



Does Owning A Home Make More Sense Than Renting?

A guide for determining what's right for YOUR situation

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Your Local Real Estate Expert

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1. Preface

Does owning a home make more sense than renting?

Coming from a real estate agent, you may expect my answer to be a resounding "Yes!"

That is a logical assumption since most real estate agents would answer yes to that question.

I did not create this booklet to convince you that buying is better than renting or vice versa. I created it to help you figure out which makes more sense for *you*.

I hope you enjoy the booklet and find it thoughtful and useful. If you have any thoughts, comments, or questions, please feel free to send me an email, a text, or give me a call!

2. What If The Sky Falls?

We have all heard the fable about Chicken Little running around proclaiming that “The sky is falling, the sky is falling!” But it was not.

One way to interpret that story is that we should not be afraid of some imagined or potential catastrophe. Another is to ignore everyone we hear running around saying the end is near.

But in the story, an acorn *had* fallen and hit the chicken on the head. So, *something* happened to the chicken to cause it to run around telling everyone else. It just was not the entire sky; the chicken exaggerated. But at the same time, the chicken just said what it thought was actually happening.

The chicken was not entirely right, but the chicken was not entirely wrong.

One of the most common concerns people have about buying a home is that the market might crash. This concern has existed throughout the ages. It is not new. It is not necessarily something that you need to worry about any more (or less) than usual. It is a valid concern, but it is something people have been questioning more and more in recent years.

That is logical since there *was* a pretty big market correction in recent history. And it followed a time when everyone was claiming how great an investment real estate was — which led to everyone and their brother buying houses. Many people who suddenly became real estate “investors” should have never bought a house, let alone three or four.

Things were out of hand back then. There were just as many people running around screaming that the real estate sky was falling as there were people running around calling them crazy because the real estate sky would *never* fall.

Here is the deal...

Real estate markets fluctuate. House values go up, and occasionally they go down. Over the long term, they have pretty much gone up. But when the markets are down, yes, people can get hurt if they cannot hold on until the market goes back up. But if a person could just hang on, the values usually bounce back higher than they were before. It is the way it goes.

And when markets “crash” (which is not as often as it may sound sometimes), they do not necessarily affect everyone equally. Some make it out unscathed. In fact, *most* people make it out of a bad real estate market just fine.

So if you are cautious about buying a home because you are worried the market might crash...good. It will help you make a more deliberate and calculated decision.

But do not let fear paralyze your decision because even if the market does “crash,” it may never affect you directly.

A falling acorn may bop one person on the head — someone who happens to be standing under a tree at just the right moment — but it is highly unlikely that everyone will be crushed by a falling sky. And even if you get hit in the head with an acorn, it does not mean the end of you. You will recover. It is the same with falling real estate values.

3. Do You Remember When Bread Was A Nickel?

“Sonny, I remember when bread was a *nickel*, I tell ya...”

Yup. And cars were only a couple thousand bucks. And houses were probably about as much as a down payment is now.

Wow, times have changed...

But what *has not* changed is that people (of any generation) look back and remember when prices were so much lower for things.

Affordability is relative. Even when prices for any product were lower than we can imagine nowadays, they were still relatively expensive considering what people earned back then.

One of the main reasons many people hesitate to buy a house, versus rent, is they feel like real estate values are out of their reach. Once again, this is a logical and valid feeling. For most people, real estate prices are always high and a bit of a stretch, if not entirely out of their reach.

Picture a guy who was around when bread was a nickel. Let's say he bought a house...

Do you think it was a no-brainer for him? Do you think he thought real estate was affordable? Probably not.

But years and years later, once bread was around three or four dollars, do you think it worked out alright for him? Did he manage to pay that mortgage over the years? Did he have a house that was worth way more than he paid for it over the years? Probably.

Do you think when he bought his house that he ever imagined it would be worth

anywhere near as much as it would be now? Probably not.

The point is this...

At any given point in time, real estate values seem high or “expensive.” So many would-be home buyers continue to rent with some hope that prices will become more affordable. Or they will be in a better financial position to buy a house at a later date. Unfortunately, they usually cannot outpace the market with their personal finances. And if and when real estate prices go down, they may be the same people who then question if real estate is a good investment because prices took a dip, so they do not even buy them and take advantage.

The question you should focus on is not whether or not real estate prices are too expensive or too high at the moment. That is relative and will likely go up over the years...

The question you **SHOULD** ask yourself is how much house you can afford to buy...and then analyze whether buying it for that amount makes more sense than renting.

