

Essential Math 12

Home Finance



Gross Debt Service Ratio
Initial Costs, Additional Costs, Adjustments
Mortgages
Home Insurance
Property Tax
Home Maintenance
Energy Efficiency
Renting vs Buying

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Lesson 1: Home Affordability

You can use the Gross Debt Service Ratio to calculate whether you can afford to own a house. This is done by calculating what your Gross Debt Service Ratio would be if you actually owned the house.

If the calculated Gross Debt Service Ratio is less than 32%, then you can afford the house, but if it is greater than 32%, you should not buy the house because it will be extremely difficult to stretch your budget to cover all your expenses.

The Gross Debt Service Ratio compares the total cost of your monthly mortgage payment, taxes, and heating to your gross monthly income (from all sources).

$$\text{Gross Debt (GDSR) Service Ratio} = \frac{\text{Monthly Mortgage Payment} + \text{Monthly Property Taxes} + \text{Monthly Heating Cost}}{\text{Gross Monthly Income}}$$

Example 1: 32% Affordability Rule

A family has calculated their gross debt service ratio to be 34%. Will the bank lend them the money to buy a house?

No, must be under 32% or
 0% ————— Riskier → 32% 0.32

Example 2: Calculating the GDSR

Calculate the Gross Debt Service Ratio for the following situation: Monthly mortgage payment is \$710, monthly property taxes are \$118, monthly heating costs equal \$96, and the gross monthly income is \$3000.

$$\text{GDSR} = \frac{(710 + 96 + 118)}{3000} = 0.308$$

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Example 3: Calculating the GDSR

The Menzies family is considering buying a home with a purchase price of \$210,000. The family can make a down payment of \$25,000. The family's gross monthly income is \$4,236. The monthly mortgage payment is \$925.00. The annual property taxes are \$2,500 and the annual heating costs are \$1,500.

Calculate the Gross Debt Service Ratio.

$$\frac{\$2,500 + \$1,500}{12} = 208.33$$

$$\text{GDSR} = \frac{(925 + 125 + 208.33)}{4236} = 0.30$$

Try on Your Own

1. Calculate the Gross Debt Service Ratio for the following situation: Monthly mortgage payment is \$716, annual property taxes are \$2500, the monthly heating costs are \$116, and the gross monthly income is \$2340.

$$\frac{\$2500}{12} = 208.33$$

$$\text{GDSR} = \frac{(716 + 116 + 208.33)}{2340} = 0.44$$

2. Calculate the Gross Debt Service Ratio for the following situation: Monthly mortgage payment is \$1000, annual property taxes are \$2300, monthly heating costs average \$105, and the gross annual income is \$68,000.

$$\frac{\$2300}{12} = 191.67$$

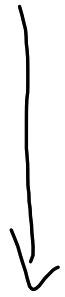
$$\text{GDSR} = \frac{(1000 + 105 + 191.67)}{5666.67}$$

$$\frac{68000}{12} = 5666.67$$

$$= \underline{\underline{0.23}}$$

Ways to reduce GDSR

Easy



Hard

- larger down payment means smaller mortgage.
- lengthen the mortgage makes payments smaller.
- get a better job.
- find a cheaper house

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Lesson 2: Initial Costs, Additional Costs, and Adjustments

When buying a home, there are many additional costs. These include many “one-time” fees and adjustments that must be paid. There are also many optional additional costs that you may decide to pay right away instead of waiting.

Additional Costs – Paid once... Not ongoing costs

1. Inspection fee – professional building inspector will look over the home. *shingles, damage, windows, cracks in basement*
2. Appraisal – often done so the bank or credit union knows the value of the property. *find value*
3. Mortgage application fee – paid to financial institution when you apply for the loan. *ex. \$75*
4. Lawyers' Fees – most property sales involve a lawyer. *ex. transfer title into your name \$1000*

Calculate

5. Land transfer tax – paid to Manitoba Land Titles Office when your home is registered.
6. Property survey – professional surveyors establish boundaries of the property. *\$500-\$1000*
7. Easement – is the right of way by a town or utility company to access your property. *dig up to get at water line, ex. valley fiber*

8. Encroachment – is an intrusion onto your property of a neighbor's structure. *- get permission from other*
9. Interest adjustment – is a one-time payment at the beginning of the mortgage since the monthly payment will usually not line up with the possession date. *ignore*
10. Property tax adjustment – is money reimbursed to the seller for property taxes paid on your behalf.

