the community.
- Homeowner's tend to have better credit ratings.
- The longer you live in a home, the more equity you build that can be leveraged for the future.
- Mortgage payments contribute to an investment, particularly if the property increases in value over a period of years.
- If you have a fixed loan, your payment will remain relatively constant for the life of the loan.
- The interest paid on your loan and taxes are legitimate income tax deductions.
- Ownership may contribute to security, especially in retirement years when income normally decreases.
- A homeowner can borrow against his/her equity, as the value of the home increases.
- More space may be available for family members and their activities.
- As a homeowner you have the freedom to make improvements and changes to the home and surroundings as desired
- Home ownership can contribute to the general well-being and sense of "roots" of the family.
- Homeowners generally are concerned about community affairs and how they may affect their property.

### DISADVANTAGES of owning a home:

- A substantial down payment is needed.
- Owning a home requires a substantial commitment in time, emotions, and money.
- The initial expense of buying a home. Financial resources may be limited or reduced for other purchases or activities.
- Maintenance and repairs are inevitable and could be costly.
- Budgeting is cumbersome and a must in preparation for maintenance, repairs, home improvements, and/or home ownership/association dues.
- Depending on where you live property taxes could increase.
- The cost of buying a home could also include the cost of moving into it and furnishing it.
- Security is an issue if you are not home often due to travel.
- Unexpected loss of income due to job termination or unemployment may limit money available for home ownership costs.

## Define Your Values -

### The very best way to proceed is to list all the factors about your life that are important to you.

- What type of living situation would make you feel the best about yourself?
- Do you have certain neighborhood preferences that would be limited by either decision?
- Which decision would strap you the most financially?
- If you have family (married, children) which decision would impact their lives?
- What are your lifestyle requirements?
  - Do you like to entertain?
  - Do you want a garage for the cold months?
  - What is the distance you would have to travel to work, school, church, shopping?
  - How important is privacy?
  - How handy are you for maintenance and upkeep?

## Are You Ready for Home Ownership?

The Neighborhood should be a major part of your decision. Here's a list of things to check:

- Its proximity to:
  - Factories
  - Trains
  - Airports
  - Traffic
  - Highways
  - Sanitation
- Appearance
- Schools
- Whether the neighborhood is appreciating or depreciating in value
- Safety and security

Accessibility, like driving through traffic to get to shopping, schools or work can be a real issue over time. Consider the convenience of your desired neighborhood in relationship to:

- Work
- Shopping areas
- Schools
- Entertainment and lifestyle activities
- Places of worship
- Condition of the roads
- Available public transportation

Community Amenities, you will want to use the local resources to enhance your life. Consider looking into the following:

- Police
- Fire stations
- Health facilities
- Sanitation services
- After school activities
- Recreational facilities, such as parks, golf courses, hiking trails, etc.

## Other considerations -

If you are buying consider what the neighborhood offers for you and your particular lifestyle today and in the future. This might be a good time to evaluate your particular needs and how they might affect the potential to sell the home in the future.

## How Much House Can You Afford?

Buying a house commits you to a long-term relationship with a mortgage and requires a considerable amount of time and energy that most homeowners will tell you becomes second nature. American consumers spend from 21% to 54% of family income on their housing. How much each family spends on housing depends on many factors.

## Three basic considerations that can help a family determine how much home they can afford:

- The amount of take-home pay the family can reasonably expect.
- The family's living costs and other debt payments.
- The total amount of housing expenses, including: taxes, insurance, energy, furnishings, maintenance, and mortgage payments.