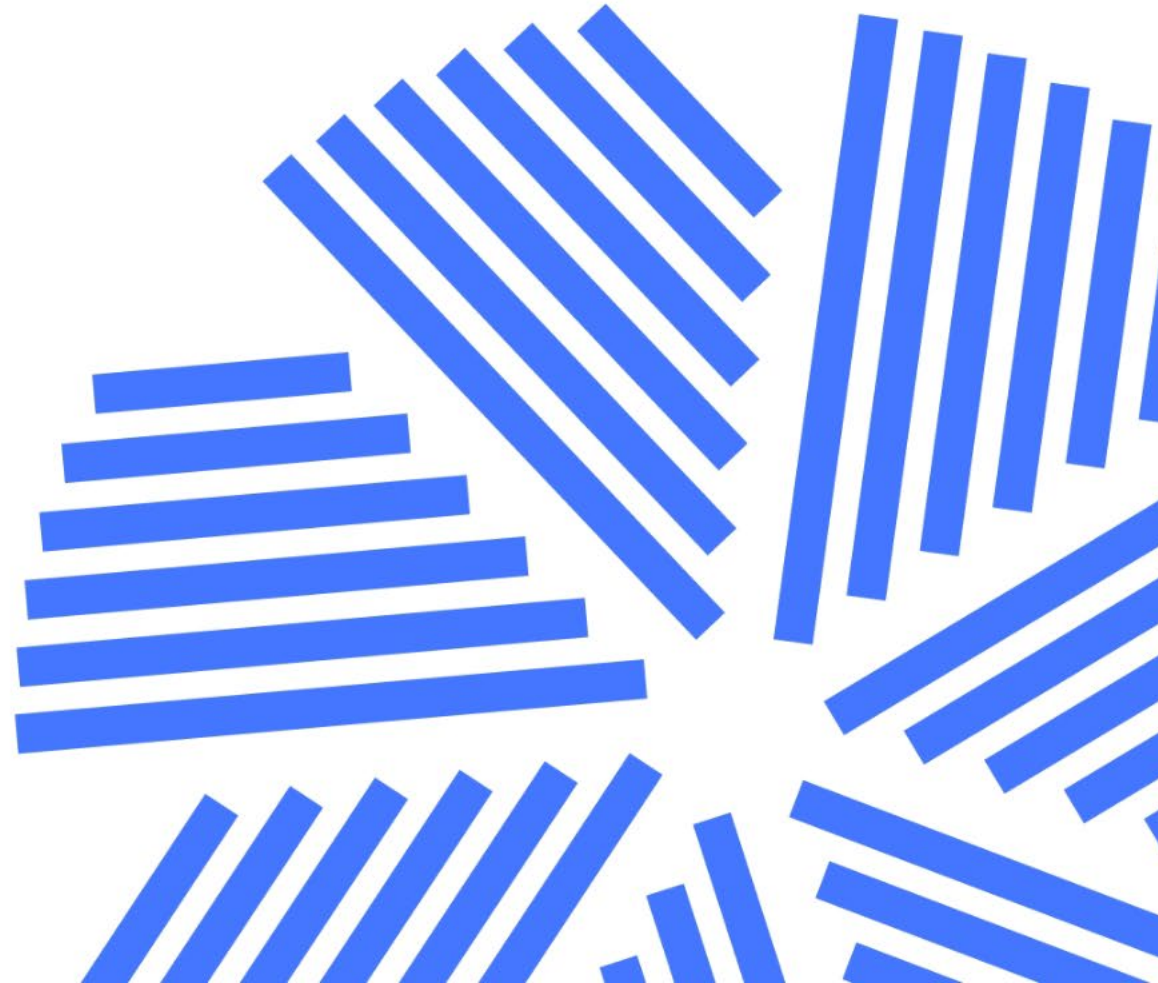




Where to Live?

Rent vs. Buy

September 2024



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CFA Society Boston

- Non-profit professional society of over 5,800 investment professionals
- New England's largest investment professional membership organization
- Founded in 1946, CFA Society Boston is a founding society of CFA Institute.



CFA Institute

- Global association of investment professionals
- Sets the standard for professional excellence and credentials
- Champions ethical behavior in investment markets
- Respected source of knowledge in the global financial community.



