

Buying vs renting

Life



When doing some budget computations it is important to determine the options that one has. Shelter is one of the necessities in life that a person needs. However, the house that a person can live in is either rented or owned. Before renting or buying anything a person must evaluate his options. What are the different benefits of owning and renting a house would give a person? Is there any difference between the two? Which is more convenient for a person? These are the questions that a person has in mind before choosing to buy or to rent.

This is not only applicable to the home, buying versus renting is also applicable in the business. For a manufacturing company, there is this question of whether to buy new machines to produce a certain product or to rent the services of another company for subcontracting. The company or the person usually considers the monetary aspects of the alternatives to buy or to rent. The decision to buy or to rent depend on the income flexibility of the company or the person who would be buying or renting.

To buy something means that a person or a company claims ownership of something. This can be ownership of a house and a lot, ownership of a property or ownership of a machine. Buying means acquiring equity or an asset. If a person buys a property, the person is obligated to pay for expenses like Property Taxes and Special Assessments, Insurances for the house, Utilities Bill, Maintenance of the house, Association fees from home owner's organization, and membership fees to some services such as Cable TV and recreational facilities.

These examples are taken from the website of Ginnie Mae. In renting a house or a property, the price of the rent depends on the owner of the said

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property or house. The owner sets the price for the rent. The rent is fixed monthly. However, according to the computation done by Ginnie Mae, the price rent increases annually by 5%. Seeking out the initial outlay of money, renting does not need a large amount. Renting is given to the owner of the article or the property at a certain time.

The only obligation of the person renting is to pay for the bills. This had brought about the issue on whether which is better renting or buying. There are several conditions to determine which is better. When a person buys a property, there is the fact that the owner of the property had invested their money. Properties can be sold and prices can rise over time. A place that has a large increase in value is very beneficial to the owner of the house. On the other hand, the person who is renting would never gain anything out of renting. As Ms.

Weston is saying in her article " Why its smarter to Buy than Rent", Renting makes the person poor because no matter what the person do, the longer he rents the harder it is to acquire a property and thus, the person's value is reduced. Weston had shown a table regarding the average net worth of homeowners vs renters. This is shown in Appendix A. As can be seen in the table, the value of homeowners is very different than that of the renters. Based on the table, it can be seen that income of a person under 16, 000 has a value of \$500 for the renters and \$ 73, 000 for the homeowners.

The difference is very obvious. The reason to this according to Ms. Weston is that the value of the house rises over time and because of this, the value of homeowners goes higher as compared to that of the renters which are stagnant. The benefits of buying include acquisition of assets or equity. The <https://assignbuster.com/buying-vs-renting/>

person gains a sense of community, stability and security. The owner feels this because having a house means having roots. When a person owns a property or a house, the owner is free to change the landscape, decorations and surroundings of the said property.

Buying does not also have the dependence of the owner to the landlord in terms of maintenance. It is up to the owner on whether he or she would be maintaining the property or not. (www. ginniema.gov, 2006, Buy vs Rent Comparison Chart) However, if there are advantages there are also disadvantages in considering housing. The owner of a property or the house must be responsible for the maintenance and bills for the home. IF the owner does not have the money for the maintenance and repairs of the house, then the owner must depend on what he currently has.

As stated earlier, property owners are obliged to pay for property taxes. In economics, a value of a certain thing or place depends on several reasons. There are times that the value of the land goes up high fast however, there is also the time when the value of the land goes really down. Losses can be acquired by the owner of the property if the price of the property devaluates. Another thing that can cause a disadvantage to homeowner is the mobility. It is harder for homeowners to transfer from one place to another as compared to the renters. (www. ginniema.gov, 2006, Buy vs Rent Comparison Chart)