RENT VS. BUY BUYER DECISION GUIDE

Should I Rent or Buy?

Renting and buying aren't opposites - they're two different ways to pay for shelter, each with its own costs, and both are legitimate depending on your situation. Buying tends to win financially when you'll stay put for at least three to five years, the full monthly payment fits comfortably in your budget, and you have cash to close plus a reserve left over. Renting tends to win when your timeline is uncertain, your cash would be better used elsewhere, or the numbers in your specific market simply don't break even inside a reasonable holding period. The honest answer requires running your actual numbers, not comparing a rent check to a mortgage quote.

Reviewed: August 2026
Read time: ~15 minutes

Author: Brian Mix, Founder & CEO, Licensed Loan Officer, NMLS #111175
Guide: readinessiq.ai/guides/should-i-rent-or-buy

Key facts at a glance

TYPICAL BREAK-EVEN HORIZON
3-5 years - Time needed to recover buying and selling transaction costs.

ROUND-TRIP TRANSACTION COST
~8%-15% of price - Roughly 2%-5% to buy plus 6%-10% to sell.

OPPORTUNITY COST
Down payment could earn elsewhere - Cash tied up in a home isn't earning market returns while it sits in equity.

STANDARD DEDUCTION (2025)
$15,000 single / $30,000 married - Most owners no longer itemize, which changes the tax math on mortgage interest.

The one-minute answer

Renting and buying aren't opposites - they're two different ways to pay for shelter, each with its own costs, and both are legitimate depending on your situation. Buying tends to win financially when you'll stay put for at least three to five years, the full monthly payment fits comfortably in your budget, and you have cash to close plus a reserve left over. Renting tends to win when your timeline is uncertain, your cash would be better used elsewhere, or the numbers in your specific market simply don't break even inside a reasonable holding period. The honest answer requires running your actual numbers, not comparing a rent check to a mortgage quote.

Buy now if:

You expect to stay three to five years or longer, the full payment - including taxes, insurance, and maintenance - fits your budget with room to spare, and you'd still have savings left after closing.

Wait if:

You might relocate within two to three years, your income or life situation is in flux, or the math in your local market doesn't break even inside a time frame you're confident about.

Consider an alternative if:

You're financially ready to buy but haven't found the math to pencil out yet - a smaller starter home, a longer commute radius, or down payment assistance can shift the break-even in your favor.

REFRAME

You're not comparing rent to a mortgage payment

> BRIAN MIX, NMLS #111175
> Comparing your rent check to a mortgage quote is like comparing a bus fare to a car payment and forgetting about gas, insurance, and the timing belt.

The comparison most people make - "my rent is $1,900, so if my mortgage is $2,100 I should just buy" - leaves out almost everything that actually determines the answer. Renting has one number: rent, maybe plus a renter's insurance policy that runs $15-$25 a month. Owning has several:

- Principal and interest on the loan.
- Property taxes, which vary enormously by county and can add hundreds a month.
- Homeowners insurance, which has risen sharply in many states and is not optional.
- Private mortgage insurance if you put down less than 20% on a conventional loan, or the FHA mortgage insurance premium.
- HOA dues, if applicable.
- Maintenance and repairs, which a landlord absorbs for a renter but an owner pays directly - a roof, a water heater, a furnace.

Build the real number with the mortgage payment calculator before you compare anything. A common industry rule of thumb sets aside roughly 1%-2% of the home's value per year for maintenance - on a $350,000 home, that's $3,500-$7,000 annually, or roughly $290-$580 a month that never shows up on a loan estimate.

Once you have the true owning cost, the comparison becomes honest. Sometimes owning is still cheaper monthly. Often it's more expensive monthly and only wins over a longer horizon, once equity and any appreciation are counted. Neither outcome is a surprise once you've actually built both numbers - the surprise only happens when you skip this step.

> FAST
> Renting's true cost is close to your lease amount. Owning's true cost is your loan payment plus taxes, insurance, and roughly 1%-2% of the home's value per year for maintenance. Compare those two numbers, not rent versus principal and interest.

