The Rent vs. Buy Decision

The decision to rent vs. buy is a very personal one. There are many sound reasons to purchase a home: equity build-up, tax savings, capital gain when you sell, and the enjoyment of ownership. The purchase of a home requires a cash investment and taking on debt. Naturally you must have saved enough cash, be able to make future payments, and also have enough time and resources to maintain your home.

The cash investment is applied toward your down payment, closing costs, and prepaid items. Some of these items are not easily recouped if you should sell the home you buy in the short term. Buyers need to consider how long they will own the property before selling. If you intend to occupy the property for a short period of time, then the financial benefits of owning the property are diluted.

In financially analyzing the rent vs. buy decision, you should compare your current rent, future increases, and the renters insurance that you are now paying to the monthly house payment, future appreciation, maintenance and capital gain when you sell. The house payment normally includes your principal repayment of the mortgage, the interest owed on the mortgage, the property taxes, and property insurance. (This is called your PITI, which stands for principal, interest, taxes and insurance.) With time, your property should appreciate or increase in value.*

The rent you pay a landlord is never recouped and none of the rent is tax deductible. When you buy a home, the yearly property taxes, interest, and some of the closing costs are tax deductible.

To learn more about calculating the advantages of buying vs. renting, go to www.FinanCenter.com and click on Home Center.

*Property appreciation is dependent on many market factors. It cannot be accurately predicted because it is a future event. Your sales professional can give you past sales prices of properties in a given area but cannot promise you any specific increase in value.