

**Rent vs. Buy**  
**Homeownership Example**  
 Provided by Mel Coker, Realtor

**RENT**

Year	Monthly Rent	Total Annual Rent	
1	900	\$ 10,800	NO tax benefits
2	925	\$ 11,100	NO equity accumulation
3	950	\$ 11,400	NO pride of ownership
4	976	\$ 11,712	
5	1003	\$ 12,036	
6	1031	\$ 12,372	
7	1059	\$ 12,708	
8	1088	\$ 13,056	
9	1118	\$ 13,416	
10	1149	\$ 13,788	
<b>Total Rent Paid Over 10 years</b>		<b>\$ 122,388</b>	
<b>Average Monthly Rent</b>		<b>\$ 1,019.90</b>	

\* Assumption: Rent increases by 2.75% per year

**Home Ownership - \$125,000 home purchase**

Year	Principal & Interest	Taxes	Insurance	PMI	Total Monthly Payment	Annual Payment
1	726.96	62.50	50.00	75.75	915.21	10,982.52
2	726.96	64.38	51.38	75.75	918.47	11,021.64
3	726.96	66.31	52.79	75.75	921.81	11,061.72
4	726.96	68.30	54.24	75.75	925.25	11,103.00
5	726.96	70.34	55.73	75.75	928.78	11,145.36
6	726.96	72.46	57.26	75.75	932.43	11,189.16
7	726.96	74.63	58.84	75.75	936.18	11,234.16
8	726.96	76.87	60.46	75.75	940.04	11,280.48
9	726.96	79.17	62.12	75.75	944.00	11,328.00
10	726.96	81.55	63.83	75.75	948.09	11,377.08
<b>Total Home Payments Over 10 years</b>						<b>\$ 111,723.12</b>
<b>Average Monthly Homeownership Payment</b>						<b>\$ 931.03</b>

**Assumptions:**

3% down; seller pays closing costs; 30 year fixed rate mortgage at 6%; taxes increase 3%/year; homeowner's insurance increases 2.75% year

**Adjustments to Monthly Mortgage & Tax Payments**

Tax Savings on Mortgage Interest - 10 years - assuming 25% bracket	\$ (16,863)
Tax Savings on Property Taxes - over 10 years - assuming 25% bracket	\$ (2,149)
Tax Savings on PMI - over 10 years - assuming 25% bracket	\$ (2,272)
<b>NET Home Payments over 10 years</b>	<b>\$ 90,439.12</b>
<b>Average Monthly Home Homeownership Payment</b>	<b>\$ 753.66</b>

Home Property Value After 10 years with 2.5% appreciation	\$ 160,000.00
Loan Balance After 10 years	\$ (101,468.94)
Equity or Increase to Net Worth	\$ 58,531.06

**Important Notes and Conclusions:**

In the first year, rent is "cheaper" than buying.

Over 10 years: Avg. Rent is \$1020 per month; Avg Home Payment is \$754 per month.

Savings on monthly payments (with tax benefits included for buying) =	\$ 31,949
Equity (or increase to your net worth) =	\$ 58,531
<b>TOTAL Savings for buying compared to renting - over just 10 years!</b>	<b>\$ 90,480</b>

PMI is dropped after 20% equity point - MAX date is app. 11 years 8 months.

Contact Mel Coker:

**BUYING a home IS the SMART Choice!**

[www.MelCoker.com](http://www.MelCoker.com)

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