

7-6 Buying vs Renting

To do now:

1. Write down the objectives
2. Take out earbuds

You will need:

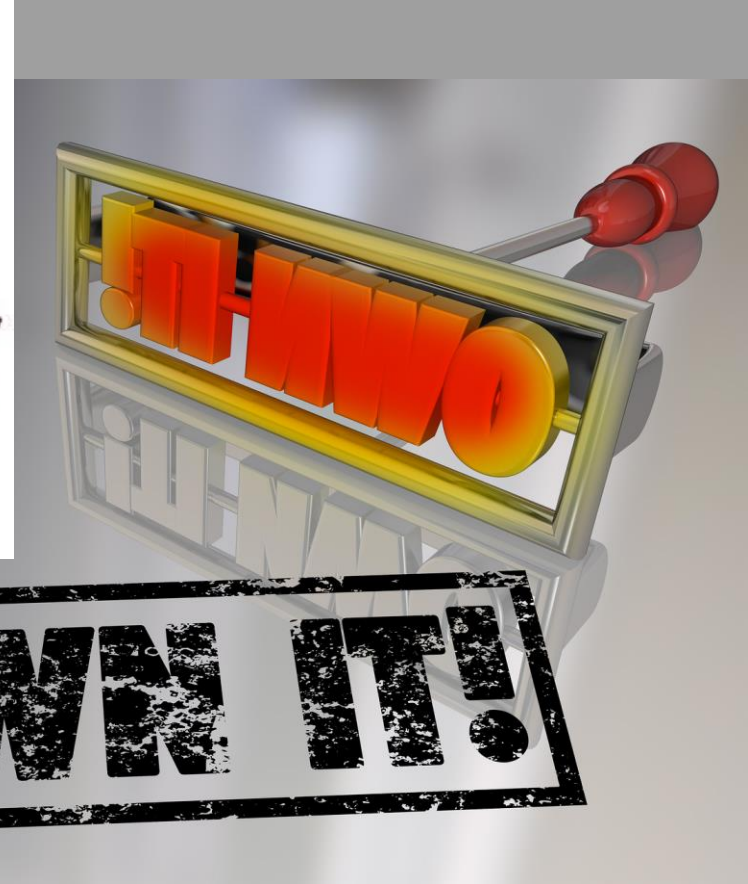
- **Papers on the student table**
- **Calculator**
- **Pen or Pencil**

Red Items are needed during the lecture

OBJECTIVES

Compute equity.

Understand the advantages and disadvantages of renting and buying.



What is
equity?

It is the amount of your home
that is debt free.

How do you calculate Equity?

- In 2007, Ruth and Gino bought a condo for \$98,000.
- Years passed and they want to sell it. The value has risen to \$161,000.
- The loan balance at the bank is \$52,749.

What is their current equity (the amount they will have left over after they pay of the mortgage)?

$$\begin{aligned}\text{Equity} &= \text{Current value} - \text{debt} \\ &= 161,000 - 52,749 \\ &= \mathbf{\$108,251.00}\end{aligned}$$

Buying a Home

Pro

- Build equity
- Tax benefits
- Creative freedom
- Put down roots

Con

- Potential of loss
- Must maintain & repair
- Not furnished
- High up front costs

Renting

Pro

- No maintain/repair
- Easier to relocate
- Credit score can be lower
- Utilities may be included

Con

- No equity building
- No tax benefits
- Rent will increase over time

What do I do now?

Chapter 7 Project

When is it due?

Next Class