11. Insurance adjustment – is money paid to your insurance provider if the value of your house has changed before you renew your policy. *ex. buying a new car*
12. Moving Expenses – perhaps gas and pizza for your friends or a moving company.
13. Service charges – hookup fees for utilities such as water and natural gas. *get utility transferred to your name hydro sewer*
14. Immediate repairs – are repairs necessary before you move in. *flooring, paint, easier without your stuff in house*
15. Appliances, furniture, and decorating costs – are kind of obvious costs! *fridge, stove, microwave, washer, dryer, dishwasher*

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Example 4: Land Transfer Tax Problem

Calculate the land transfer tax on a home with a purchase price of \$125,000.

C- 30000
T- 60000
I- 35000

Value of Property	Rate
On the first \$30 000	0%
On the next \$60 000 (i.e., \$30 001 to \$90 000)	0.5%
On the next \$60 000 (i.e., \$90 001 to \$150 000)	1.0%
On the next \$50 000 (i.e., \$150 001 to \$200 000)	1.5%
On amounts in excess of \$200 000	2.0%

\$0
+ \$300
+ \$350
\$650

Example 5: Land Transfer Tax Problem

Calculate the land transfer tax on a home with a purchase price of \$255,000.

200 000
30000
60000
60000
50000
55000
255000 - 200000

Value of Property	Rate
On the first \$30 000	0%
On the next \$60 000 (i.e., \$30 001 to \$90 000)	0.5%
On the next \$60 000 (i.e., \$90 001 to \$150 000)	1.0%
On the next \$50 000 (i.e., \$150 001 to \$200 000)	1.5%
On amounts in excess of \$200 000	2.0%

\$0
\$300
\$600
\$750
\$1100
\$2750

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Try on Your Own

1. Calculate the land transfer tax on a home with a purchase price of \$35,000.

Value of Property	Rate
On the first \$30 000	0%
On the next \$60 000 (i.e., \$30 001 to \$90 000)	0.5%
On the next \$60 000 (i.e., \$90 001 to \$150 000)	1.0%
On the next \$50 000 (i.e., \$150 001 to \$200 000)	1.5%
On amounts in excess of \$200 000	2.0%

$0.5 \div 100 = 0.005$
 $30000 \times 0.00 = 0$
 $5000 \times 0.005 = 25$
\$25

2. Calculate the land transfer tax on a home with a purchase price of \$186,000.

Value of Property	Rate
On the first \$30 000	0%
On the next \$60 000 (i.e., \$30 001 to \$90 000)	0.5%
On the next \$60 000 (i.e., \$90 001 to \$150 000)	1.0%
On the next \$50 000 (i.e., \$150 001 to \$200 000)	1.5%
On amounts in excess of \$200 000	2.0%

$30000 \times 0.00 = 0$
 $60000 \times 0.005 = 300$
 $60000 \times 0.01 = 600$
 $36000 \times 0.015 = 540$
\$1440

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Lesson 3: Mortgages

Buying a home is the largest purchase most consumers make in their lifetime. Because it is such a large purchase, most consumers cannot afford to pay for a home outright. They pay a portion of the purchase price for the home and obtain a loan for the balance from a bank or credit union.

$$\$ 374,000 \times 0.20 = \underline{\underline{\$ 74,800}}$$

↑ dangerous borrowing more

Vocabulary

1. **Down Payment** – The portion of the property purchase price the home buyer pays (often saved up beforehand). Must be 20% or more. If less than 20%, special insurance is required.
OR 5% savings or loan from grandma
2. **Mortgage** – is the loan obtained from the financial institution for the balance of the property price.
3. **Principal** – fancy word for the amount of money you borrow from the financial institution. This is slowly reduced every time you make a mortgage payment.
what you still owe
4. **Interest** – the amount the financial institution charges you for borrowing money. This is based on the amount borrowed and the interest rate. Obviously, lower is better.
our current rates are very low - be cautious with how much house you buy.
5. **Mortgage payment** – the amount you pay regularly, part of which reduces your principal, and part of which is paid to the financial institution (called interest).
every month - bank + you share the payment.
6. **Amortization period** – the number of years you have to repay the entire mortgage (usually between 15 and 30 years). Basically, how long your mortgage is.
Fancy word for total length ex. 25 years
7. **Term** – the length of time covered by a specific mortgage agreement, usually between one and five years. The interest rate can remain constant for this time.
"contract" where your rate stays same
8. **Equity** – the value of the property you actually own calculated as the difference between the purchase price of the property and the outstanding amount owed on the mortgage.

