

to rent or to buy

How do you choose between buying and renting?

Home ownership offers tax benefits as well as the freedom to make decisions about your home. An advantage of renting is not worrying about maintenance and other financial obligations associated with owning property.

There also are a number of economic considerations. Unlike renters, home owners who secure a fixed-rate loan can lock in their monthly housing costs and make prudent investment plans knowing these expenses will not increase substantially.

Home ownership is a highly leveraged investment that can yield substantial profit on a nominal front-end investment. However, such returns depend on home-price appreciation.

"For some people, owning a home is a great feeling," writes Mitchell A. Levy in his book, "Home Ownership: The American Myth," Myth Breakers Press, Cupertino, Calif.; 1993.

"It does, however, have a price. Besides the maintenance headache, the amount of after-tax money paid to the lender is usually greater than the amount of money otherwise paid in rent," Levy concludes.

As for evaluating the risk associated with home ownership, David T. Schumacher and Erik Page Bucy write in their book "The Buy & Hold Real Estate Strategy," John Wiley & Sons, New York; 1992, that "good property located in growth areas should be regarded as an investment as opposed to a speculation or gamble."

The authors recommend that prospective buyers spend a few months investigating a community. Many people make the mistake of buying in the wrong area.

"Just because certain properties are high-priced doesn't necessarily mean they have some inherent advantage," the authors write. "One property may cost more than another today, but will it still be worth more down the line?"