

Buy or Rent?



When you are deciding on a place to live, your first major decision is whether to buy or rent. This decision is influenced by a number of factors, including financial ability to obtain and repay

a mortgage loan, your family size, your lifestyle, and the housing available in your community.

The question of buying versus renting is an individual decision. Before making a choice, consider the following advantages and disadvantages.

Ownership

Advantages

- You can find housing to meet your special requirements.
- You have control over how the property is used.
- You gain equity in your home as you pay off the mortgage. The longer you own your home, the more equity you gain.
- You can deduct mortgage interest and property taxes from your federal and state income tax returns.
- You can choose the location you want.
- The value of your property will most likely increase over time.
- You can renovate and/or remodel the house as you like and can afford.
- Ownership can give you a sense of security, especially for the retirement years when income normally drops.

Disadvantages

- You are responsible for paying fees to your bank or mortgage company when you buy your home. You also must pay moving costs.
- You will have to spend time, money, and energy to maintain and improve your property.
- You have to pay on your mortgage for quite some time before you will gain any equity.

- You have to pay homeowner taxes and insurance.
- It is possible that the neighborhood you choose will change over time, resulting in decreased property values.
- Buying a home is an investment. But unlike other investments, it's not easy to use the money you've put into it for other things.

Renting

Advantages

- Unlike the purchase of a house, there are no closing costs involved in renting property. Usually renters are required to pay in advance one month's rent and a security deposit.
- You have a minimum financial risk.
- Your monthly living costs are easy to predict.
- Rent payments usually include the costs of repairs and maintenance to the unit. This means you are not responsible for maintenance and repairs.
- You can change housing relatively easily as your needs and resources change. Also, if you are looking for a smaller place to live, such as a studio or a one-bedroom apartment, you find a greater selection among rental units.
- Recreational facilities and other special services often are available in rental units.
- When you rent, you have an opportunity to learn about different neighborhoods in your community where you might want to buy a house one day.

Disadvantages

- You do not gain any equity.
- You cannot claim mortgage interest and/or property taxes as deductions on your federal and state income taxes. (Such deductions, in effect, lower your cost of housing.)
- Part of your rent is applied to your landlord's overhead. These costs include maintenance, repairs, taxes, staff, and services.

- You do not have the freedom to renovate your residence as you choose.
- You face the possibility of your lease not being renewed or your rent increasing.
- You pay for special services and recreational facilities even if you don't use them.
- Because you do not directly hire maintenance and repair people, you may have to wait an annoyingly long time for routine maintenance.

You, the potential buyer or renter, must examine the advantages and disadvantages of each and decide which is best for you and your circumstances.

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