→ \$ amount you actually own. slowly increases.

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Types of Mortgages

1. Fixed-rate mortgage – The interest rate is locked in for the term of the mortgage. This can be anywhere from 1 to 5 years.
2. Variable-rate mortgage – The interest rate for this type of mortgage is flexible, and changes with the market. It can be lower than a fixed-rate mortgage.
3. Closed Mortgage – This type of mortgage usually has a fixed interest rate and fixed payments for the full term of the mortgage. If you want to renegotiate the interest rate, you must pay a breakage cost to the financial institution. This fee must also be paid if you decide to pay off the balance of the mortgage before the end of the term. You are allowed an extra payment once a year.
4. Open Mortgage – Open mortgages are more flexible than closed mortgages in the sense that they can be repaid in part or in full at any time without having to pay the breakage costs.

Mortgages

Variable Mortgages (Rates effective 2018-10-25)		Rates
Variable Open		3.95%
Variable Closed		3.40%
Fixed Term Mortgages (Rates effective 2018-10-25)		Rates
1 Year		3.29%
2 Years		3.39%
3 Years		3.49%
4 Years		3.59%
5 Years		3.69%

Now
2.19% vs 3.69%

* The Annual Percentage Rate (APR) is equivalent to the Annual Interest Rate and assumes that no fee(s) apply. If fee(s) are required as part of the application processing, any fee(s) would increase the APR.

All rates are subject to change without notice, and are not guaranteed unless confirmed in writing.

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Example 6: Interest Paid

Twila negotiated a mortgage for \$207,000. She has calculated that she will spend \$278,187 repaying the mortgage over the 25-year amortization period. How much money in interest will she pay during this 25-year period?

$$\begin{aligned} \$278,187 - 207,000 \\ = \underline{\underline{\$71,187}} \end{aligned}$$

Example 7: Calculating monthly mortgage payment

Calculate the monthly mortgage payment for a \$150,000 mortgage at 4% amortized over 15 years. Use an amortization table.

Mortgage You should find a table value of 7.38. This means your payment will be \$7.38 for every \$1000 you borrow.

$$\frac{\text{Loan Amount}}{1000} \times \text{table value}$$

$$\frac{150000}{1000} \times 7.38 = \underline{\underline{\$1107}}$$

Example 8: Calculating monthly mortgage payment

Calculate the monthly mortgage payment for a \$235,000 mortgage at 3.5% amortized over 25 years. The mortgage costs \$4.99 per month for each \$1000 borrowed.

$$\frac{235000}{1000} \times 4.99 = \underline{\underline{\$1172.65}}$$

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Example 10: Complete a mortgage payment schedule

Complete a schedule of mortgage payments chart for the first three months of Conrad Wiebe's mortgage. *Conrad Wiebe purchases a home for \$220,000. He makes a down payment of \$40,000 and takes out a fixed-rate mortgage at 4.5% for the balance of the purchase price. The mortgage is to be amortized over 20 years. The mortgage costs \$6.30 per \$1000 borrowed.*

Payment #	Payment	Interest	Principal	Unpaid Balance	Owner's Equity
1					
2					
3					
4					
5					
6					

Try on Your Own

Moira purchases a home for \$190,000. She makes a down payment of \$20,000 and takes out a fixed-rate mortgage at 4.25% for the balance of the purchase price. The mortgage is to be amortized over 25 years. The mortgage costs \$5.40 per \$1000 borrowed.

Payment #	Payment	Interest	Principal	Unpaid Balance	Owner's Equity
1					
2					
3					
4					
5					
6					

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Lesson 4: Home Insurance

Home Insurance – protects a homeowner against damage and/or loss to both the building and its contents. In order to calculate how much homeowner's insurance you require, your insurance agent determines the replacement cost of your home and/or contents. The replacement cost of your home is the amount it would cost to replace your home (and its contents) if it burned to the ground. Note that replacement cost of your home is not the same as its resale value. In the case of an older home, the replacement cost can be significantly higher than its resale value.