THE MATH THAT DECIDES MOST CASES

The break-even horizon: why time matters more than rate

Buying a home has entry costs and exit costs. On the way in, closing costs typically run 2%-5% of the purchase price - appraisal, title insurance, lender fees, recording, and often prepaid taxes and insurance. On the way out, selling costs are heavier: real estate commissions, title fees, transfer taxes, and often repairs or concessions negotiated with the buyer, commonly totaling 6%-10% of the sale price.

That round trip - often 8% to 15% of the home's value - has to be earned back before buying comes out ahead of renting the same period. It gets earned back two ways: principal you pay down each month, and any appreciation in the home's value. Neither is guaranteed on a specific timeline, which is exactly why the hold period matters more than almost any other variable in this decision.

Rough guardrails
- Under 2 years: Renting almost always wins. Transaction costs rarely get recovered that fast in any market.
- 3-5 years: This is the zone where the math genuinely depends on your local numbers - price-to-rent ratio, your down payment, and expected appreciation.
- 5+ years: Buying wins in most realistic scenarios, including flat or modestly declining price scenarios, because principal paydown alone often covers the gap.

The rent vs. buy calculator runs this break-even against your actual rent, target price, down payment, and how long you plan to stay - it's the single most useful tool for this decision, more useful than any rate forecast.

> TIP
> If you can't confidently say you'll stay put for at least three years, treat that uncertainty as an answer in itself. It's not indecision - it's information the math needs.

BOTH DIRECTIONS COST MONEY

Transaction costs run both ways - moving isn't free either

It's tempting to think of renting as the "no cost" option and buying as the one with fees. Renting has transaction costs too - they're just smaller and repeat more often.

Costs of moving as a renter
- Security deposit, often one to two months' rent, some or all of which may not be returned.
- Application fees, typically $30-$75 per applicant.
- Moving costs, which recur every time a lease ends and you relocate.
- Rent increases at renewal, which a landlord sets and you don't control.

Costs of entering and exiting ownership
- Buying in: appraisal ($400-$700), inspection ($300-$600), title insurance and search, lender origination and underwriting fees, recording fees, and prepaid items like the first year of homeowners insurance and a few months of property taxes into escrow. Estimate yours with the closing costs calculator.
- Selling out: real estate commissions (historically the largest single line item), title and escrow fees, transfer taxes in many states and counties, and any repairs or credits negotiated after an inspection.

The practical takeaway: a renter who moves every one to two years is paying transaction costs repeatedly, just in smaller increments - deposits, fees, and application costs that also never come back. A buyer who stays five-plus years pays a larger transaction cost once on each end but amortizes it over a much longer period. Frequent movers should weight renting more heavily; buyers planning to stay put should weight the ownership math more heavily.

> WATCH
> Don't assume renting is friction-free. A renter who relocates annually can spend thousands a year in deposits, fees, and moving costs - money that also builds no equity.

WHAT YOUR CASH COULD BE DOING INSTEAD

The opportunity cost of your down payment

A down payment isn't spent - it's converted into home equity, which is a form of savings. But it's an illiquid, non-diversified form of savings, and that has a real cost: the money isn't available to invest elsewhere, and it doesn't earn a return the way a retirement account or brokerage account might.

This is the strongest argument for the classic "rent and invest the difference" position, and it deserves an honest hearing rather than a dismissal. If a buyer would otherwise put $40,000 down on a home, and instead rents while investing that $40,000 plus the monthly gap between rent and the full ownership cost, that portfolio could, in some market conditions, outgrow the home's appreciation and the principal paydown combined.

The reason this strategy underperforms in practice for most households isn't the math - it's the behavior. Owning enforces savings through required, automatic principal paydown embedded in the payment. Renting and investing requires discipline every single month, indefinitely, with no automatic mechanism and no penalty for skipping a month when a vacation or a new phone gets prioritized instead. Data on actual household savings behavior consistently shows that voluntary, unstructured investing is far less reliable than the forced structure of a mortgage payment.

So the honest framing is: renting and investing the difference can win mathematically, but only for someone who will genuinely, consistently invest the difference for years without fail. If that describes you - and be specific and honest about it - the rent vs. buy calculator lets you model an assumed investment return against home appreciation so you can compare scenarios directly rather than guessing.

