



GUARDIAN

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Renting vs. Owning

Should you rent or buy? This has become a complicated question for consumers as consideration is made for personal, lifestyle, and financial reasons. Traditionally, we believe that buying a home is more advantageous than renting, although renting provides other unique benefits and conveniences. Buyers can make an informed decision by weighing the pros and cons of each. In most cases, the scales tip in favor of purchasing over renting.

Advantages of Homeownership:

- **Tax Breaks:** Mortgage interest and property taxes are generally tax deductible on your federal and state income tax returns.
- **Investment Appreciation:** Real estate appreciation historically has paralleled or exceeded the rate of inflation. On average, homes have appreciated at an average rate of about 5% annually, while some years have been more or less. Appreciation varies across the nation by geographic market.
- **Capital Gains Benefits:** Homeowners are allowed considerable profit without incurring capital gains tax when selling their primary residence. Federal law was revised in 1997 allowing an individual up to \$250,000 in gain. Homeowners should consult their legal or tax advisor regarding this popular tax benefit.
- **Housing Cost Stability:** For buyers with a 30-year fixed rate mortgage, mortgage payments typically remain about the same for the life of the loan. Tax and insurance rates may vary affecting the payment amounts, but principal and interest do not change. Homeowners may experience salary increases over time, while their housing costs remain stable. Rent typically increases along with the renter's paycheck based on current economic conditions.
- **Equity:** Money paid into a mortgage over time helps the owner build equity in their investment. Renters never see their money again after rent is paid to the property owner.
- **Lifestyle Consideration:** Homeowners can experience more privacy and freedom than renters. Owners have freedom to change and improve their living space to suit their wants and needs without having landlord restrictions. Increased privacy is also a common benefit, while renters have landlords with access to the property for maintenance purposes.
- **Community Involvement:** Homeowners may experience more stability in their environments as they establish their roots in the community. They have the opportunity to voice their opinions and affect neighborhood process and policy.

Advantages of Renting:

- **Financial Issues:** Renting may be practical for those who do not or cannot afford the financial commitment of homeownership. Some people move frequently, have credit problems, or simply cannot afford the type of home that they prefer.
- **Maintenance Responsibility:** When renting, the landlord assumes the costs affiliated with upkeep and repairs, and renters save time and energy on maintenance. Homeowners must accept the physical and financial responsibilities of such necessities.
- **Lower Income Considerations:** For some lower-income families, cash is hard to come by and renting requires smaller amounts upfront to move in. Likewise, the tax benefits may not be great enough to offset the costs of homeownership.

Buying a home is a huge decision and one of the largest investments a person may ever make. It is good to consult your real estate professional, legal and tax advisors when considering a purchase of a home. Most people want a home they can enjoy living in and not just a good tax deduction, so it is very important to consider the aspects of ownership versus renting.