Tenant's Insurance – protects a renter against damage and/or loss to personal possessions. Only the contents of the house or apartment are insured. The building insurance is the responsibility of the landlord.

Third-Party Liability – is protection against another person injured on your property.

Manitoba is divided into different areas for homeowner's insurance. The division varies from one insurance company to another. For the purposes of this course, Manitoba will be divided into the following four areas:

Area 1: Metro Winnipeg – include homes located within the City of Winnipeg.

Area 2: Protected – homes located outside Winnipeg but within 1000 feet of a fire hydrant.

Area 3: Semi-protected – homes located within eight miles of a fire hall.

Area 4: Unprotected – homes located more than eight miles from a fire hall.

There are two basic types of home insurance:

Standard insurance coverage – with standard form insurance, the contents are covered only for specified perils.

Comprehensive insurance coverage – with comprehensive form insurance, the contents are covered for more perils. Ex. Sewer backup

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Amount of deductible

The amount of deductible is the amount you must pay before the insurance company pays anything when you make a claim. A \$500 deductible means you are responsible for paying the first \$500 of any insurance claim you make.

Available discounts

Some companies allow discounts for homes with a burglar alarm, or that have been claim-free for a number of years.

Example 11: Making a claim

A homeowner with a \$500 deductible policy has \$5000 damage to his siding after a storm. How much money will the homeowner pay to have this repaired? How much money will the insurance company pay?

Example 12: Insurance for a home

The Tam family owns a home with a replacement value of \$185,000. The home is in Winnipeg. The family chooses comprehensive insurance with a deductible of \$500. Calculate the Tam family's annual insurance premium. Use a Manitoba Homeowner's Insurance Rate table.

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Example 13: Insurance for a home

The Sampson-Grant family owns a home with a replacement value of \$220,000. The home is located outside Metro Winnipeg but within 1000 feet of a fire hydrant. The family chooses standard insurance with a deductible of \$200. Calculate the Sampson-Grant family's annual insurance premium.

Example 14: Insurance for a renter (tenant)

Marilyn Davis rents an apartment in Brandon. Her personal possessions have a replacement value of \$30,000. Marilyn chooses comprehensive tenant's insurance with a deductible of \$200. Calculate her annual insurance premium.

Try on Your Own

1. Wallace owns a home with a replacement value of \$175,000. The home is in an unprotected area of Manitoba. Jay chooses standard insurance with a deductible of \$500. Determine Jay's annual insurance premium.

2. Joy rents an apartment in Altona. Her personal possessions have a replacement value of \$40,000. Joy chooses comprehensive tenant's insurance with a deductible of \$200. Calculate her annual insurance premium.

Essential Math 12 – Home Finance**Lesson 5: Property Taxes**

One of the main sources of revenue for municipal governments in Manitoba is property tax. In order for a municipality to determine the amount of property tax its taxpayers must pay each year, it first determines the total revenue it requires, and then it subtracts all other sources of revenue.

How is property in Manitoba assessed? Provincial legislation requires all property in Manitoba to be assessed using the market value system, so the assessed value should be approximately the same as the market value of the property. Market value assessments may vary based on geographical location, building style, and size of the property.

Property Classification Codes in Manitoba

10	Residential 1—fewer than 5 dwelling units
20	Residential 2—5 or more dwelling units
30	Farm
40	Institutional
51	Statutory—pipeline
52	Statutory—railway
60	Other
70	Golf Course
80	Residential 3—Owner-occupied condominiums and co-op housing

Portioned Assessment

A portion percentage is assigned to each type of property, which is used to calculate the portioned assessment of a property (which is rounded to the nearest \$10). For example, residential homes have a portion percentage of 45%.

$$\textit{Portioned Assessment} = \textit{Portion Percentage} \times \textit{Market Value Assessment}$$

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What is a mill rate?

A “mill” represents a tax of \$1 for every \$1000 of portioned assessed value.