Renting and buying both have benefits

Benefits

Renting

- ✓ Flexibility
- ✓ Lower upfront \$ commitment
- ✓ Not responsible for maintenance/repairs
- ✓ No concern over falling home values

Buying

- ✓ Stability
- ✓ Build equity (ownership)
- ✓ No landlord
- ✓ Customizable to your liking
- ✓ Establish credit
- ✓ Possible tax deduction

They also have drawbacks

Drawbacks

Renting

- × Landlord has control
- × Subject to annual rent increases
- × No building of equity
- × No tax benefits
- × May have to move more frequently

Buying

- × Down payment and substantial up-front costs
- × Responsible for all maintenance / repairs
- × Property may decline in value
- × May not be able to sell quickly if needed

Deciding what to do depends on many factors

Life Factors

- Length of stay
- Stability or flexibility
- Commuting time and costs
- Education plans
- Flexibility to live at home and build up savings

Financial Factors

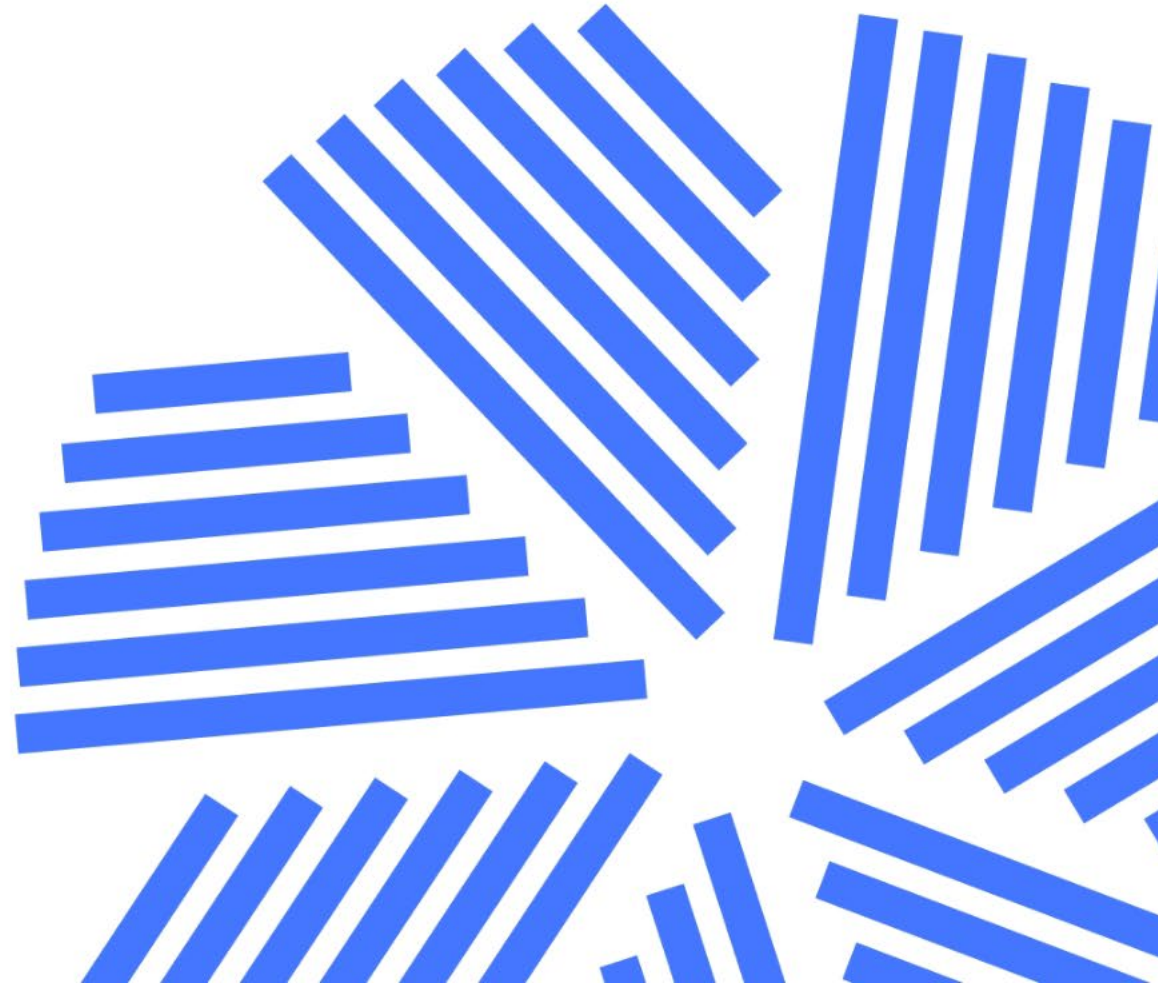
- Ability to fund start up costs
- Debt load
- Credit score
- Possible short-term price fluctuation on home value
- Maintenance and repairs



Renting



Photo by [Isaac Quesada](#) on [Unsplash](#)



Renting your first apartment

Ask yourself:



Where would you like to live?



How much can you afford? → Consider all costs e.g., rent, utilities, etc.