> TIP
> If you choose to rent and invest, automate it the same way a mortgage automates principal paydown - a standing transfer into a diversified account on the same day rent is due, every month, no exceptions.

THE HONEST CASE FOR RENTING

When renting is genuinely the smarter move

This isn't a guide that concludes "buy" no matter what. There are real situations where renting is the financially and practically better choice, and pretending otherwise does buyers a disservice.

- You expect to move within two to three years. Job changes, grad school, a relationship that hasn't settled into a permanent location - any of these make the transaction-cost math nearly impossible to overcome.

- Your local price-to-rent ratio is high. In some expensive coastal and resort markets, homes cost 25-35 times annual rent for a comparable property. In those markets, renting can remain cheaper for a very long time, even a decade or more, because prices are priced for appreciation rather than cash-flow.
- You'd close with no savings left. If buying means draining your emergency fund to zero, you haven't achieved affordability - you've achieved fragility. See Get Ready to check your full readiness picture first.
- Your income or career is genuinely unsettled. A pending layoff, pre-tenure academic position, or pending relocation for a partner's job are all reasons to wait, not fail states.
- You want to keep maximum flexibility for a season of life. A renter can leave at lease-end. A homeowner has to sell or rent out the property, both of which take time and cost money.
- Maintenance is a genuine hardship for you. Some buyers underweight the time, stress, and skill required to manage a home's upkeep. If that's a real constraint - not a lifestyle preference - it's a legitimate factor.

None of these are permanent conditions. A buyer renting today because of an uncertain job can revisit the Should I Buy a Home Now or Wait? guide once that uncertainty resolves.

> WATCH
> If you're renting because the math genuinely doesn't work in your market, that's not failure to launch - that's the correct read of your numbers. Revisit annually, since price-to-rent ratios and your own situation both change.

WHAT THE TAX BENEFIT ACTUALLY LOOKS LIKE NOW

The mortgage interest deduction: smaller than most buyers assume

Many buyers still repeat a version of "you get a big tax break for owning a home," a holdover from before the Tax Cuts and Jobs Act of 2017 roughly doubled the standard deduction. That change matters enormously to this decision and is worth stating plainly.

For 2025, the standard deduction is $15,000 for single filers and $30,000 for married couples filing jointly (per IRS guidance). To benefit at all from the mortgage interest deduction, your itemized deductions - mortgage interest, state and local taxes (capped at $10,000 under current law), charitable giving, and a few other categories - have to exceed that standard deduction amount. For a large share of homeowners, especially those with smaller mortgages or in lower-tax states, they simply don't.

What this means practically
- A buyer with a $300,000 loan at a typical rate might pay somewhere around $15,000-$18,000 in mortgage interest in the first year. Combined with $10,000 in capped state and local taxes, that's close to the standard deduction threshold for a married couple - meaning the *marginal* tax benefit of owning can be small or even zero.
- A buyer with a larger loan in a high-tax state is more likely to itemize and see a real benefit.
- Property taxes and mortgage interest are only deductible if you itemize; if you take the standard deduction, they provide no additional tax benefit at all.

The honest advice: don't use "the tax break" as a deciding factor in the rent-versus-buy decision unless you've actually estimated your itemized total against the standard deduction for your filing status. For many middle-income buyers today, the tax difference between renting and owning is much smaller than it was a decade ago - the decision should rest on cash flow, equity building, and your timeline, not on an assumed deduction that may not materialize.

> FAST
> Don't count on the mortgage interest deduction to make the numbers work. Run your own itemized total against the 2025 standard deduction ($15,000 single / $30,000 married) before assuming any tax benefit at all.

THE LONG GAME

"Rent forever" vs. locking in your housing cost

There's a version of the rent-versus-buy debate that goes beyond any single year's math: what happens to your housing cost over a lifetime under each path?

A renter's cost is repriced by the landlord, typically at each lease renewal. Over a 30-year period, rent in most U.S. markets has risen steadily, sometimes outpacing wage growth in a given year. There is no mechanism that caps how much a renter's payment can increase, and a renter accumulates no equity regardless of how long they stay or how much they've paid in over the decades.

