

## THE CHALLENGE

Amy is a 25-year-old software developer who recently started her career. She has \$15,000 in savings and earns \$60,000 per year. Her job may require relocation within the next 2-3 years. She's debating whether to rent an apartment for \$1,200/month or use her savings as a down payment on a \$200,000 condo with monthly costs around \$1,500.

What factors should Amy consider, and which option makes more sense for her situation?

### Learning Objectives

- Compare the financial implications of renting versus owning a home.
- Identify key factors that influence housing decisions at different life stages.
- Evaluate how personal circumstances affect housing choices.

## CORE CONCEPTS

Term	Definition
Equity	The difference between a property's market value and the amount owed on the mortgage.
Down Payment	An initial upfront payment made when purchasing a home, typically 3-20% of the purchase price.
Mortgage	A loan used to purchase a home where the property serves as collateral for the loan.
Closing Costs	Fees and expenses paid at the closing of a real estate transaction (typically 2-5% of price).
Property Taxes	Taxes assessed on real estate by local governments, based on the property's value.

**Background:** Housing is typically the largest expense in any household budget, making the rent-vs-buy decision one of the most significant financial choices you'll face. Neither option is universally "better"—the right choice depends on your financial readiness, location stability, lifestyle preferences, and long-term goals. Renting offers flexibility and lower upfront costs, while owning builds equity and provides stability. Understanding the true costs and benefits of each option empowers you to make informed decisions aligned with your circumstances.

## APPLY IT

### PART A: HOUSING SCENARIO ANALYSIS

Analyze each person's situation and determine whether renting or buying makes more sense.

#### Scenario 1: Recent Graduate (Alex)

Alex just graduated and started a tech job earning \$60,000. He has \$10,000 in savings and \$25,000 in student loans. His industry often requires relocation for career advancement, and he's unsure about staying in this city long-term.

Recommendation: \_\_\_\_\_ (rent / buy / either)

Key factors: \_\_\_\_\_  
\_\_\_\_\_

#### Scenario 2: Established Family (The Martinez Family)

The Martinez family includes two working parents (combined income \$120,000) and two children ages 8 and 10. They have \$40,000 in savings, stable careers, and plan to stay in the same school district for at least 10 years.

Recommendation: \_\_\_\_\_ (rent / buy / either)

Key factors: \_\_\_\_\_  
\_\_\_\_\_

#### Scenario 3: Pre-Retirement (Dana)

Dana is 55 and plans to retire in 7 years. She's considering moving from a high-cost city to a smaller, lower-cost community for retirement. She has \$80,000 in savings and no debt.

Recommendation: \_\_\_\_\_ (rent / buy / either)

Key factors: \_\_\_\_\_  
\_\_\_\_\_

**Hint:** Key factors include: financial readiness (down payment, emergency fund, debt), location stability (how long you'll stay), lifestyle needs (flexibility vs. customization), and future goals.

### PART B: MONTHLY COST COMPARISON

Cost Category	Renting (\$1,200/mo apartment)	Buying (\$250,000 home, 10% down)
Housing Payment	Rent: \$1,200	Mortgage (P&I): \$1,100
Insurance	Renter's: \$15	Homeowner's: \$100

Property Taxes	\$0 (included in rent)	\$250
HOA/Maintenance	\$0 (landlord's responsibility)	\$300
Utilities	\$150 (estimate)	\$200 (larger space)
<b>TOTAL MONTHLY</b>		

**4.** Based on the table above, calculate the monthly difference between renting and buying. Then calculate the additional upfront costs required to buy (down payment + closing costs).

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### PART C: PERSONAL HOUSING PRIORITIES

**5.** Rank these housing priorities from 1 (most important) to 6 (least important) for YOUR current situation:

- Flexibility to move for jobs/opportunities
- Building equity/long-term investment
- Lower monthly costs
- Lower upfront costs
- Ability to customize/renovate
- No maintenance responsibilities

**6.** Based on your priorities, which housing option (rent or buy) currently aligns better with your top 3 priorities? Explain.

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### CHECK YOUR UNDERSTANDING

**1.** What is the recommended general rule for how long you should plan to stay in a home to make buying financially worthwhile?

- A. 1-2 years
- B. 3-5 years
- C. 5-7 years or more
- D. 10+ years minimum

**2.** Explain why the Martinez family (Scenario 2) might benefit more from buying than Alex (Scenario 1), even though buying has higher monthly costs.

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**3.** What should Amy (from The Challenge) prioritize given her job uncertainty? List TWO specific reasons why.

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**4.** Explain what "building equity" means and why it's considered an advantage of homeownership.

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**5. Reflection:** How do you see your housing needs changing over the next 5-10 years? What circumstances might lead you to transition from renting to buying (or vice versa)?

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