

RENTING vs. BUYING

Due to trends in home prices and mortgage rates, this is an excellent time to look into buying a home. If you've been thinking about buying a home, the first question you've probably asked yourself is "Can I afford to buy a home?"

Perhaps a better question to ask is "Can I afford to rent?" No matter how much you pay in rent, chances are that the amount you pay could add up over several years to be the price of your dream house, if not more. The following chart shows how much rent payments would add up to over the years.

Rent	10 Years	20 Years	30 Years
\$600	\$72,000	\$144,000	\$216,000
\$800	\$96,000	\$192,000	\$288,000
\$1,000	\$120,000	\$240,000	\$360,000
\$1,200	\$144,000	\$288,000	\$432,000
\$1,500	\$180,000	\$360,000	\$540,000
\$2,000	\$240,000	\$480,000	\$720,000
\$2,500	\$300,000	\$600,000	\$900,000

Home ownership isn't for everyone. You should weigh all the "pluses" and "minuses" when considering whether purchasing a home makes sense for you, your family, and your lifestyle.

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BUYING	<ul style="list-style-type: none"> • Sense of ownership • Property builds equity • Tax deduction of Mortgage Interest • Free to change décor, landscaping, structure • Not dependent on anyone else for maintenance 	<ul style="list-style-type: none"> • Responsible for maintenance • Responsible for property tax • Must have hazard insurance • Less mobility
RENTING	<ul style="list-style-type: none"> • Sense of community • Easier to move 	<ul style="list-style-type: none"> • No tax benefits • No equity gains • Possibility of change in ownership • No control over rental increases

If you are still on the fence about whether to buy or rent, use the rent ratio. The rent ratio is when you take the purchase price of a house and divide it by the yearly cost of renting a home. According to the New York Times article, "the number 20 provides a useful rule of thumb. When you do the math, you discover that a ratio above 20 means you should at least consider renting, especially if you may move again in the next five years or so. When the ratio is well below 20, the case for buying becomes a lot stronger." Also, make sure to factor in other costs associated with owning a home such as homeowner association fees, property taxes, homeowners insurance, and maintenance costs.

Also, know your personal situation. If you've got debt up to your eyeballs or you've just gone through a big life change such as marriage, a newborn, divorce, or a death in the family, taking on the responsibility of owning a home might not be in your best interest.

Home ownership is a major decision and responsibility. However, the pride of home ownership and the freedom it provides are only two of the dozens of benefits homeowner's experience. After all, 'there's no place like home.'

Whether you're buying or renting, ERA® Foster & Bond is here to help you find the perfect solution for your housing need.