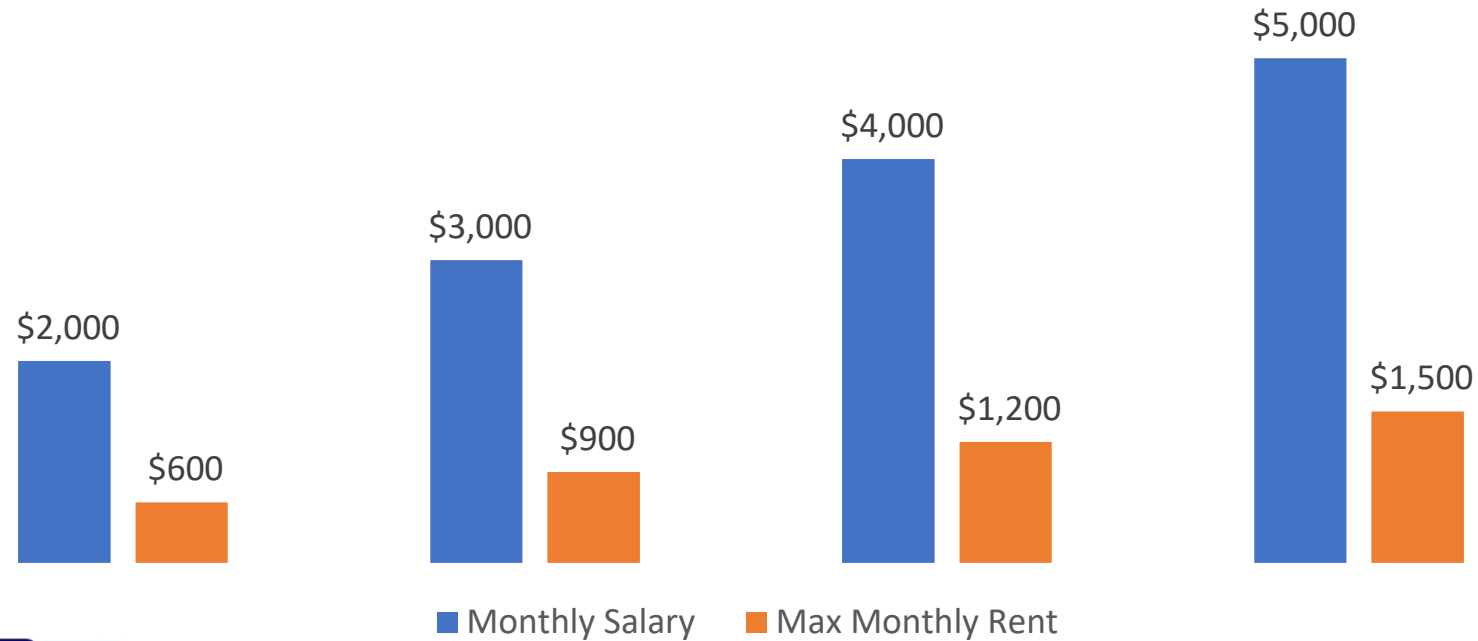


Can you manage the upfront costs? → Fees, deposit, furnishing, moving, etc.

