



Which is Better: Renting or Owning? November 2018

Dear Fellow Investor,

You're moving. You've found greener pastures, and are looking forward - a little excitedly, a little nervously - to your new surroundings. You'll be asking a lot of questions during this time. One of the biggest is, where will you live? To be a little more specific, should you rent or buy?

Here are some questions to ask yourself as you're weighing your options:^[1]

- Can you afford to buy a house right now? How much money do you have saved?
- How long do you plan on staying in the area?
- Are you looking to settle down or do you want the flexibility to travel or move frequently?
- Are you handy? Are you inclined or willing to do home repairs or renovations?
- What are your goals involving your career and your family?

What are the advantages of renting? What are the benefits of owning? Let's explore both sides.

Here are reasons why renting is good:^[2]

- As a renter, you may have fewer maintenance costs and repair bills. If something that is part of the rental property breaks, it's the landlord's responsibility to fix it.
- You have access to amenities, such as swimming pools or fitness centers, that may cost homeowners bundles.
- The taxman doesn't come. You won't get a property tax bill.
- A tough housing market may spell bad news for homeowners, but renters are mostly immune to shifts in the real estate market.
- You can jump ship relatively quickly as a renter and move elsewhere. You're responsible for selling your home if you want to downsize or move. If you're not committed to living in one spot for at least three years, renting may be your best choice.^[3]
- If you fall into dire financial straits, you're not saddled with a hefty mortgage.
- As a renter, you don't have homeowner's insurance, which can range from \$25 to \$80 a month. Renter's insurance is relatively inexpensive, at about \$12 a month.
- Apartment renters usually have lower utility costs.

Here are reasons why owning a home is good:[4]

- Owning a home is generally a good investment. If you own your home for many years, it may increase in value.
- You're able to create equity. Equity is the difference between what you owe and your home value. With each payment, you build equity. Here's how it works. You have a \$20,000 car, for example. You owe \$9,000 on it. Your equity is \$11,000. With your house, you can borrow against your home's equity to meet other financial needs.
- You may be able to reduce the amount of income taxes you may owe. Federal rules may allow you to deduct mortgage interest. Tax law has changed so you should consult with a professional tax preparer to learn more.[5] You may be able to deduct more during the early years of your mortgage with higher portions of your monthly payment going to interest.
- Making consistent, on-time mortgage payments builds your credit history and may bolster your credit score. Lenders view you as a responsible borrower with a lower-default risk.
- You have the freedom to decorate or renovate your home as you envision. You can paint your walls whatever color you want. You can knock down walls, redo floors, lay new carpeting, and design your home to fit your tastes or personality - without seeking permission from a landlord.

As you weigh your options, you can use rent-versus-buy calculators to determine your best financial options. The calculators request you plug in specific information: zip code, target monthly rent, target home price, and available home price. The calculator then shows you which is less expensive, buying or renting. Go to https://www.trulia.com/rent_vs_buy/.

Bankrate asks you a series of questions to help you determine your best choice financially. The calculator asks a series of questions, including:

- How much of a down payment are you able to make?
- How much debt do you have?
- What percentage of a home's value would you be willing or able to make as a down payment?
- What is your credit history?
- How long do you plan to stay in your new home?
- What are the average home prices in the area you're considering?
- Do you plan to itemize your mortgage interest?
- What is the state of your budget?

To learn more, go to <https://www.bankrate.com/calculators/mortgages/rent-or-buy-home.aspx>.

We can help guide you in making the tough financial decisions. Working with an independent financial professional can help you build a strategy for the pursuit of your future goals.

Contact us today to learn more!

Kind Regards,

James R Mertz, CFP

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[1] www.bankrate.com/mortgage/renting-vs-buying-a-home/

[2] www.investopedia.com/financial-edge/1112/reasons-renting-is-better-than-buying.aspx

[3] time.com/money/collection-post/2792045/rent-or-buy-my-home/

[4] www.discover.com/home-loans/articles/advantages-of-homeownership

[5] www.irs.gov/newsroom/interest-on-home-equity-loans-often-still-deductible-under-new-law



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