<p>The average young adult spends a signifiant percentage of their income on housing. Spending anywhere between 30% - 50% of ones income on housing is not unheard of. Having roommates to split your housing costs with can save you a lot of money, especially if you are a young adult just entering the work force and you consider the <a href='https://www.getmoneystaybummy.com/post/4/think-of-money-in-terms-of-its-future-value'>future value of money</a>.</p>

<p>Unfortunately, not everyone has the option to live at home (if you do you probably should be) with their parents to save money. For those that don't have this option, you should have roommates to lower the cost as much as possible to allow you to use your income to pay off debt, save, and to invest.</p>

<h1>It Is a Sacrifice That Will Put You Years Ahead Financially</h1>

<p>This matters most when you first enter adulthood. The money you save now will have many years to compound and grow into much more. If you can expedite the years it takes to pay off your debt and to build a comfortable nest egg, the quicker you can start investing and growing your net worth.</p>

<h1>Example</h1>

<p>To calculate how much you will save by cutting down your housing cost is not as simple as adding up the numbers. You will actually be saving more than you might think. This is mostly due to the power of compound interest.</p>

<p>For this example let’s say you rent an apartment for $1,500/month. You get a roommate and you get the smallest room so your share of the rent is only $600/month. You will be saving $900/month by sharing your apartment with one roommate. Let’s calculate how much you would be saving if you saved this amount for the next 1-10 years.</p>

<p>Saving $900 a month will allow you to add $900 to an investment account every month. Using the average rate of return of the stock market (10%) we can use a <a href='https://www.investor.gov/additional-resources/free-financial-planning-tools/compound-interest-calculator' target='\_blank'>compound interest calculator</a> to estimate how much you will truly be saving.</p>

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<p><b>In 5 years, you will have $67,384</b></p>

<img1>

</br></br></br>

<p><b>In 10 years, you will have $174,458</b></p>

<img2>

<h1>Bonus Example</h1>

<p>Let’s say by getting roommates you end up saving $1,500/month, and you do this for 15 years.</p>

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<p><b>In 15 years, you will have $575,664</b></p>

<img3>

<h1>Conclusion</h1>

<p>After looking at this data, it quickly becomes apparent how much money you can save by sacrificing a few years of comfort and living with roommates. Living with roommates can actually be a good experience, as long as you find good people that you are compatible with.</p>