The Rent vs Buy Guide

> Renting is not throwing money away, and buying is not automatically building wealth. The honest comparison is which path leaves you with more, all costs counted.

The rent versus buy debate usually gets stuck on a bad question, which is whether the mortgage payment is more or less than the rent. That comparison misses most of what actually matters. The real question is which choice leaves you wealthier after you count every cost on both sides.

It is a net-worth comparison, not a payment comparison

Buying builds equity but carries costs that never touch the loan balance, like property tax, insurance, maintenance, and the large sums sunk into a down payment and closing. Renting has none of those, which frees that money to be invested instead.

So the fair way to compare is to give both paths the same budget, then track ending net worth. The buyer builds home equity. The renter invests the down payment, the closing costs, and any month where renting is cheaper. Whoever ends with more, wins. That is exactly what the Rent vs Buy Calculator computes.

The costs each side forgets

Buyers tend to forget the recurring drag of ownership. Maintenance often runs about 1 percent of the home value a year, and property tax and insurance continue for as long as you own. Closing costs to buy and to eventually sell can take a real bite out of any appreciation.

Renters tend to forget opportunity cost. A down payment left uninvested is money not compounding. As a rough sense of scale, 92,000 dollars of down payment and closing costs invested at 6 percent grows to about 140,000 dollars in seven years. That growth is the renter's side of the ledger, and ignoring it makes buying look better than it is.

Time is the deciding variable

The single biggest factor is how long you stay. Buying carries large upfront costs that only pay off if you hold long enough for appreciation and equity to outrun them. Sell too soon and the transaction costs alone can wipe out the gains.

There is often a break-even year, before which renting wins and after which buying pulls ahead. The Rent vs Buy Calculator reports that year for your numbers, which is usually more useful than any blanket rule about renting or buying.

The parts a spreadsheet cannot price

Not everything belongs in the math. Buying offers stability, control over your space, and a hedge against rising rents. Renting offers flexibility, no maintenance surprises, and the freedom to move for a job or life change without selling.

Run the numbers first so you know the financial cost of each choice, then weigh the parts that do not fit in a formula. A decision that is slightly worse on paper can still be the right one for your life.

Key takeaway. Compare ending net worth on an equal budget, not rent against a mortgage payment. And remember the answer usually hinges on how long you stay.

Assumptions

- The comparison assumes an equal budget, so the renter invests the money the buyer ties up in a down payment, closing costs, and higher monthly costs.
- Home appreciation, investment return, rent growth, and how long you stay are estimates the user supplies.

Sources

- Consumer Financial Protection Bureau, buying a house
- U.S. Bureau of Labor Statistics, CPI for rent and housing