Here is some food for thought. Consider what *rents* were like back when bread was a nickel. Now think about how much they are today.

Whether you decide to buy *or* rent, real estate values are almost always seen as too darn high... It's just the way people feel and look at things. Think more about how you will think and feel about whatever decision it is that you make a few decades from now. Not so much how you feel right now.

4. Ignorance Isn't Always Bliss

The title of this page, specifically the word ignorance, is subject to misunderstanding...

By definition, all it *really* means is that someone lacks knowledge or information.

And when it comes to buying a home, many people are simply unaware they can even buy a home. They just presume they cannot qualify for a mortgage, whether it is because they:

- ▶ Feel they do not earn enough money
- ▶ Feel they do not have a good enough credit score
- ▶ Simply feel like they are not “worthy” of buying a home

So, many people do not bother to find out for sure.

While they say “ignorance is bliss,” it is not always. While the fear of not being approved is understandable, it can cause someone who can easily qualify for a mortgage to not buy a home as soon as they would like to...or even *ever*, in some cases.

Plenty of people who thought they would not qualify for a mortgage actually *do* qualify — and have tons of options to boot. Of course, not all people qualify for a mortgage. But at least once they find out why they do not qualify, they can work on getting qualified in the near future.

So, if the main reason you have avoided buying a home is because you presume you will not qualify for a mortgage, find out if that is even true. Contact a lender to get pre-approved. You may be pleasantly surprised. In the least, you will walk away with a clear understanding of what you need to do in order to qualify in the near future. AND, be aware that there may be special programs or financing products available to you, but you will not now until you contact the lender.

5. That's A Lotta Lattes

Many people claim that the best way to save for retirement, a down payment on a house, or simply just to become wealthy is to stop buying a pricey latte every day.

Well, it will not hurt, I guess. It will certainly add up over time if you do not blow \$5 - \$10 a day on lattes, lagers, Legos, or whatever else makes your day worth living. But it certainly is not easy or appealing for most people.

So here is a different perspective...

Socking away money for your down payment — at the expense of your daily pleasures — might not actually make the most sense.

Do not get me wrong, you *do* need a down payment. But you might not need to save as much as you think.

A lot of people still think they need a 20% down payment in order to buy a house. The reality is that very few people are actually required to put down 20%. Many buyers can qualify to put down much less. Some mortgage programs only require as low as 3.5% down. Absolutely ask a lender or your agent who may provide contacts for prospective lenders.

On the flip side, having a larger down payment can help you in some ways:

- ▶ It can get you a better mortgage rate.
- ▶ It gives you more equity in the house you buy.
- ▶ It can lower your monthly payments.
- ▶ It means you will pay less interest over time since you are borrowing less.
- ▶ The seller may see your offer as a stronger one which always helps especially when it is a competitive market.

However, waiting to save up for a bigger down payment can also be an uphill battle. It can take quite a bit of time (depending upon your income) to save up enough to make a difference. And while you are doing that, prices or mortgage rates could go up, putting you as far out of reach as you were when you started.

Obviously, everyone's financial situation is different. There is no one-size-fits-all answer to this. A low down payment may or may not be the wisest way to go for you. The decision should fall in line with your goals and any other factors unique to you.

However, since forgoing a latte a day is not going to do much in the short term, it MIGHT make more sense to buy a house with a lower down payment. That way you can start building equity sooner. This might be a better solution to increasing your wealth — without having to live a latte-less life.

6. For The Love Of Liquidity

Think back to getting money on your birthday, an allowance, or your first job...

It was nice to have cash money in hand, right? Do you also remember people telling you not to go spend it all and to put it in the bank?

Maybe you did put some in the bank, maybe you did not - it does not matter. Because *either* way, you probably remember wanting to have that money as easily accessible (aka "liquid") as possible...just in case you came across a toy or candy you wanted to buy. You probably would have rather had your cash in your sock drawer than in some vault at a bank.

It is human nature to want to have "liquidity." It makes us feel good and maybe even a little safe.

Many people say they do not want to buy a house because they "want to keep their money liquid" rather than tie it up in a house. OK, that is fair enough. As mentioned, having cash on hand can make you feel good and safe.

To be fair, when you put money down, or into a house, it is not "liquid." You cannot easily get access to it. You either have to sell the house and monetize it or do some sort of financing (like an equity line of credit or cash-out refinance) to get access to your money. Even though it is your money, it is going to be temporarily tied up in the Bank Of Your House. So keep that in mind.

