Your Employee Assistance Program is a support service that can help you take the first step toward change.

Real Estate Issues: Buying Versus Renting

The real estate brokers and bankers say a home is a terrific investment, and it is—for them. They collect commissions on every sale and interest payments on every mortgage. Home ownership, however, may or may not be the best investment for you.

The net cost of buying versus renting can be calculated with seven numbers, two sums and two assumptions. Use this handy worksheet to determine your best option:

Included in the Total Annual Cost of Home Ownership	
Mortgage payments including principle and interest	$___________
Property taxes	$___________
Maintenance costs or condominium fees	$___________
Utilities including gas, electric, water etc	$___________
Sum of the above:	$___________
Maintenance costs or condominium fees	$___________

Included in the Total Annual Cost of Home Rental	
Rent	$___________
Tenant (contents) insurance	$___________
Sum of the above:	$___________

Assumption 1. Should the rental cost be less than the ownership cost, you invest every dollar saved.

Assumption 2. You will earn exactly as much each year on your investments as your home would appreciate in value.

This exercise can be a real eye-opener because people rarely consider those two assumptions. Also note that, if the costs of owning a home would prevent you from maximizing your RRSP contribution, you should definitely consider renting.