

# Living On Your Own

Are you ready to make the big move? There's more to it than paying rent—living on your own creates new expenses that you may not have considered, such as rental insurance, commuting expenses and furnishing your new place. Here are a number of things to consider as you plan for your big move.

## Build a budget

You will need a budget before you move. It's the only way to understand what you can afford, and it will help you make sense of all the expenses that come with your new independence. If you're just starting out, a spending ratio, like the one below, can help you evaluate your spending habits and understand what you can and can't afford.

- Housing – 30%
- Food – 15%
- Transportation – 15%
- Leisure – 10%
- Clothing - 8%
- Personal – 10%
- Savings – 7%
- Debt – 5%

Spending ratios are a general guide. Categories can be added to better reflect your personal situation. For example, students will need to factor tuition and textbooks into their spending ratio.

## How much rent can you afford?

Using the sample ratio above as a starting point, you can do a quick calculation to see what's in your price range.

Calculate your housing spending ratio

Add up your regular household expenses

\$750 (rent) + \$15 (renter's insurance) + \$180 (electricity, utilities, Internet, parking space) = \$945 (expenses will vary, depending on the apartment—be as accurate as possible)

Divide the result by your monthly net income

\$945 (household expenses) divided by \$3,200 (monthly income – after tax) = 30% (ideally, your housing expenses should be 30%, or less, of your net monthly income)

## First apartment reality check

What happens when you find an apartment you love, but it's way outside your spending ratio?

- **Increase your income** Is the apartment you found worth taking on a second job or working longer hours?
- **Reconsider your “must-haves”** Be realistic about your expectations, especially if it's your first time living on your own; compare many different apartments to understand how much more that extra square footage or that view will cost you
- **Reduce other spending areas** In some cases, you can justify a higher housing spending ratio if it reduces (or eliminates) another spending category; for example, an apartment near work or school can reduce your monthly transportation costs
- **Share the space** Taking on a roommate can give you access

to that dream apartment for less money

- **Look in a different location** Rental rates vary widely across the country; check out the pricing in nearby suburbs and cities to see if a move would make sense in the long run

## **Average rent across the country**

Housing costs in certain geographic areas, such as the San Francisco Bay Area and New York, are very high. If your spending ratio is a few percentage points above 30 for housing, you're OK. But when it starts climbing over 45%, you should probably re-evaluate where you live, consider living with a roommate or look at saving in other areas, such as transportation. For instance, you may be able to do without owning a car in a dense urban area.

- Charlotte – \$789
- Cincinnati – \$717
- Indianapolis – \$680
- Jacksonville – \$774
- Kansas City – \$707
- Las Vegas – \$805
- Manhattan – \$2,902
- San Antonio – \$725
- San Francisco – \$1,901
- Tucson – \$652

Across the country, rents are rising. Here's a sampling of 2014 rent rates for a one-bedroom apartment in the downtown core in 10 metropolitan areas throughout the United States. Rent will be cheaper in the suburbs and rural areas.

## **More than just the rent check**

When taking your total housing costs into consideration, be sure to look past your rent payment. Here are a few items to take into consideration. Depending on your situation, there may be other expenses to consider.

### *One-time expenses*

- First & last month's rent
- Packing materials
- Moving expenses
- Starter furniture

### *Ongoing expenses*

- Electricity
- Utilities
- Cable, telephone & Internet
- Renter's insurance
- Security monitoring
- Parking
- Household items

## **Save up before making the leap**

Just because you have a steady job and your housing spending ratio is in line, that doesn't mean you're done just yet. You will need to have a few thousand dollars saved up prior to making the final leap to renting your first apartment.

*Sources:* Consolidated Credit Counseling Services, Forbes, MyFirstApartment.com