

# Retirement Living: Renting vs. Homeownership

Featured image:



*Alt-text: a retiree holding a cane, thinking about renting vs. homeownership*

When thinking of retirement living, the vast majority of people will picture a period of serenity, carelessness, and peace. If you are the one following that incentive, you are also most probably weighing renting vs. homeownership. *Even though there are undoubtedly good reasons to own a home in retirement, one cannot deny a great many arguments for renting as well.* For this reason, you might find **the answer to this dilemma not to be too straightforward**. Let us further delve into the comparison of these two options.

## **Renting vs. homeownership in retirement**

While [owning a home](#) tends to be less stressful, renting a place is often less expensive. Both routes, however, *indicate that the housing costs are going to be one of your biggest monthly expenses.*



**Make sure to account for all the expenses that will come with your decision./ alt text: Coins and three house models.**

The key takeaways you ought to consider when making your decision are:

- **Ownership costs are susceptible to change** and are dependent on fluctuations in market value, maintenance expenses, and insurance deductibles.
- It is **not a good idea to purchase a home primarily for investment**, even though it is a valuable asset to own.
- Apart from other advantages, **owning provides stability, equity, and tax benefits**.
- **Renting offers more flexibility and liquidity**. In addition, you will spend less money on maintenance.

## The advantages and downsides

In order to **make the soundest possible decision**, based on your wishes, needs, and possibilities, it is best that you compare the perks, as well as the flaws of these two options.

### What would make renting a better option?

If you have already gone through the process of selling your home and moving into a rental, you probably know all the benefits of that undertaking. However, if you are a novice to this idea, and are contemplating such a big change, *here are the advantages you should consider*:

- **Keeping your options open.** Namely, renting can be a great idea if you are ready to downsize, or are unsure where to spend your retirement years. You may desire to move to a place with a warmer climate, or lower costs of living. You will also have the option of moving closer to your family later on.
- **Fewer costs.** Certain reports claim that renting is a less expensive option when compared to homeownership. If, however, you are located in the South, the statistics reverse, making homeownership the cheaper route.
- **Less maintenance to take care of.** When renting, you are not responsible for major structural maintenance. Just make sure to read the lease carefully before signing, and

ensure that the landlord is the one in charge of all the repairs. This is especially important if you plan on renting a house.

- **Renting keeps you liquid.** It may free up money that you can further invest. It can also increase your overall income during your retirement years. And, as investments tend to grow at a faster rate than real estate appreciates, you will end up making even better use of your money.



**When considering renting vs. homeownership, know that both routes have their pros and cons. / alt text: A calculator, a pen, and some calculations.**

### **What should you look out for?**

Unpredictable rent increases and the possibility of eviction are the big risks that come with this option. Even if you are able to [speed up your packing process with ease](#), and move out quickly, the sheer stress of it is a big obstacle to overcome. As the place you are living in belongs to the landlord, no equity is part of this deal. There are also no tax benefits, and the inability to customize your home.

### **Why should you go for homeownership?**

If it so happens that you are one of the 70% of homeowners who have welcomed their retirement mortgage-free, deciding between renting vs. homeownership will be less complicated. *However, even without a house payment, there are still factors to consider.* Some of the major ones being property taxes and maintenance costs. Keep in mind, the older your home is, the higher the upkeep expenses threaten to be.

Still, living in a home that is your own does bare a lot of perks. Here are just some of them to consider:

- **Stability and control.** As opposed to renting, when owning a home, you won't have to worry about a landlord increasing the rent. You are also free of thinking whether he will sell the residence out from under you. In addition, you are able to remodel your home according to your liking, without looking for the owner's permission.
- **Building equity.** Some retirees deem it important to leave an inheritance. Others are more inclined to use accumulated home equity, and take out a loan, line of credit, or reverse mortgage. In these situations, homeownership is the better choice.

- **Tax benefits.** Deducting mortgage interest and property taxes on federal returns is one of the great benefits of homeownership. In addition, other deductions that include mortgage points also work to lower the amount you owe to the IRS.
- **The emotional side.** Although a nonfinancial consideration, it is still important that you include your emotional ties to the idea of homeownership when making your decision.

### What makes this a poor decision?

Maintenance takes up a lot of your money, as well as time. And there is no way to circumvent this chore. Illiquidity is another downside, as well as property taxes.



When making this decision, make sure to take other factors in consideration, not just the financial aspect. / alt text: A wooden model of a house, some coins, and an alarm clock.

## Renting vs. Homeownership: what it comes down to

Many people who are facing retirement find it hard to decide between renting vs. homeownership. *As we have seen, both options have their advantages and certain downsides.* When making your decision, you have to determine how much you want and are able to spend after paying taxes. Ask yourself [whether a home is a potential investment opportunity](#) or another expense. Lastly, weigh the risks that come with homeownership. Try to think about the unexpected costs, and whether your budget can withstand them. You will find that **the final answer lies in your own possibilities, preferences, and plans for the future.**

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