Municipal Taxes

Municipal taxes support municipalities. Municipal taxes consist of the general municipal tax and local improvement taxes. The general municipal tax formula is:

$$\text{General municipal tax} = \frac{\text{total portioned assessment}}{1000} \times \text{municipal mill rate}$$

Local improvement taxes are based on the cost of the improvements and your frontage. For the purposes of this course, the frontage is taken to be the width of the front of your property. Each local improvement tax is calculated as follows:

Local Improvement Costs for Property Tax Credits	
Property Improvement	Cost per Frontage Foot per Year
Asphalt surfacing roadways	\$ 26.22
Boulevard construction	\$ 10.81
Concrete sidewalk	\$ 7.86
Concrete street paving	\$ 39.32
Granular surface lane	\$ 9.01
Land drainage system	\$ 8.62
Lane lighting	\$ 1.80
Lane oiling	\$ 9.00
Lane paving	\$ 11.80
Ornamental lighting (lane)	\$ 10.82
Ornamental lighting (street)	\$ 14.42
Road oiling	\$ 8.00
Wastewater sewers	\$ 9.98
Water mains	\$ 11.54

Source: <http://winnipeg.ca/publicworks/Services/LocalImprovements.asp>

$$\text{Local improvement tax} = \text{frontage} \times \text{cost of improvement per foot of property frontage}$$

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Education Taxes

Education taxes support the various school divisions in the province of Manitoba. Education taxes are also calculated using portioned assessed property value and mill rate. The mill rate for education taxes is not the same as the mill rate for municipal taxes.

$$\text{Education taxes} = \frac{\text{total portioned assessment}}{1000} \times \text{education mill rate}$$

Example 15: Calculate a property tax bill

The Abbot family owns a home with a portioned assessed value of \$83,250. The municipal mill rate is 14.056 mills and the education mill rate is 14.285 mills. The property has a frontage of 60 feet. The family is charged local improvement taxes for road oiling. The Abbots also receive a tax-credit of \$500.

Calculate the annual property taxes for the property.

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STATEMENT AND DEMAND FOR TAXES

PROPERTY DESCRIPTION							• ERRORS AND OMISSIONS EXCEPTED • ALL LAND IN ARREARS FOR MORE THAN ONE YEAR SHALL BE SOLD FOR TAXES • ALL CHECKUES MADE IN CANADIAN FUNDS • BANK RECEIPT CONSTITUTES OFFICIAL RECEIPT • RETAIN COPY FOR INCOME TAX PURPOSES
ROLL NUMBER	WARD	Lot/Section	Blk/Twp	Plan/Range	Frontage/Area	Dwell. Units	
Civic Address							
Title or Deed No.	Current Assessment Land	Buildings	Status Code	Total Assessment	Prop. Class	Portion %	
ASSESSMENT SUBJECT TO LOCAL IMPROVEMENT LEVY							

MUNICIPAL TAXES	Description			Total Port Assessment	Mill Rate	Levy
	General Municipal					
	By-Law No.	Term	Type	Frontage Levy	Mill Rate	Levy

EDUCATIONAL TAXES	Description			Total Port Assessment	Mill Rate	Levy
	Provincial Education 1 Provincial Education 2 School Division Tax					

PROVINCIAL TAX CREDITS	(See Manitoba Enclosure for Additional Information)	Assessment		Levy
		Manitoba Resident Homeowner Tax Assistance		

TOTAL TAXES DUE							
Municipal Tax	Education Tax	Total Taxes	Prov. Credits	Net Taxes	Arrears/Credits	Added Taxes	Taxes Due

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Lesson 6: Home Maintenance

Daily Maintenance

Daily home maintenance includes tasks that you perform on a regular basis (daily or at least weekly). Some examples of regular maintenance the homeowner should do include:

- repair dripping faucets and showers
- replace light bulbs
- prevent toilets from wasting water
- repair damage to walls
- replace items (e.g., windows) when they break
- repair electrical outlets and switches
- tighten loose stair railings
- adjust locks that are not functioning properly
- clean stove, floors, and kitchen counters
- check smoke alarms and carbon monoxide detectors

Preventative Maintenance

In addition to daily maintenance, there are certain tasks that you can perform on a less frequent basis that can prevent major repair costs later on. These tasks are called preventative maintenance, and can include

- keeping window wells and storm drains free of debris
- checking siding for damage and repairing as required
- checking driveway and sidewalk for cracks and repairing as required
- checking fence and gates for damage and repairing as required
- checking trees for damage and trimming them as required
- checking drainage around your house to ensure proper drainage
- checking roof for damage and clearing eaves troughs of all debris
- checking that the chimney and air vents are clear
- checking caulking and weather-stripping on windows and doors, and repairing as necessary
- checking water lines and water heater
- checking basement walls for cracks and condensation
- having furnace checked annually, and replacing all filters regularly
- installing a sewer backup valve to prevent basement flooding

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Emergency Repairs

As the name implies, emergency repairs occur when the system or item that breaks must be fixed immediately. Items that require emergency repairs include:

- heating systems
- hot water tank
- chimneys
- doors and windows
- home foundations
- roofs
- walls
- floors and ceilings
- vents
- plumbing
- electrical systems

You should note that you can sometimes avoid emergency repairs (and the costs that go with them) by performing preventative maintenance. Typically, preventative maintenance targets areas of the house that, if unattended, could lead to larger problems that are expensive to repair.