If you truly need your money to be liquid, or it is truly making you good money invested somewhere else, then who is to say you would be better off putting it into a house as a down payment?

However, remember, you do not need to tie up *all* of your available money in the

purchase of a house. You can get a mortgage with a lower down payment and keep the rest liquid or invested elsewhere.

Here is some food for thought: Instead of tying up money to put 20% down, consider buying a house and put down about as much as you would have tied up in a rental with your first and last month's rent and security deposit.

You are going to have money tied up in your housing one way or another, so it may as well be tied up with you rather than someone else.

No matter what you decide, just give some objective thought as to whether or not your desire to have your money liquid is for a better reason than buying a house...and not just because it is a natural human desire many people have.

7. Are You A Buffalo?

Here is a good exercise for you...

Ever heard the song "Home on the Range"? If so, sing or listen to it...

OK, with whom did you identify more? The person or the buffalo?

To put it simply, do you feel the need to "roam"? Do you want freedom to move around? Do you fear the commitment of being tied down to a home?

Buying a home is a commitment, no doubt. And it is a serious commitment that you need to be ready and prepared for. It will tie you down to some degree...

But so will *renting*!

Everyone must live somewhere, and unless you are living for free in someone else's house, you have got to *pay* to live somewhere. You probably also need to make a commitment to whomever you are paying (in the form of a lease).

When you sign a lease, you are committing to pay someone a certain amount, each month, for a period of time. There are penalties for breaking a lease or for not paying. Of course, a lease is usually for a short, defined period of time.

With that said, if you own a house, and you want or need to move on, you can just sell it...usually within a few months. And you have total say over whether you want to sell. When you rent, you cannot just decide to be done and move on; your landlord would have a thing or two to say about that.

In some ways, a lease can be harder to get out of than a mortgage. Unless the landlord allows you to break the lease, or there are provisions that allow you to leave whenever

you want without having to pay the remaining rent, you are likely committing to pay someone for a year at a time. With a house, if you decide you want to move on, you can decide to sell at any time.

Granted, selling a house is not always something you can do in a week or two. It can take a little time. And you will want to consider how the market is and whether the potential profit makes enough sense to move at any given time. But if it does not you can always decide to rent it out and move.

No matter how you cut it, whether you rent or own, having a place to live is a commitment. Each has pros and cons. But both put some limitations on how much and how easily you can roam.

8. You Saw The Money Pit

The Tom Hanks classic *The Money Pit* is funny for a reason...because it *could* actually happen.

One of the biggest fears almost every homeowner has is buying a house and having something major go wrong — let alone a hundred major things go wrong, one after another.

Usually the fears are far greater than the reality most people face. Certainly very few people ever have it as bad as Tom Hanks did in that movie. But things can and do go wrong.

Things do need to be repaired on a house on occasion. Some are minor and can either be done by the owner or do not really cost that much to get fixed or replaced. But there are a few things on almost every house that can cost a decent amount to repair or replace.

So, if you hesitate to buy your own home because you are concerned about owning a potential “money pit,” you are just being sensible and thoughtful. Too many people get carried away thinking they can just buy This, That, Or Another Old House and “Bob Vila” it into perfection. Some people can and do. But it’s not something everyone should take on.

If you are concerned about buying yourself a “money pit,” there are solutions:

- ▶ Buy a condo. You are responsible for less of the maintenance and upkeep.
- ▶ Buy a house that has been recently renovated...especially if they did the major mechanical and operational elements of the house, not just a pretty paint job.
- ▶ Buy a home warranty. This will cover you if something breaks and needs to be repaired or replaced.

- ▶ Set aside some money for repairs and replacement costs.
- ▶ Think about a "fixer" or a home that needs a smaller-scale renovation, and ask your lender about a renovation loan.

Keep in mind that the loan product for your mortgage financing also needs to qualify the property type. This is one of the many reasons talking with a loan officer is your first step.

Owning a home does come with the responsibility of maintaining it, so you are smart to take it into consideration. But as long as you make a good decision on what you buy, it probably won't be the proverbial "money pit."

9. Are You Just “Hooked” On Renting?

Buying a house can be tricky when you are a renter. It can often feel like you are on a hook that you cannot seem to wriggle off of.

If you look for a house, find one, and want to buy it, you may have months left on your lease. If that happens, you could find yourself having to either continue paying the lease until your term ends or perhaps pay the landlord to get out of the lease.

At the same time, if you wait too long, you come upon the time when you either have to renew your lease or find another rental and sign a new lease.