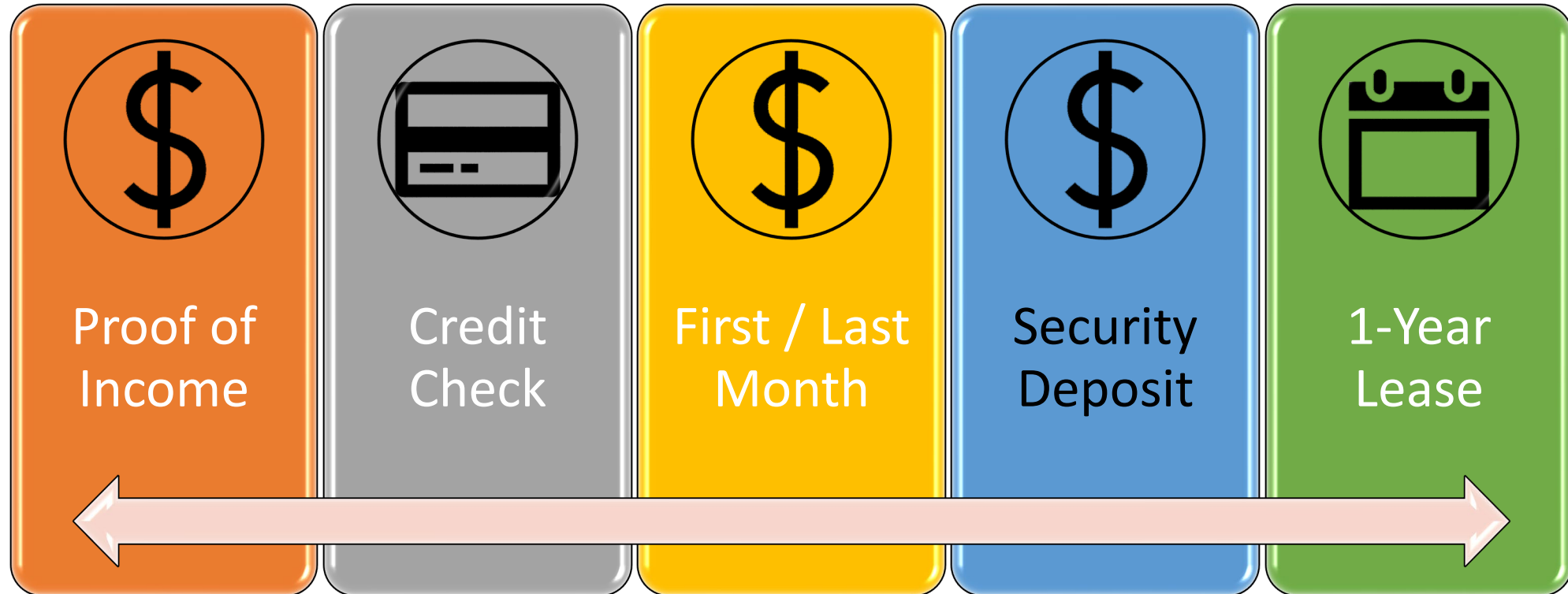


How Much Rent Can You Afford?

Guidelines suggest spending no more than 30% of gross income on rent



What do landlords typically require?



Making the Numbers Work

- **Make a Budget:**

- *Prepare a budget to see what you can reasonably afford*

- **Consider ways to save money:**

- *Roommates*

- *Living farther out to lower rent*

- *Staying at home longer if an option*

Be prepared to make tradeoffs: Wants vs. Needs



Before you sign a lease...

- 1. Know Your Obligations** – *What must you do with respect to the property condition and maintenance*
- 2. Read the Lease** – *Although many landlords use standard leases, make sure you understand it before you sign*

Understanding Your Lease

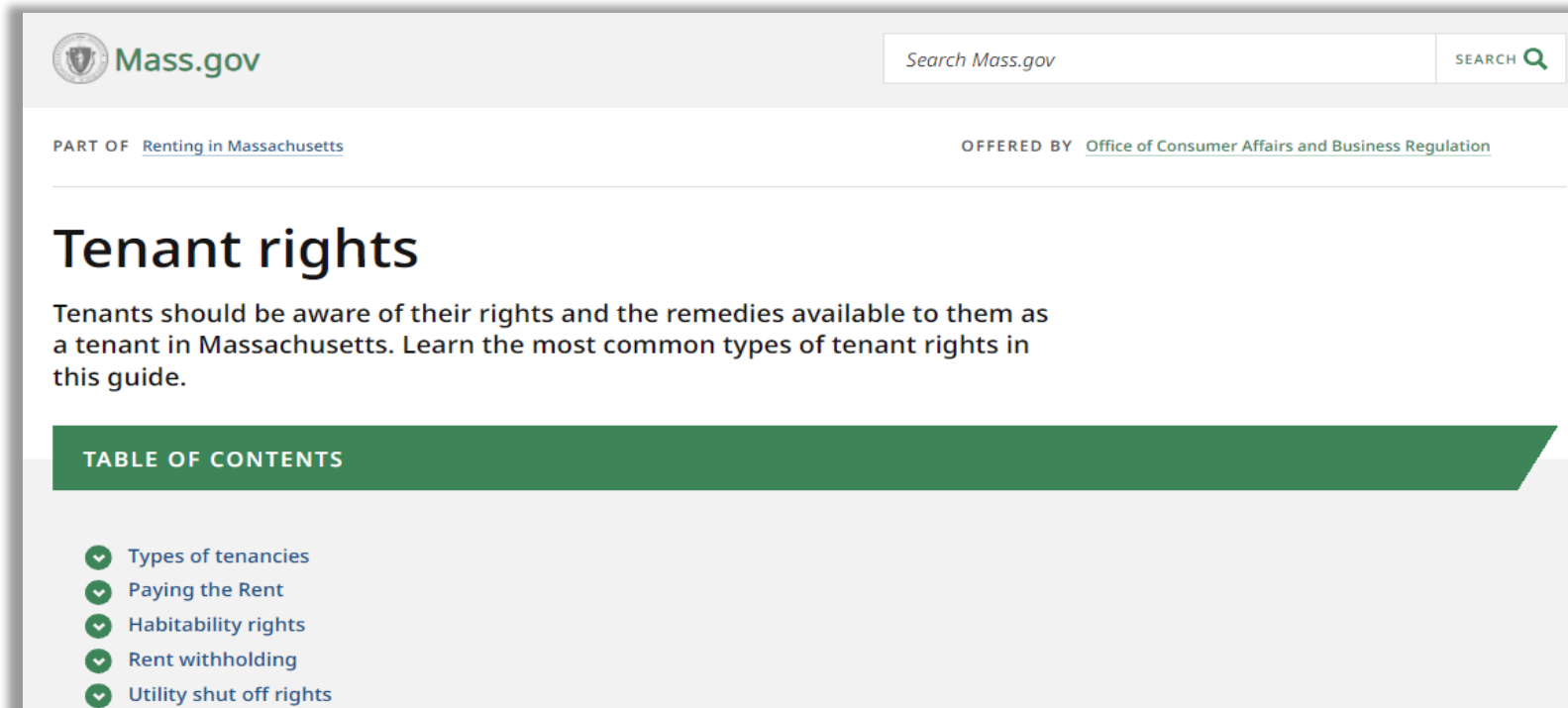
The screenshot shows the MassLegalHelp website interface. At the top, there is a navigation bar with categories: Children and Families, Consumer & Debt, Criminal Records CORI, Domestic Violence, Employment and Unemployment, Health and Mental Health, and Housing and Homelessness. Below this is a search bar with 'GO' and a sidebar menu on the left listing various topics like Homelessness, Foreclosures, Housing, and Finding Housing. The main content area features a yellow banner for 'Novel Coronavirus (COVID-19) Emergency Notice' and a breadcrumb trail: English » Basic Legal Information » Housing and Homelessness » Housing » Before You Move In » Full Chapter - Before You Move In » Read the Lease. The main heading is 'Read the Lease Carefully' in red. Below it is a 'Listen' button and production information: 'Produced by Pattie Whiting' and 'Reviewed May 2017'. The text explains that tenants should read their lease carefully, even if it seems standard, and advises them to bring the lease home to read with a friend or lawyer.

