

# Should You Buy a House or Rent?

*By Jennifer Riner*

Buying a home is probably the largest purchase you'll make in your lifetime, and there's no one-size-fits-all answer to determine whether you're ready. If you're stumped by the options, here's a three-step plan to help you figure out your housing future.

## **1. Do the math**

Having numbers at your fingertips will make this whole process much more manageable. First, calculate your estimated mortgage in your desired neighborhood. Then compare that cost to the median rent price in your city.

You can easily calculate your monthly mortgage payments using an online calculator. For example, let's start with the U.S. median home value of \$178,400. Assuming you put down 20 percent up front and that your (hopefully excellent) credit score nabs you a 3.714 percent interest rate, you're looking at a monthly payment of \$903 per month.

Don't forget closing costs, which are usually 2 to 5 percent of the purchase price of a home. On the other hand, you'll get some federal tax deductions for mortgage interest and property taxes once you decide to buy.

Now, compare that figure to \$1,362 per month, the median rent in the United States. On the surface, there's a clear winner, but monthly payments are hardly the only thing to consider. Plus, you'll need to have almost \$40,000 in the bank for a down payment to get to that lower monthly payment.

## **2. Check your priorities**

The American dream may be owning your home, but don't let that emotional attachment cloud your reality. Think about the new responsibilities. All the things the landlord does will now fall into your lap, like mowing the lawn, calling (and paying) the plumber, and dealing with emergencies. If you do buy, you should be prepared to put away 1 to 3 percent of your home's value each year to be used for emergency maintenance.

At the same time, being able to do whatever you want to update your home is liberating. Want a marble bathroom? Go for it. A new deck? It's all yours. And unlike with a rental, you'll receive that money back at resale.

## **3. Figure out your life stage**

Let's say you have a down payment in savings and you're ready for more responsibility. The last step is to decide whether homeownership is right for your life stage. Ask yourself:

**1. Do you like to travel for long periods of time?** If so, you have more freedom as a renter than you would as a buyer, since you may be able to break your lease. On the other hand, you can offset your mortgage payments by renting out your home while you're

away.

**2. Is your paycheck stable?** Be sure you can make monthly payments so you can avoid foreclosure.

**3. Have you rented in the same place for an extended period of time?** If you're happy with your location and familiar with the market, you should feel good about making a long-term investment.

**4. Are you planning to start a family?** Do you see yourself doing that in a home or a rental?

These are all deeply personal choices, and there is no right answer that can fit every person. You have to answer these questions for yourself and balance the numbers, the responsibility, and your stage in life in order to find out what's best for you.

<http://finance.yahoo.com/news/buy-house-rent-040000590.html>