It is difficult to perfectly time buying a home with the end date of your current lease. And because of that, many people just throw their hands up in the air and continue renting.

This is not actually all that difficult to deal with in the grand scheme of things...

If being “hooked” by a lease is your biggest concern and obstacle to buying a home, here are some possible solutions:

- ▶ Reread your lease. You may be unaware that you have provisions within your lease that allow you to give your landlord some notice to end the lease without any penalty.
- ▶ Negotiate your lease to go month-to-month when you first sign a lease or when it is time for renewal.
- ▶ Do the math. The penalty for getting out of your lease may not be as much as you think it will be or at least not enough to get in the way of ending a never-ending cycle.
- ▶ When your lease is ending, arrange to stay with a friend or family member short term while you look for a house.

There are certainly many ways to get out of the cycle if you want to. It is just that many people feel bound by it because they do not give it enough thought.

So, if you want to buy a house but you feel like you are at the mercy of landlords and leases, take a deep breath, give it some thought, and come up with a timeline and plan of action to find and buy a house.

10. Ain't Nobody Got Time For That!

Life can get pretty busy. There is hardly enough time in a day, a week, a month, or a year to do everything we want and need to do.

And buying a home is not something you can just ride on over to a dealership or two, kick a few tires, play some hardball, do some paperwork, and ride away into the night like you can with a car.

Buying a house is a longer process, so it is probably not the best thing to try and do in a rush. You want to make sure you make a thorough, thoughtful, and educated decision.

But if you find a good real estate agent to work with, you can cut down on a lot of the time, work, and effort on *your* end.

And while the process may take longer than buying a car, it is not like you have to spend hours and hours and days and days at a time on it. Much of what needs to get done is accomplished by professionals working on things behind the scenes. A good agent will guide you through the process and help keep you on track with timelines.

If your main concern is that it is going to be a huge time commitment, know that you will have help, guidance and support to get you to that finish line.

11. Soapbox Saturation

Breaking news!!!!!!!!!!!!!!

It used to be that if a TV station broke into your regular program with urgent, breaking news, it was something truly urgent and “breaking” that might directly affect you.

Back then, though, there were only so many stations, and they would all go off the air at some point in the night. Now, there are hundreds and hundreds of TV stations, all running 24 hours a day, and so many of them are dedicated to news or “talk.” They want and need viewers, and they need to fill the air.

On top of that, they need to compete with the immediacy of online news and talk which now exists. The Internet is literally a platform for anyone and everyone to talk about whatever it is they think, believe, or want to.

Regardless of what media you watch, it is almost as if there is no entirely objective perspective. Everyone seems to be on one side of an issue or another, trying to convince others to think just like them.

Real estate is no exception. If you pay any attention, you will find just as many people saying that buying a home is the single best investment in history as there are people proclaiming that it is an awful investment and you are better off renting or waiting.

Here is the most objective answer and perspective you can get on that debate...

There is no absolute right or wrong answer to that. (And this is coming from a real estate agent.) Real estate can be a great investment for the right type of person who makes good decisions. But it can also be the worst decision for someone who is not cut out for owning a home or makes poor decisions.

The point is this: Everyone you see or hear on their soapbox may look or sound like a credible “expert.” But beware...It is easier and easier for people to have the opportunity to look and sound like an expert, whether or not they have the qualifications.

So be careful about what you have been sold on when it comes to homeownership. Question why you think and feel a certain way. And look to an objective expert in the real estate field to help you truly determine if it is or is not a wise decision for you to buy or rent a home, given your entire personal situation.

12. How Far Can You Throw A Real Estate Agent?

There's that old saying that goes, "I would not trust you as far as I could throw you." Even if you are built like Arnold Schwarzenegger, saying this paints a pretty clear picture to someone about how you feel about them.

And that sums up how a lot of people feel about real estate agents...

We just covered how everyone is selling something, and real estate agents are often seen as trying to sell people on buying (or selling) a house. That's how they get paid, so it makes sense that people hesitate to trust their advice.

Real estate agents may get likened to "used car salesmen" — saying and doing whatever it takes to make a sale. But most agents are the complete opposite of that. In fact, you probably should not even say that about used car sales people! There is bound to be unscrupulous people in *any* industry. The whole "there's always a few bad apples" thing applies to both car sales and real estate alike, and isn't that true for any vocation or profession?

Unfortunately, a bad apple can make you skeptical about all the other ones. Even just *hearing* about the potential of a bad apple can have the same effect.

