



Navigating Your Way to a New Home

Renting vs. Owning: Which Is Better for You? — Pros and Cons

To many, home ownership is part of the American Dream. Buying a home to build equity is one of the reasons for purchasing a home rather than renting year after year. There are advantages to home ownership, but there are also disadvantages that need to be considered. The chart below provides a look at the pros and cons of renting versus owning.

	Renting	Owning
Starting Costs	Low: Security deposit	High: Downpayment Closing costs Repairs and upkeep
Monthly Costs	Few (total may be lower): Rent Utilities	Several: Mortgage note Upkeep Property taxes Insurance Utilities
Future Costs	May rise	Stable or predictable
Financial Incentives	May invest savings elsewhere	Opportunities for: Equity Appreciation Tax benefits
Sense of Ownership	None	A place of your own
Relocating Flexibility	Quick and easy	Difficult
Repairs and Maintenance	Few responsibilities Few costs	Many chores All costs
Risks of Default	Eviction Must move May affect credit	Foreclosure Loss of home Loss of investment Bad credit rating
Other Benefits	Possibility of recreational facilities with rental units (pool, playground, gym)	Automatic Savings (equity build up) Credit Worthiness – build credit history

Ask Yourself: *Do I really want to be a home owner?*

For each pair of statements, choose a or b.

- a. I would enjoy working around the house and yard.
- b. I would rather not spend my spare time tending a house and yard.

- a. Being in debt is something I can handle.
- b. The thought of being in long-term debt bothers me.

- a. I'm better off with a "forced" system of savings.
- b. I want the flexibility to save or spend as I please.

- a. I prefer a fairly stable type of investment.
- b. I want the chance for big, quick profits on my investments.

- a. I want to stay in one place and be a real part of a community.
- b. I can't be limited to one location for a long time.

If you chose any "b" statements, you should stop and carefully think through whether or not buying a home is really the best choice for you at this time. Do the advantages outweigh what you will need to sacrifice?

Adapted from: Reichel, C. (1998). *Your Path to Home Ownership*. Baton Rouge, La.: LSU AgCenter.

Additional References: *Home of My Own: Deciding to Buy a Home, Deciding to Own*, New Mexico State University, Retrieved from <http://www.nmhomeofmyown.com/decision/considerations/deciding.html> on April 12, 2008.

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