

Rent vs. Buy: **Which Makes Sense for You?**



Coldwell Banker Bain

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The American Dream didn't die when the housing bubble burst, but deciding if home ownership is right for you requires a careful look at all the options.

Life often teases us with questions that have no easy answers: To be or not to be? Paper or plastic? Ginger or Mary Ann?

In real estate, home seekers trying to decide whether 'tis nobler to rent or buy quickly discover that the not-so-easy answer is, "it depends." Both options have their benefits and drawbacks and choosing between them hinges on a variety of circumstances – finances, lifestyle, future plans – that are as personal and unique as a set of fingerprints. Take a look:

B
U
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Buying may be right for you if you ...

- Have steady income, good credit and documentation to verify your savings.
- Can afford at least a 5% down payment and related closing costs.
- Want a chance to build equity and be eligible for homeowner tax breaks and credits.
- Can financially take on home-maintenance/improvement projects.
- Plan to stay in your home for at least four years.

Now, let's consider some advantages of home owning:

- **Pride of ownership.** You'll have a place that's uniquely yours, one you can paint and furnish and design and remodel just the way you want, without asking a landlord's permission.
- **Tax deductions.** As a home owner, you can deduct mortgage interest and property taxes. Plus, if you meet certain requirements, you won't pay a capital gains tax on the profit you make when you sell your house: single sellers can keep the first \$250,000 of profit, and married sellers the first \$500,000.

- **Budget and stability.** With a fixed-rate mortgage, your monthly payment stays the same for the life of your loan, making it easier to budget and manage your finances. Plus, owning a home often helps to build equity for the future and provides stability and security for you and your family.

But, as a homeowner ...

- You are responsible for your home's maintenance and repairs. Lawn needs mowing? That's on you. Leaky faucet? That's on you too. Say buh-bye to the ease of calling a landlord when something goes wrong. If you're not handy or interested to learn, you'll have to pay someone else to do maintenance and fix-it chores.
- You have to pay home-related costs. This includes utilities, condo or home association fees, homeowner's insurance and property taxes (though the latter is often tax-deductible).
- There are no guarantees. While owning a home has historically been a good investment, the effects of the 2008 recession along with the recent housing bubble have shown that property values can fall as well as rise. No one should buy a house expecting it to be a cash cow. But experts suggest that the dividend a house offers is an incalculable one: the pleasure you take in living there.

Renting may be right for you if you ...

- Have a job or lifestyle that requires you to move frequently or suddenly.
- Have neither the time nor inclination for home maintenance/improvement projects.
- Enjoy having amenities such as a pool, gym, concierge and tennis courts.
- Want to downsize your living space or plan to retire in the near future.
- Are experiencing a financial setback and/or rebuilding your credit.

R E N T

Now, let's consider some advantages of renting:

- **Flexibility.** Renting gives you the freedom to try different neighborhoods or different parts of the country before committing to homeownership. If you're considering a new job or making other lifestyle changes, renting gives you the option to spread wings and fly without being tied to any one location.
- **No maintenance.** As a renter, fix-it and home-upkeep headaches are someone else's, not yours.
- **Building savings or credit.** Putting aside money for a down payment (or other savings goals) or building a history of on-time rental payments can help boost your credit score and make it easier to qualify for a mortgage – when you're ready.

But, as a tenant ...

- Unless you live in a rent-controlled dwelling, you have no guarantee that your rent will remain the same. Rent fluctuations make long-term budgeting more difficult.
- You're helping to pay the landlord's mortgage. Renters can't take advantage of the tax benefits available to home owners.
- You're not building wealth. Many people view owning a home as forced savings plan and for a lot of people this is true, though there are many factors (size of your down payment; how long you stay in the home; selling in a decent market) that affect your potential to see a profit when you sell.

Ultimately, deciding whether to rent or buy is a personal choice based not only on your lifestyle and finances today, but also on where you see yourself or want to be tomorrow. Remember, there are no right or wrong answers, just the one that's right for you.