Source:

<https://www.masslegalhelp.org/housing/lt1-chapter-1-read-lease>



Your Rights as a Tenant in Massachusetts



The screenshot shows the Mass.gov website interface. At the top left is the Mass.gov logo. To the right is a search bar with the text "Search Mass.gov" and a magnifying glass icon. Below the search bar, it says "PART OF [Renting in Massachusetts](#)" and "OFFERED BY [Office of Consumer Affairs and Business Regulation](#)". The main heading is "Tenant rights". Below the heading is a paragraph: "Tenants should be aware of their rights and the remedies available to them as a tenant in Massachusetts. Learn the most common types of tenant rights in this guide." Below this is a green bar with the text "TABLE OF CONTENTS". Underneath the bar is a list of five items, each with a green checkmark icon: "Types of tenancies", "Paying the Rent", "Habitability rights", "Rent withholding", and "Utility shut off rights".

Source:

<https://www.mass.gov/info-details/tenant-rights>

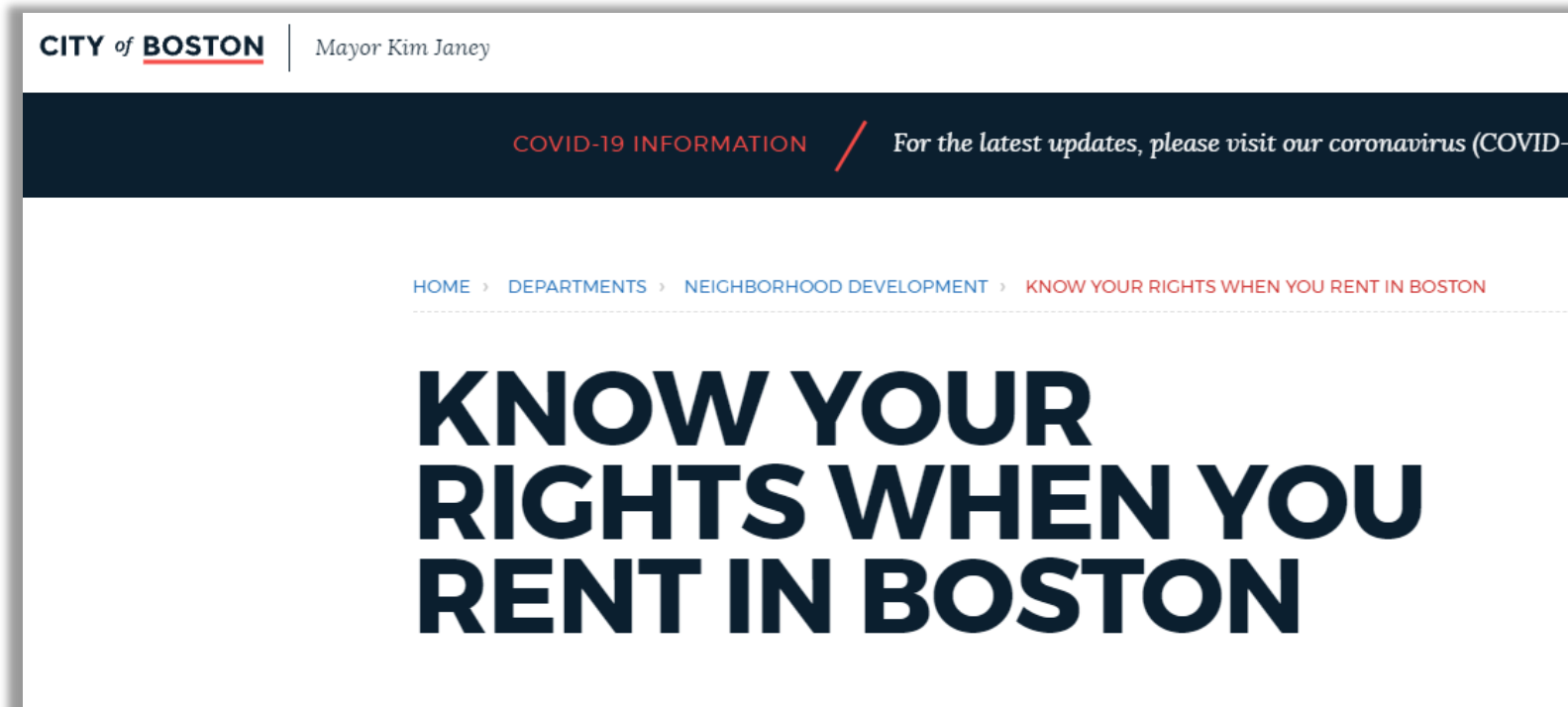
Your Rights as a Tenant in Massachusetts

The following is a sampling of provisions outlined in the Code:

- **Water:** The landlord must provide you with enough water, with adequate pressure, to meet your ordinary needs.
- **Heat:** The landlord must provide a heating system in good working order.
- **Kitchens:** The landlord must provide within the kitchen: a sink of sufficient size and capacity for washing dishes and kitchen utensils, a stove and oven in good repair (unless your written lease requires you to provide your own), and space and proper facilities for the installation of a refrigerator.
- **Cockroaches and Rodents:** The landlord must maintain the unit free from rodents, cockroaches, and insect infestation, if there are two or more apartments in the building.
- **Structural Elements:** Every landlord must maintain the foundation, floors, walls, doors, windows, ceilings, roof, staircases, porches, chimneys, and other structural elements of the dwelling so that it excludes wind, rain, and snow; is rodent-proof, weathertight, watertight, and free from chronic dampness; in good repair, and in every way fit for its intended use.
- **Snow Removal:** Every exit used or intended for use by occupants of more than one dwelling unit or rooming unit shall be maintained free from obstruction



Your Rights as a Tenant in Boston



Source:

<https://www.boston.gov/departments/neighborhood-development/know-your-rights-when-you-rent-boston>

