



Is It Better to Rent or Buy a Home? Readers Weigh In on Pros, Cons.

READERMAIL MAIL

LAST WEEK, Michael Luca and Raymond Fisman asked whether renting makes more sense than buying a home, given the unrecognized trade-offs of homeownership and the opportunity costs compared to investing in the stock market. Readers weighed in with their own opinions about the psychological and financial dimensions of buying versus renting. We were homeowners for 45 years. Now we rent. I've crawled, walked, slithered around the homes I've owned. I've expanded, repaired and renovated almost every room in those houses. I've called in HVAC and plumbing experts and installed my own electric circuitry. I'm done with all that, and I could not be happier.

—Mike G

If you think owning a home is just about investment value, you are missing the psychological benefits. There are many other places where foolish spending has little supplemental long-lasting benefit, like buying a car you cannot afford or an excessively luxurious vacation.

—*Mitchell K* I do budget coaching for young employees at our company, and my very first presentation was "Why renting is better than buying!" I shared the hidden costs of ownership (interest, taxes, maintenance, versus the flexibility and lower costs of renting). My point was not to dissuade them from buying but to crack the shell that renting is always bad. I showed the math for how renting and investing the difference was a better financial choice but also that almost no one has the discipline to invest 100% of the savings. I shared the important but nonfinancial reasons to buy (school district, security, comfort, etc.). Ultimately, I wanted these young people to have a well-rounded view of both buying and renting.

—*Bob MacLeod* Simply put: You can't live in your stock portfolio. Owning your own home allows you to make investments in improvement and enjoyment of your investment. You want a bigger bathroom, a nicer kitchen, nicer landscaping? Not in a rental! A neighborhood of resident-owned homes is more likely to be stable or improve over time, whereas a neighborhood of rental homes tends to be less stable and deteriorate. Owning your home gives you stability in mortgage payments, while you have no control over rental and maintenance charges. Inflation reduces the impact of mortgage interest, and capital appreciation provides collateral for other investments or expenses like college educations.

—*William Maddox* Renting is great in theory, but in practice, the net worth of homeowners is 38 times higher than renters'. So yes, investing the difference could be better, but the data show that it doesn't happen and that people end up spending the extra money. The article says you could come out ahead if you simply have \$1 million to invest. Why didn't everyone think of this?

Doesn't everyone have seven figures to invest when they are young? —*Alexander Carver* The people who buy are already higher income, older, more financially stable. You're partly comparing two different populations, not measuring what the house itself did. The real engine is forced savings, not magic in the asset, which means the effect is real but smaller than 38x makes it look.

—*Jack Rosen* I've long said that major decisions have financial consequences, but that doesn't make them financial decisions (and I'm a finance guy by profession). Having a finished basement is a perfect example. Any Realtor will tell you that it's a "bad investment." Any parent with two or more kids will tell you that it's priceless. —*D Hubschman* I can't possibly rent. I have way too much stuff, hobbies that HOA's don't allow, and I don't want to be at the mercy of a landlord. I don't enjoy packing and moving. I've had the home for many years, it's paid off, maybe worth \$750K now, and since I bought long ago here in California, my property tax bill is about \$1,600 a year.

—*Joseph Monroe*

Was this written by a landlord?

—*Matt*

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