A buyer with a fixed-rate mortgage locks the principal-and-interest portion of their payment for the life of the loan - 15, 20, or 30 years, unaffected by inflation, rent trends, or market cycles. Property taxes and insurance still move over time and are not frozen, but they're typically a smaller share of the total payment than principal and interest, so the bulk of the cost is genuinely fixed. By year 20 or 30, a long-term owner's largest housing cost component hasn't moved since closing, while a renter's has likely doubled or more.

This is the strongest argument in favor of buying for anyone with a long time horizon, and it's worth taking seriously precisely because it isn't hype - it's how amortizing, fixed-rate debt works. The tradeoff is illiquidity and maintenance responsibility, discussed elsewhere in this guide, and the requirement that you actually hold the loan long enough for the fixed payment to outrun rising rent.

The "rent forever" position is coherent for someone who values flexibility above all else, expects to keep moving, or lives in a market where price-to-rent ratios never favor ownership. But for someone planning to stay in one region for decades, the compounding effect of a frozen principal-and-interest payment against rising rent is one of the most powerful, least discussed advantages of buying - and it has nothing to do with appreciation or market timing.

> LOCAL
> This math depends heavily on your local rent growth trends and price-to-rent ratio. Check state guides for regional context before assuming national averages apply to your market.

Your options, compared

Buy and hold long-term

Purchase with a plan to stay five or more years, capturing principal paydown and a fixed payment.

Pros

- Principal and interest are fixed for the life of a fixed-rate loan
- Every payment builds equity instead of disappearing as rent
- Long time horizon nearly always clears the break-even point
- Protection against rising rent over decades

Cons

- Requires cash for a down payment, closing costs, and reserves
- You absorb all maintenance and repair costs directly
- Illiquid - hard to access the equity without selling or refinancing
- Selling early can erase most of the financial benefit

Best for: Buyers confident they'll stay put five-plus years with a comfortable, tested payment.

Avoid if: Your timeline is uncertain or the payment only works using best-case assumptions.

Rent and invest the difference

Stay a renter and deliberately invest the gap between rent and what ownership would cost.

Pros

- Maximum flexibility to move for work or life changes
- No maintenance, property tax, or insurance exposure
- Diversified investments, unlike equity concentrated in one home
- Can outperform ownership mathematically if consistently executed

Cons

- Requires real, sustained monthly discipline with no automatic enforcement
- Rent has no ceiling and is reset by the landlord at renewal
- No forced savings mechanism - most people invest less than planned
- Miss out on the psychological and practical stability of a fixed payment

Best for: Disciplined savers with genuinely uncertain timelines or high price-to-rent markets.

Avoid if: You don't have a track record of automating investments and sticking with it.

Buy sooner with a smaller starting home

Lower the price target to make the break-even work sooner and build equity faster.

Pros

- Lower purchase price shortens the break-even horizon
- Smaller loan amount reduces monthly risk
- Starter equity can roll into a larger home move-up later
- Often pairs well with 3%-3.5% down payment programs

Cons

- May mean compromising on size, location, or condition
- Two future moves (starter, then move-up) means two rounds of transaction costs
- Requires re-qualifying and re-shopping in a few years

Best for: Buyers who are financially ready but priced out of their ideal long-term home today.

Avoid if: You strongly prefer to buy once and stay for decades without moving again.

Wait and reassess in 12-24 months

Keep renting on purpose while a specific, named condition resolves.

Pros

- Time to build credit, savings, or job history
- Avoids locking in a payment before your timeline is settled
- No risk of buying and needing to sell within the loss-prone window

Cons

- Rent continues with no equity building
- Local prices or rates may move during the wait
- Only useful if tied to a specific, dated plan rather than open-ended hesitation

Best for: Buyers with one clear, fixable gap - savings, credit, or timeline clarity - and a target date.

Avoid if: You're already ready and simply hoping the market changes in your favor.

Decision tree

1. Do you expect to stay in this home for at least three years?

If no, transaction costs on both ends rarely get earned back that fast, and renting is very likely cheaper over that window.