Example 16: Emergency Repair

A large tree falls through your roof during a summer storm. An emergency repair would involve covering the hole with plywood so that further damage is prevented. Cutting down the rotten tree that fell through the roof might have been good preventative maintenance.

Note that the tree falling is not the emergency but that repairing the damage quickly is!

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Lesson 7: Energy Efficiency

As a homeowner, you have to pay for the energy you use. This includes electricity and heating. Most people want to pay as little as possible for energy. The question is, how do you maximize the efficiency of the energy you use in your house so that you can minimize the cost? (Efficiency means to work productively with minimum wasted effort or expense.)

Here are some tips to follow to reduce your electricity consumption:

- Refrigerators use up to 11% of your household energy consumption. Buying an energy-efficient refrigerator may cost more upfront but will save you large amounts of money in the long run. Old refrigerators use a lot more energy than new models.
- Washing machines also use a lot of energy. Front-loading machines are typically more energy efficient than top-loading machines because they require less water.
- Dryers with built-in sensors can save energy, as the dryer will turn off once the clothes are dry instead of continuing until the cycle is done.
- Chest freezers use less energy to stay cold than upright freezers. Also, if your freezer is too big, you could be wasting a lot of money just to keep the freezer itself cold.
- Dishwashers are actually energy efficient. You can waste a lot of water by pre-washing dishes. Also, new dishwashers are more energy efficient than older dishwashers.
- Ovens with a self-cleaning feature are typically more energy efficient because they have more insulation. Also, you are saving energy by turning on the interior light instead of opening the oven door. This may seem wrong, but it takes more energy to keep the oven heated at 450° than it does to turn on a light bulb.
- Turn off the lights when you leave a room.
- Do not leave the TV or radio on when you go to bed.

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Some tips for improving heating efficiency include:

- Turn off the heat or air conditioning when you have the windows open in your house.
- Check for drafts around exterior doors and windows, and then replace the weather stripping and caulking to prevent heat from escaping. Also, look for condensation around these areas.
- Heat recovery ventilators use the heat of expelled, indoor air to preheat incoming air from outside.
- Unlike wood fireplaces, gas fireplaces can be well sealed so they prevent a large amount of heat loss. Don't forget to turn off the pilot light in the summer – it gives off heat!
- Programmable thermostats help you to conserve heat energy because you can set them to automatically lower the temperature at night or when you are not in the house.
- Replace the furnace filter every three to six months, or as needed.

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Lesson 8: Renting vs Buying a Home

There are financial factors that you must consider when renting a house:

1. **How much are the rental payments and what is the payment schedule?**
Rental payments are usually monthly and in advance. This is suitable for most working people because they usually receive a paycheque at least once a month.
2. **What is included in the rental payment?** Does it include utility costs such as heat, hydro, and water? If not, these will be extra costs you will need to pay out. Is the house furnished or partly furnished? If so, it could reduce your costs of starting out on your own.
3. **Does the rental payment include insurance on your personal belongings?**
Most often it does not, so any insurance would be an additional cost to the renter.
4. **Due to costs that are less than when buying a house, does renting free up any money that you may invest?** If so, these investments will create income for you at some time in the future. Rental payments, however, are not an investment and will not create any assets.

The following are other non-financial factors that may affect whether or not you decide to rent:

1. **Restrictions on your living style**, such as use of the yard and permission to have pets.
2. **Privacy issues** may be a consideration when renting.
3. **Regular upkeep of the property** is not usually the responsibility of the renter. This can be appealing to people who don't have the expertise and/or the time to do this kind of task.
4. **Rental payments do not create assets.** But, when you rent a home, any money you have available for a down payment for a future purchase can be invested to create an increasing asset.