

Owning vs. Renting a Home

Home Sweet Home

Considering a move? Familiarize yourself with the key differences between owning and renting a home in order to choose the option that's best for you.

Comparing options

Owning vs. renting

Stability

- Owning a home gives you the peace of mind of having a permanent place to live
- Renting means there's no guarantee that your lease will be renewed

Mobility

- The process of selling your house makes relocation challenging; it's not easy to just pick up and leave
- As a renter, it's relatively easy to move around; you're not responsible for finding a new tenant to take your place

Location

- Your budget might limit your home search to a narrow range of property types and locations
- Renting can give you access to properties and neighborhoods that would otherwise be out of your price range

Payments

- The type of mortgage you have will give you a general idea of how much you need to budget for, over time
- Renters have no control over rising rent, making long-term rentals tricky to budget for

Expenses

- Owners need to factor in property taxes, mortgage payments, insurance, and condo or homeowners association fees
- Renters' expenses are relatively simple: rent, utilities and contents insurance

Customization

- Homeowners have more freedom to renovate and customize their property to their liking
- Renters are limited to the restrictions set by their landlord and generally don't have permission to renovate

Maintenance

- As a homeowner, you are responsible for property maintenance and repair (at your expense)
- As a renter, most maintenance and repair issues are the landlord's responsibility

Income

- Homeowners have the option of renting out their property to generate additional income
- Renters have the option of investing the money they otherwise would be putting toward a mortgage

Investment

- Homeowners can benefit from a rise in property value over time if they resell their home (though properties can also lose value over time)
- Renters do not benefit from a rise in property value (they also do not suffer a loss if the property loses value over time)

Making the decision

How can you tell whether it makes more sense for you to rent or to buy? The following questions can help pinpoint your goals and priorities:

Career and education

- Do you have job security?
- Do you enjoy your current job/industry?
- Do you foresee changing careers or returning to school in the next few years?
- How often do you tend to change jobs?

Family and relationships

- Are you looking to start or grow your family in the next few years?
- Is your domestic situation stable (especially if purchasing with a partner)?

Financial Situation

- Do you have enough money saved up for a down payment?
- Do you have a healthy amount saved in your emergency fund?

Lifestyle

- Do you see yourself staying put for at least the next five years?
- What are your needs and wants in terms of location? In terms of property type?

Sources: Credit Counselling Society, TheFinanceTwins.com