Verdict: No rent

2. Have you built the full ownership cost, not just principal and interest?

Add taxes, insurance, mortgage insurance if applicable, HOA dues, and 1%-2% of the home's value annually for maintenance using the payment calculator before comparing to rent.

Verdict: Not yet build it first

3. Does the full payment leave you with savings after closing?

If closing would drain your account to zero, the numbers may work on paper but not in practice. A missed reserve turns the first repair into a crisis.

Verdict: No keep renting and building reserves

4. Is your local price-to-rent ratio reasonable?

Run your specific numbers in the rent vs. buy calculator. In high price-to-rent markets, renting can remain cheaper for a decade or more even with a long time horizon.

Verdict: Unfavorable weight renting more heavily

5. Would you actually invest the difference if you kept renting?

Be honest based on your own track record, not intentions. Unstructured investing performs worse in practice than a mortgage's forced principal paydown for most households.

Verdict: Unlikely buying's forced savings has more real value for you

6. Is your income and job situation stable and documentable?

A pending job change, new self-employment, or income uncertainty is a reason to wait regardless of how the rent-versus-buy math looks otherwise.

Verdict: No wait with a plan

7. All of the above check out?

Then buying is very likely the stronger financial move for your specific numbers and timeline - get pre-approved and shop to a tested, comfortable payment.

Verdict: Yes buy

Cost examples

Maya - renting at $1,950 vs. buying a $340,000 home

A renter paying $1,950/month is weighing a $340,000 purchase with 10% down. Comparing five years of renting against five years of owning. Illustrative round numbers, not a quote.

	Rent 5 years	Buy and hold 5 years
Total housing paid over 5 years	~$126,000 (with 3%/yr rent increases)	~$150,000 (full payment incl. taxes/insurance)
Cash needed up front	~$3,900 (deposit + fees)	~$44,000 (down payment + closing)
Equity built via principal paydown	$0	~$24,000
Value if home appreciates 3%/yr	N/A	~$54,000 in appreciation
Cost to sell (est. 8% of value)	N/A	~$31,500
Net position after 5 years	$0 recovered	~$46,500 net (equity + appreciation selling costs)

> TAKEAWAY
> By year five, the round-trip transaction costs have typically been earned back through principal paydown and modest appreciation, and the buyer holds real equity the renter does not. Before year three, this comparison usually favors renting instead - the timeline is what flips the outcome.

Devon - the down payment opportunity cost comparison

Devon has $35,000 saved. Comparing putting it toward a home down payment versus renting and investing that $35,000 plus the monthly cost gap in a diversified account assumed to return 6%/year. Illustrative only; investment returns are never guaranteed.

	Buy: $35,000 as down payment	Rent and invest $35,000 + monthly gap
Upfront cash use	Down payment + closing costs	Invested lump sum
Monthly gap invested (rent cheaper by ~$350/mo)	$0	~$350/mo added to account
Value of $35,000 after 5 years at 6%/yr (assumed)	N/A	~$46,800
Value of monthly contributions after 5 years	N/A	~$24,500
Home equity after 5 years (principal + appreciation)	~$48,000	N/A
Requires ongoing discipline?	No - built into the payment	Yes - every month, without exception

> TAKEAWAY
> On paper, disciplined investing can come close to or exceed home equity growth over five years. In practice, most households don't sustain the monthly contribution without the automatic structure a mortgage payment provides - which is the real reason this strategy underperforms for most people, not the math itself.

Timeline

This month - build both real numbers

Use the mortgage payment calculator and the rent vs. buy calculator to compare your actual rent against a fully loaded ownership cost for homes in your target range.

Weeks 1-2 - check your timeline honestly

Write down your realistic minimum hold period. If it's under three years, that alone may resolve this decision without needing any further math.

Weeks 2-4 - test the payment against your budget

Confirm the full payment, including maintenance reserves, fits your take-home pay with room left for savings and emergencies.

Month 1-2 - check local price-to-rent conditions

Compare typical home prices to typical rents for similar properties in your target area. A very high ratio favors renting even at a longer time horizon.

