

Rent vs. Buy

Stephen F. Austin State University | Center for Career and Professional Development

Hmm...the great debate, to rent or buy. What's the best option for you? Avoid making a rash decision; this choice must be thoughtfully made. The answer to rent vs. buy is one that hinges on your own personal circumstances. Let us help you weigh your pros and cons by providing some food for thought which can greatly help you in your decision-making process!

- How dependable is your current job and salary level?
- How predictable are your other personal circumstances, such as health and marriage?
- How likely is it that you will want to, or be able to, stay in the house for the next 5 years?
- How much travel does your job entail? If you travel frequently, will your spouse, friend, or roommate be available to handle housing emergencies?
- How heavy is your current debt load? How well are you managing it?
- Do you have enough money in savings to cover a down payment and some to spare?
- Are you comfortable with the responsibility that comes along with owning a home?

Advantages of buying

- Mortgage interest and property taxes can be deducted from your annual tax return
- You build equity in your home through monthly principal payments and the property's appreciation
- The profits on the sale of your home will likely not be taxed under the home ownership exclusion
- You won't have to suffer rent increases (although you'll likely pay increases in property tax, insurance, and maintenance/repair costs)
- You will likely get more square footage living space for the money when you buy a home
- You can refinance whenever interest rates go down, or tap into your home equity with a loan, should you find yourself in need of money

Advantages of renting

- You can pay down any debt or invest money wisely instead of forking over a large down payment
- You have no long-term commitment to this living arrangement
- You don't have to oversee or pay for repairs or maintenance
- You have no obligation to find a new tenant when you are ready to leave
- You have no risk if housing prices in the area fall

How much should I budget towards housing?

Typical budgets suggest allocating between 25-35% of your income for housing expenses; this means **all** expenses associated with your home or apartment (not just the rent or house payment), it includes property taxes, home/renter's insurance, homeowner's dues, etc). For your convenience, use the table below to see what an acceptable budgeted amount would be based on your total gross income.

Gross Annual Income	Housing cost per month				Housing cost per month			
	25%	30%	35%		Gross Annual Income	25%	30%	35%
\$26,000	\$542	\$650	\$758		\$44,000	\$917	\$1100	\$1283
\$28,000	\$583	\$700	\$817		\$46,000	\$958	\$1150	\$1342
\$30,000	\$625	\$750	\$875		\$48,000	\$1000	\$1200	\$1400
\$32,000	\$667	\$800	\$933		\$50,000	\$1042	\$1250	\$1458
\$34,000	\$706	\$850	\$992		\$52,000	\$1083	\$1300	\$1517
\$36,000	\$750	\$900	\$1050		\$54,000	\$1125	\$1350	\$1575
\$38,000	\$792	\$950	\$1108		\$56,000	\$1167	\$1400	\$1633
\$40,000	\$833	\$1000	\$1167		\$58,000	\$1208	\$1450	\$1692
\$42,000	\$875	\$1050	\$1225		\$60,000	\$1250	\$1500	\$1750