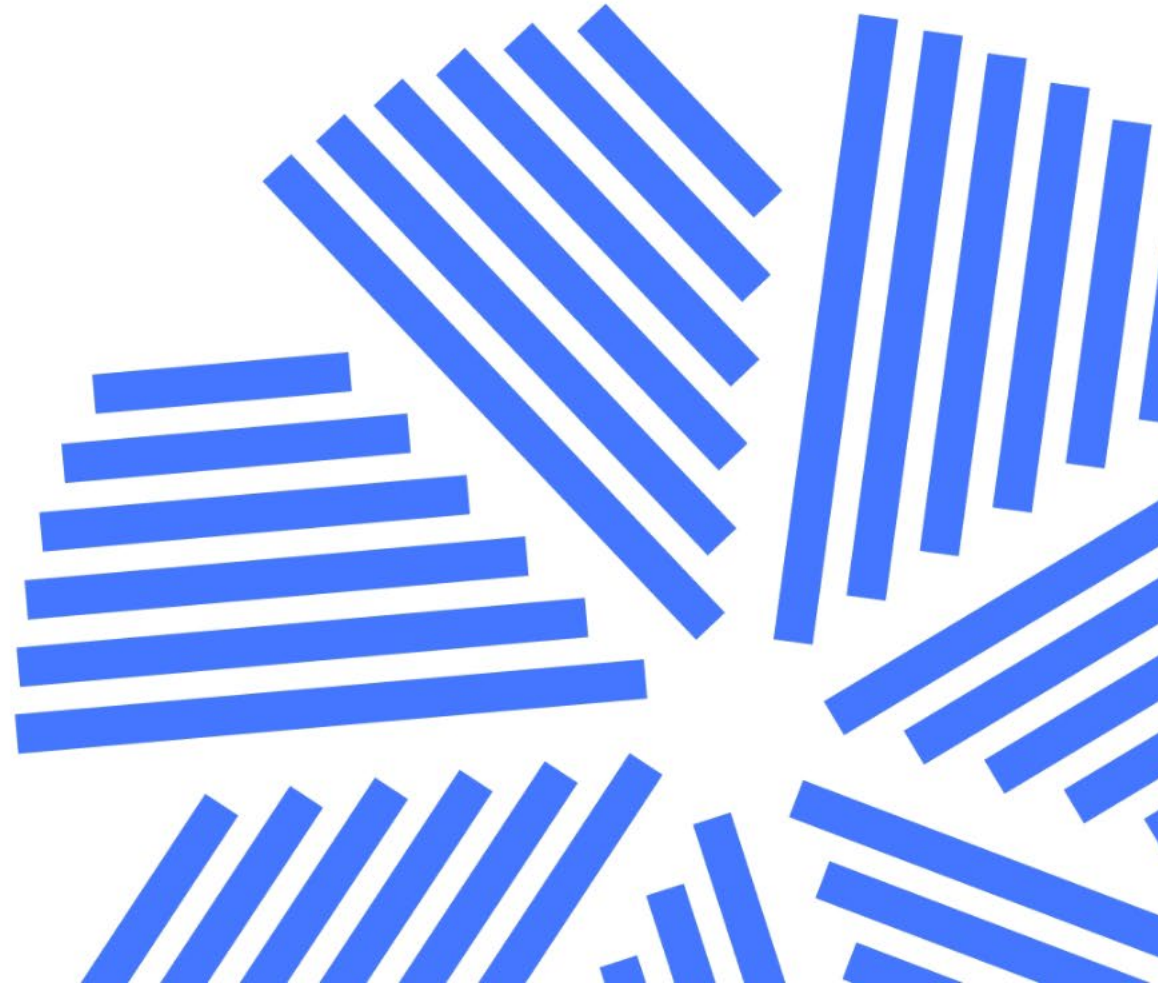




Buying



Photo by [Phil Hearing](#) on [Unsplash](#)



Buying a House or Condo

You're ready when:



You are debt-free



You have an emergency savings account of 3-6x your monthly expenses



You have saved a down payment of 10-20% of the purchase price



You expect to live and work in this market for at least 5 years

Potential Risks and Benefits of buying

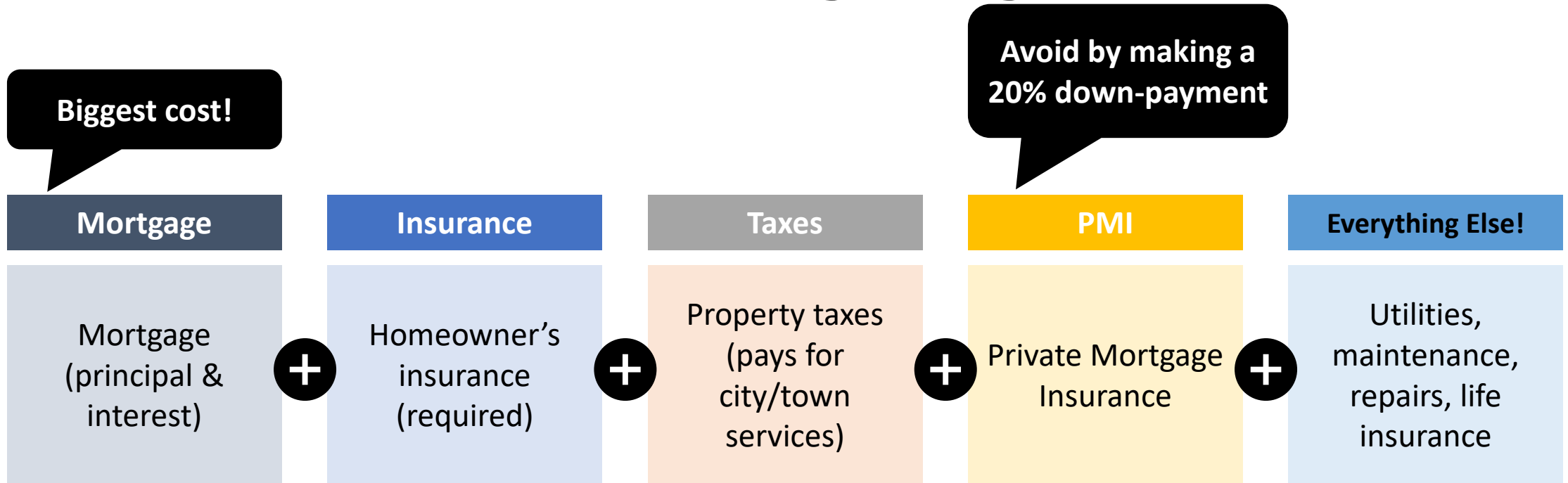
Benefits

- ✓ Real estate is an asset that generally appreciates in value over the long term
- ✓ Owning can stabilize a big component of your budget, particularly with a fixed rate mortgage
- ✓ You can generally refinance your mortgage if rates declines

