

BUYING VERSUS RENTING

One major question that comes up for people is whether to rent or buy a home at any given time. This question, in order to come to an answer that brings you peace and contentment, demands that you get truthful with yourself.

For example, when thinking about buying a home, few people consider the costs of maintenance and repairs that would otherwise be paid by a landlord. Homeowners need to save for major repairs that only come up every few years or decades, like replacing a roof or putting in copper plumbing. Also, utilities may be higher in a home you own than in one you rent. Make sure you're really factoring in *all* the costs of ownership when comparing.

In comparing a rental to a home purchase, a rough rule of thumb is that if the annual cost of the rental is less than 5 percent of the purchase price, renting is probably a better option. Conversely, when you can buy a place for less than 20 times the annual cost of renting, purchasing makes more sense. Of course, this is purely a mathematical way of comparing; there are many emotional factors to consider when making a decision to rent versus buy. In addition, our culture is biased toward owning and prejudiced toward renting. We hope to offer a more balanced perspective and create a pause before you impulsively purchase a home.

IS RENTING REALLY THROWING MONEY DOWN THE DRAIN?

You might also consider what you could gain if, instead of being forced to save via a mortgage, you rented a house and forced yourself to save through some sort of automatic deduction account. What would you earn if your automatic savings went into the Rainbow Portfolio invested in a Roth IRA account? Or what if you signed up for an automatic-deduction 401(k) and took advantage of your company's matching-contribution plan as well? What would be your gains?

Many people who do the numbers find that renting is not equivalent to throwing money down the drain after all—especially if you have the discipline to invest the cost differential that typically exists between buying and renting. The point is: you have to do the numbers.

SPENCER'S RULES FOR HOUSE SHOPPING

Still not sure what to do? Spencer shares his all-time top-seven rules for house shopping.

1. Look at two to three rentals comparable to the house or houses you're considering buying before you make a decision.
2. Ask yourself—and do a reality check with your friends—whether you will really stay in this house for at least seven to ten years, the average length of time it *usually* takes to financially break even on a house purchase relative to renting. If you live in the house much less than that, you limit the chance for it to appreciate in value to any degree where buying becomes financially compelling. Keep in mind that residential real estate has appreciated only about 2 to 4 percent per year since 1987 (Case-Schiller CSXR 10-City Composite)—not much more than inflation.
3. Look at the most expensive house first. Tell the realtor you want to start your “showings” at the top of your range. Experience and psychology have taught realtors to do it the other way around, because the last thing in a series that a person sees makes the biggest and most lasting impression. The expensive house, seen last, blows the moderately priced houses out of the water. Done in reverse, the high-priced item is not so fresh in your mind, and the moderately priced house can look just dandy—as well as enable you to keep some money in your pocket.

4. List three faults with the house you think you want to buy, then calculate the cost of fixing each. For example, if the picture window is cracked, what will it cost to replace? If there's a super-highway beyond the back yard, what's the price tag for a soundproof fence? In the heat of the moment, you may be enamored with a particular house and, as happens when you fall in love, your hormones are raging. Slow them down by forcing yourself to find and price the home's negatives.
5. Talk to the neighbors of the house you think you want to buy. If you were buying a company or investment property, you would do due diligence. In this instance, ask people who live there about the neighborhood, the house in question, and the other neighbors.
6. See the house on a bad day. Come back when it's raining. Take a look at it at night. Drive over early one morning to check out rush-hour traffic; for instance, how long does it take to back out of the driveway?
7. Do the rent-versus-buy numbers. It's essential to calculate absolutely everything—school quality, length of your commute, the cost of heating—not just the sticker price. Only by weighing all factors can you assure yourself of a level playing field for a financial decision. For help, go to spiritandmoneyworkshop.com/rentorbuy for the latest rent-versus-buy calculator.

The final way to get truthful about your situation is to get a copy of your credit report. The three best-known websites to assist you with this are:

- Equifax.com
- Transunion.com
- Experian.com

Knowing your numbers is critical to a healthy relationship with money. Trying to make financial decisions without any data is akin to flying a plane in the clouds without instruments or radar. But don't do your numbers because you "should" or because some financial guru says you're "stupid" if you don't. Do it from a place of self-caring, wanting to know the truth of your situation so that you can make decisions that align your money—the place you've stored your precious life energy—with your spirit.

Many people consider earning money, especially a lot of money, as less spiritual than poverty. Additionally, if we're in a vocation that's not financially motivated, we may have questions about what our work is really worth or feel sheepish about asking for a market rate for our labor. These factors can often lead to doing work we don't enjoy for less money than we need to make ends meet.

We are by no means saying that earning a lot of money is more spiritual than earning less. But earning more is often key to creating self-sufficiency and to having more with which to be generous or advance our ideals in the world. Therefore, the next chapter provides tools to earn more money by providing more real value to other human beings.