If buying - get pre-approved and shop to a payment

Set a maximum comfortable payment first, then let price follow it. Ask about seller concessions and rate buydowns.

If renting - set a review date

Revisit this decision every 12 months, since rent, prices, your savings, and your timeline all change.

Common mistakes

Comparing rent directly to principal and interest

This ignores taxes, insurance, mortgage insurance, HOA dues, and maintenance - often 30%-50% of the true ownership cost. Build the full number before comparing anything.

Assuming a three-year stay is long enough to profit

Round-trip transaction costs of 8%-15% of the home's value typically need three to five years of principal paydown and appreciation just to break even, not to turn a profit.

Believing the mortgage interest deduction guarantees a tax benefit

With the standard deduction at $15,000 single / $30,000 married for 2025, many owners no longer benefit from itemizing at all. Run your own numbers before counting on this.

Treating the down payment as a cost instead of converted savings

It's equity, not a loss - but it's illiquid and stops earning a market return while it sits in the home. That opportunity cost is real and worth weighing honestly.

Ignoring how often you actually move

A renter relocating every year pays deposits, fees, and moving costs repeatedly. Weigh those recurring costs against ownership's larger, one-time transaction costs.

Planning to 'rent and invest the difference' without automating it

Unstructured investing consistently underperforms intentions. If you choose this path, automate the transfer the same way a mortgage automates principal paydown.

Skipping the maintenance reserve line entirely

A reasonable planning figure is 1%-2% of the home's value per year. Leaving this out of the comparison understates ownership cost by hundreds of dollars a month.

Using national price-to-rent averages instead of local numbers

Rent-versus-buy math is intensely local. A ratio that favors buying in one metro can favor renting thirty miles away.

Buying with no savings left after closing

A comfortable payment on paper still fails if the first repair after closing wipes out your entire cushion. Reserves are part of the real comparison, not an afterthought.

Expert tips

- Run the rent vs. buy calculator with a conservative appreciation assumption (0%-2%/year) first, then a more optimistic one. If buying still wins under the conservative scenario, that's a much stronger signal than a single rosy projection.
- Ask your insurance agent for a real homeowners insurance quote before you finalize the ownership-cost comparison - premiums have risen sharply in many states and can change the math meaningfully.
- If you're torn, model both a three-year and a seven-year hold period. Many buyers discover the decision genuinely flips depending on timeline, which tells you exactly what to plan around.
- Check your local price-to-rent ratio, not a national figure. A quick way: divide the typical purchase price of a home like yours by the typical annual rent for a similar property.
- If part of your hesitation is the down payment size, check down payment assistance before assuming you need to keep renting to save the full amount.

Decision checklist

- [ ] I've built the full ownership cost, not just principal and interest
- [ ] I've compared that full cost to my actual rent, not a rough guess
- [ ] I know my realistic minimum hold period for a home I'd buy
- [ ] I've run the break-even math in the rent vs. buy calculator
- [ ] I've estimated closing costs and selling costs for my market
- [ ] I know what my down payment could be worth if invested instead
- [ ] I've been honest about whether I'd actually invest the difference if renting
- [ ] I've checked my local price-to-rent ratio, not just national averages
- [ ] I've estimated my real tax situation against the 2025 standard deduction
- [ ] I have a savings cushion left over under either the rent or buy scenario

Frequently asked questions

Is it better to rent or buy right now?

It depends on your timeline, your full monthly numbers, and your local market - not the calendar year. If you'll stay put three-plus years, the full ownership cost fits your budget with savings left over, and your local price-to-rent ratio is reasonable, buying is usually the stronger financial move. If any of those isn't true, renting is often the better call for now.

How long do I need to own a home to break even versus renting?

Typically three to five years. Closing costs commonly run 2%-5% of the purchase price and selling costs 6%-10%, so principal paydown and appreciation need that much time to cover the round trip in most markets.

Is renting really throwing money away?

No - you're paying for shelter and flexibility, which has real value. What's true is that rent builds no equity and has no ceiling on future increases, while a fixed-rate mortgage payment's principal and interest portion is locked for the life of the loan. Both are legitimate ways to pay for housing.

