



To Rent or To Buy

When trying to make the decision of whether to buy a home or to rent, one of the first and most important questions to ask yourself is: “How long do you expect to live in the area?” Generally, if you plan to move in three years or less, you are probably better off renting. When you plan to stay in an area short term, the costs associated with the [real estate commissions](#) and [mortgage closing costs](#) may offset any savings achieved between the difference of the mortgage payment and monthly rent.

If you are planning to put down roots in an area, then you may be better off purchasing a home; however, there are still several factors you should consider before taking the plunge. Home ownership involves expenses beyond just the mortgage payment. When renting, your landlord will often be responsible for the maintenance and repair costs of the property; but when you buy, those costs need to be factored into your budget. Depending on the age and condition of the house, these expenses can be substantial. You will want to make sure that you read the inspection report thoroughly for any signs of potentially expensive repairs before making a commitment to buy.

Next, consider your ability to make a down payment. The traditional rule of thumb is to put down 20 percent of the purchase price. There are many lenders out there that require far less; in fact, some will even allow for a zero-down mortgage. However, the [financial crisis of 2008](#) illustrated the risks associate with purchasing a home with little to no equity in it. If you can’t afford to make a significant down-payment, then you should probably hold off on making the purchase until you are in a better financial position. You also want to make sure that your down payment will come from your liquid non-

retirement assets. You should not have to take out a loan to get the money for your down payment nor should you plan to borrow or withdraw that money from your retirement accounts.

Now, ascertain how much you will be left with in your liquid savings after the home purchase is finalized. You will want to maintain at least a three-month emergency cash reserve. Life tends to be unpredictable, and you don't want to have an unexpected expense put you in jeopardy of losing your home.

Finally, take into account your overall financial situation. If your job outlook lacks stability, you have a less than desirable credit score, or have looming large expenses on the horizon; then you are probably better off renting.

Of course, these are all general guidelines; and there are many other factors that may influence your final decision. If you want a more personalized recommendation based upon your specific circumstances, you may want to schedule an appointment with a Certified Financial Planner® professional. You can search find the Certified Financial Planner® professionals in your area at

[letsmakeaplan.org](https://www.letsmakeaplan.org)

Certified Financial Planner Board of Standards Inc. owns the certification marks CFP®, CERTIFIED FINANCIAL PLANNER™, CFP® (with plaque design) and CFP® (with flame design) in the U.S., which it awards to individuals who successfully complete CFP Board's initial and ongoing certification requirements.

Links are being provided for information purposes only. Raymond James is not affiliated with and does not endorse, authorize or sponsor any of the listed websites or their respective sponsors. Raymond James is not responsible for the content of any website or the collection or use of information regarding any website's users and/or members.

The foregoing information has been obtained from sources considered to be reliable, but we do not guarantee that it is accurate or complete, it is not a statement of all available data necessary for making an investment decision, and it does not constitute a recommendation. Any opinions are those of the author and not necessarily those of Raymond James.