This is probably why real estate agents may get a bad rap. However, the vast majority of agents put their clients' needs and concerns above their own — almost to their own detriment.

This is just to say that if you have been hesitant to buy a house because you feel like agents are "selling" people on it being a smart move, you might want to let down your guard a bit.

The best agents build their business and reputation on trust and giving thoughtful,

objective advice...not on figuring out "What's it gonna take to get you into this house today?"

So, if you are on the fence about buying versus renting, do not feel like you have to wrestle with it on your own. Just make sure you find an agent you can truly trust to help you assess whether or not buying or renting makes sense for you. A great agent is not going to cost you a penny to help you make an objective decision, and he or she is not going to push you one way or the other. I cannot stress this enough!

13. Reasons To Buy A Home

We have been focusing on reasons that many would-be buyers have for not buying a house.

But one of the biggest reasons why many people do not buy a house is because they just do not know *why* they should. So, let us spend a few moments and go over some of the reasons why buying a home might make sense for you.

1. It compels you to save money and/or increase your wealth. (You pay down your mortgage over time, and your house will most likely appreciate in value.)
2. You can qualify for tax deductions. (This varies from one person to the next, so make sure to ask your accountant about how it will impact you.)
3. Interest rates for mortgages have been at an all-time low for some time now. They can always go up at some point though. If you lock into a “fixed-rate” mortgage now and rates do go up, you will be happy you did.
4. Rents tend to go up over time, but if you buy a house with a fixed-rate mortgage, your principal and interest payment will be the same for as long as you own the house (taxes and insurance do/often change),
5. You have more control and say over your home. You can do what you want to it, when you want, and you do not have to worry about a landlord giving you permission for doing things that need to be done. An exception to this would be a property with a homeowner's association or fees.
6. You will not have to move if your landlord decides to sell, increase the rent excessively, or not renew your lease.
7. You will save money by not having to move as frequently as renters often do. You will save on moving costs and by not having to buy new furnishings to fit the next rental.
8. You can possibly turn your home into a money-making asset by keeping it as a rental if and when you move.

Pride.

There is a certain pride to saying you own a home. And while it is kind of vague, pride can make a big difference in how you feel about life.

Those are just to name a few benefits of owning a home. But as I have been saying, buying a home is not right for everyone. You need to weigh the benefits of buying or renting for yourself. This list is just to give you a starting point for you to think through whether buying is right for you.

14. If This Was Helpful...

I truly hope you have not only gotten a lot out of reading this but that it was also an enjoyable read!

As I mentioned in the beginning, do not hesitate to give me a call or send me an email with any questions you might have about anything in this booklet...or even things we did not get into.

If you found this booklet useful and you feel like buying a home is something you want to pursue, you should also read my booklet, **"The Ultimate Buyer's Guide."** That one will give you an in-depth look at what to expect when you buy a home, from start to finish, and will help you find the best home for your wants and needs.

It's free. All you need to do is ask, and I'll send you a copy. Just send me an email, a text, or give me a call...

And when you're ready to buy a home, I'd love to hear from you and have the opportunity to work with you!

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I am a licensed full-time REALTOR® in Rhode Island and am affiliated with the East Greenwich office. I grew up in Cumberland, worked and lived in Newport and Middletown, and have resided in Warwick for the last 30 years where I have raised my 2 daughters.

I have lived in several Warwick neighborhoods, including Gaspee Plateau, Pawtuxet Village, Governor Francis, and Lakewood. Prior to attaining my license, I bought, rented, and sold properties in the Conimicut neighborhood of Warwick, which contributed to my real estate aspirations. It has also assisted me to gain thorough knowledge of the RI market.

I bring valuable work and life experience to my profession. In addition to my real estate career, I have extensive experience in healthcare, as both a clinician and leader. I understand the value of relationships, and this shines in my ability to listen, collaborate, and advocate for clients. The idea of helping others is a lifetime commitment and passion.

My life with my daughters created unexpected and rewarding journeys, including an immersion in the special-needs community, navigating services for individuals with disabilities, and, supporting with pride, a veteran of the military. As importantly, I am also a proud grandmother.

I earned a Bachelor of Science degree from Quinnipiac University in Connecticut and I pride myself in being a lifelong learner. I earned my Seniors Real Estate Specialist

designation and At Home With Diversity Certification.

Always here and happy to help with any real estate needs, whether for yourself, your family, friends, or coworkers. I am happy to make a referral for you if your needs are outside of RI.