

Renting vs. Buying- Which One is Right for You?

At one time, this question has crossed the mind of almost every person. The answer, to rent or to buy, lies in the circumstances; there is no right or wrong decision. In reality, every person has a different situation that dictates their decision.

Home ownership is not for everyone. When considering whether or not you should buy a home, if you have credit problems, constant moves, a low maintenance life style, or inability to afford home ownership expenses, renting may be the best option.

A common misconception about buying vs. renting says it is better to buy because "you are just throwing rent money away". However, when you buy a home, you still might have to "throw away" money on:

- Mortgage interest
- Property taxes
- Property insurance (substantially higher than renters' insurance)
- Private mortgage insurance
- Closing costs
- Maintenance

These costs can definitely add up, although the total depends on many factors.

Most resources that consider the pros of renting over buying focus on the exorbitant home prices on the east and west coasts where the amount of home you can afford pales in comparison to what you can rent for the same cost. In these situations, the reality of home ownership is a much greater challenge for the average person because of huge down payments, extreme monthly payments, and large property tax burdens.

However, in areas like Rolla, Missouri, this is less of a factor as prices for homes are much more reasonable for the average home shopper. For example, a man from San Diego, CA, who owned a 720 sq ft condo, recently sold it for around \$350,000. In the Rolla/ St. James, Missouri area, he purchased a lovely home with around 3500 sq ft and some land for less than the sale price of his condo. He was able to pay cash for a very satisfactory home.

Aside from real estate costs in your local area, buying a home sets itself apart from renting for a number of reasons. The first benefit is that not only do you build equity, but you are able to pay off your home. Once your home is paid off, you still incur expenses like taxes and insurance, but they are minimal when compared to mortgage expenses or monthly rent. Taxes in Phelps County, MO are extremely reasonable compared to other parts of the country.

A second benefit of buying vs. renting is property appreciation. In the Rolla/ St. James real estate market, the peaks and valleys in pricing are gradual compared to other markets, but in the past, real estate has always appreciated. While waiting for your property to appreciate does require patience, renters will not experience this benefit.

Another benefit of buying vs. renting is locking in a payment over a long period of time, which can even reduce your payments. Assuming you have a fixed-rate loan, you are able to lock that rate in for 15-30 years, knowing exactly what your payments will be. If the interest rates drop, you can refinance and reduce your payments. Conversely, landlords reserve the right to increase rents, and often do so relatively frequently as the market expands.

The final benefit is least significant but still important. Your mortgage interest and real estate taxes are tax deductible, so you can deduct part of your housing-related expenses from your income, thus reducing your tax liability.

When making the decision to buy or rent a home, always consult a lender to learn what options are available to you and possible costs involved, and consult a Realtor about current housing market conditions. Weigh the pros and cons of renting vs. buying and make an educated decision. Happy house hunting!