

Rent Vs. Buy

Should you rent or buy a home?

Consider the pros and cons of renting versus buying a home to see what makes the most sense for you.

To buy or not to buy -- that is the question. In fact, it may be one of the biggest questions you ever ask yourself. Depending on your answer, the payoffs and responsibilities could be huge. So don't rush into anything.

Buying: The pros

- Tax perks. Mortgage interest is tax-deductible up to a limit of \$1 million. Plus, if you sell your principal residence for more than you paid, you can exclude from taxes up to \$250,000 of the profit, or \$500,000 if you're a couple who files jointly.
- Build equity. Every time you pay your mortgage, you gain more equity in your home. Plus, if property values increase, so will your home equity -- the difference between what the property is worth and how much you still owe on your mortgage.
- Security. Home ownership gives you a sense of permanence. You have the security of knowing you can live in your home for as long as you want.
- No strings. Buying a home gives you the ability to live on your own terms. There's no lease or landlord. Nor are there any restrictions on pets, smoking, painting or renovating. If you buy a condo, you will have to comply with the regulations of the condominium corporation and, most likely, the homeowner's association.
- Sense of pride. Owning your own home is a big accomplishment. You can take pride in your achievement.

Buying: The cons

- Long-term commitment. It's not usually advisable to buy a home if you plan to sell it within a couple of years. You may not be able to recoup all of the buying costs.
- Added expense. Mortgage payments are usually higher than rent. And there are other expenses that accompany home ownership: property taxes, insurance, utilities and home repairs.
- More responsibility. Being King or Queen of your castle brings added responsibilities. You won't be able to call the landlord if you have problems with a leaky dishwasher, broken furnace or other domestic malfunctions that need attention.

Renting: The Pros

- Costs less. Today's low mortgage rates have made it more affordable to buy a home than it once was but, at the end of the day, it's still usually cheaper to rent.
- Less responsibility. If the air conditioning breaks down, you can just call the landlord. When you rent, it's not your problem. There's no skin off your back if property taxes and mortgage rates increase or the real estate market takes a nosedive. You just pay your rent (and possibly utilities depending on your lease) and get on with your day.
- More freedom. Renting requires minimal commitment. Besides paying first and last month's rent, you've most likely only got a yearly lease to contend with. So, renting may be ideal if you don't have a steady job, if you're new to the city or if you're contemplating moving abroad in the foreseeable future.

Renting: The Cons

- No equity. You may be spending less than you would if you owned, but you'll never see a cent of that money again. When you rent, you're helping someone else pay down their mortgage. You're not building up your own personal net worth.
- More restrictions. As a tenant, you have to live by your landlord's rules. That could mean no pets, no guests or no painting the walls your favorite color.
- No guarantees. You may find the rental unit of your dreams. But there's no guarantee you can live there as long as you want. It's not uncommon for tenants to be forced to leave if the owners sell the property or decide to move into the unit themselves.