Is it better to rent and invest the difference than to buy?

It can be mathematically, if you genuinely invest the difference every month without fail. In practice, most households don't sustain that discipline, which is why ownership's forced savings through principal paydown tends to outperform intentions, not spreadsheets.

How much does it actually cost to sell a home?

Selling costs commonly total 6%-10% of the sale price once agent commissions, title and escrow fees, transfer taxes, and any negotiated repairs or concessions are included. That's a major reason short ownership periods rarely come out ahead of renting.

Do I still get a tax break for owning a home?

Maybe, but it's smaller than many buyers assume. With the 2025 standard deduction at $15,000 for single filers and $30,000 for married couples filing jointly, many owners' itemized deductions - including mortgage interest and the $10,000-capped state and local tax deduction - don't exceed that threshold, meaning no additional tax benefit from itemizing.

What is a good price-to-rent ratio for buying?

There's no single universal number, but many analysts consider a ratio under roughly 15 (purchase price divided by annual rent) to generally favor buying, while ratios above 20-21 tend to favor renting for longer. This varies by local market conditions and should be checked directly rather than assumed nationally.

How much should I budget for home maintenance?

A common planning figure is 1%-2% of the home's value per year. On a $350,000 home, that's roughly $3,500-$7,000 annually, or about $290-$580 a month - a cost renters don't carry directly since it's built into their rent by the landlord.

What's the opportunity cost of a down payment?

It's what that cash could have earned if invested elsewhere instead of converted into home equity. A down payment isn't lost - it's savings in an illiquid, undiversified form - but it does stop earning a separate market return while it sits in the home.

Should I rent if I might move in a couple of years?

In most cases, yes. Two years rarely provides enough time for principal paydown and appreciation to cover the 8%-15% round-trip transaction cost of buying and selling. Renting preserves flexibility and avoids that risk.

Does buying make sense if I have to take out mortgage insurance?

Often, yes - mortgage insurance is a cost of a smaller down payment, not a disqualifier. On conventional loans it can typically be removed once you reach sufficient equity; FHA loans have their own removal rules. Include the cost in your full payment comparison rather than avoiding a purchase because of it.

How does rent increasing over time compare to a mortgage payment?

A fixed-rate mortgage's principal and interest portion doesn't change for the life of the loan, while rent is typically repriced at each lease renewal and has trended upward over long periods in most U.S. markets. Property taxes and insurance on a home do still rise, but they're usually a smaller share of the total payment.

What if I'm not sure how long I'll stay?

Model both a short (2-3 year) and a longer (5-7 year) hold period in the rent vs. buy calculator. If the outcome flips dramatically between them, that uncertainty is itself useful information - it may mean waiting until your plans firm up.

Can I rent out my home later if I need to move sooner than planned?

Sometimes, but it isn't automatic - it depends on local rental demand, whether the rent would cover your full payment, and any loan or HOA restrictions on rentals. Treat it as a possible backup, not a core part of your original plan.

Sources

Consumer Financial Protection Bureau - Buying a House - Closing cost ranges, the mechanics of comparing renting and buying, and mortgage insurance basics. - www.consumerfinance.gov/owning-a-home/

IRS Publication 936 (Home Mortgage Interest Deduction) - Rules for deducting mortgage interest and how itemizing interacts with the standard deduction. - www.irs.gov/publications/p936

IRS Revenue Procedure - Annual Inflation Adjustments (Standard Deduction) - The 2025 standard deduction amounts for single and married filing jointly taxpayers. - www.irs.gov/newsroom

Fannie Mae Selling Guide B3-6-02 (Debt-to-Income Ratios) - How the full monthly housing payment is calculated and qualified for conventional financing. - selling-guide.fanniemae.com/

HUD Handbook 4000.1, II.A (FHA Underwriting Requirements) - FHA down payment minimums and mortgage insurance premium requirements referenced in cost comparisons. - www.hud.gov/program_offices/administration/hudclips/handbooks/hsgh

ReadinessIQ

Know More. Plan Smarter. Move Forward.

Scan to view the live guide

readinessiq.ai

Last reviewed: August 2026