Risks

- ✗ Prices decline
- ✗ Not being able to afford mortgage due to change in employment or illness
- ✗ Repair and maintenance costs
- ✗ Not able to sell as fast as you may want

What's the all-in ongoing cost?



Mortgage considerations

- If you can afford it, take out a 15 or 20-year fixed rate mortgage
- Your monthly payment should be $\leq 30\%$ of take-home pay
- Monthly payment and total cost is determined by length of mortgage, how much is borrowed, interest rate. Property taxes vary by town and also factor into the all-in costs
- Think about the school district (it can affect resale values even if you don't have children)
- Do not purchase a home with someone you are not married to (legal complication at the time of separation)
- Shop around for the best rates
 - Online resources are plentiful
 - Mortgage brokers can often get better deals and walk you through the process

You can use an online mortgage calculator to see what you'll pay

Mortgages > Mortgage Calculator


Mortgage Calculator

Home price
\$500,000

Down payment *i*
\$100,000 20 %

Loan term *i*
30 years ▾

Interest rate *i*
7 %

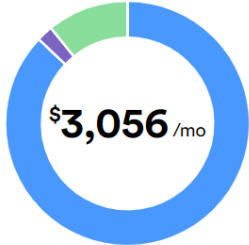
ZIP code
02460 

Payment breakdown Amortization

Monthly payment breakdown

[Advertiser Disclosure](#)

Based on your inputted interest rate



Principal & interest	\$2,661.21
Property tax	+ \$ 329
Homeowner's insurance	+ \$ 66

Additional filters ▾

Compare to top offers on Bankrate *i*



Median sale price of a home in Boston is \$750,000 ([Zillow](#), as of March 31, 2024)
[Bankrate mortgage calculator](#)

Downpayments make a big difference on a \$500k house

Conventional 30-Year	20% Down	5% Down
Down Payment	\$100,000	\$25,000
Loan Amount	\$400,000	\$475,000
Monthly Payment	\$3,056	\$3,555
Total House Cost	\$958,036	\$1,137,667

Illustrative purposes only; 7.0% interest rate used as of 4/04/2024; monthly payment includes Principal & interest, Homeowner's insurance, and Property tax; Bankrate mortgage calculator
 Note: Median home price in Boston is \$735,000 ([Boston Housing Market: House Prices & Trends | Redfin](#))

Difference = -\$179,631



Shortening your mortgage term can save you money over the long term but with a higher monthly payment

20% Down	30-Year	15-Year
Down Payment	\$100,000	\$100,000
Loan Amount	\$4000,000	\$400,000
Monthly Payment	\$3,056	\$3,990
Total House Cost	\$958,036	\$647,156

Illustrative purposes only; 7.0% interest rate used as of 4/04/2024; monthly payment includes Principal & interest, Homeowner's insurance, and Property tax; [Bankrate mortgage calculator](#) assumes tax and insurance amounts

Difference = +\$310,880



What are the steps?

1

Determine how much to spend

✓ Your mortgage payment (including PITI*) should be no more than 30% of take-home pay

2

Get pre-approved for a mortgage (online, or bank or broker)

3

Look at houses in areas you've identified

4

Submit an offer (with deposit)

5

Have a home inspection

6

Closing

SUMMARY



Consider the total cost, in addition to the size of the monthly payment



Consider financial and non-financial factors



Consider wants vs. needs and make tradeoffs



Ask for help in evaluating the options

Additional resources

Renting Mistakes to Avoid

<https://www.kiplinger.com/article/real-estate/T050-C006-S001-seven-sins-of-first-time-renters.html>

Rent vs. Buy Calculator

<https://www.nytimes.com/interactive/2014/upshot/buy-rent-calculator.html>

Rent vs. Buy

<https://www.bostonglobe.com/lifestyle/real-estate/2016/06/08/should-you-rent-should-you-buy/uyHbDaK6P4wBC49tkp1bZK/story.html>

Rent vs. Buy

<https://www.nytimes.com/2017/06/04/your-money/whether-to-rent-or-buy-a-home.html>

Disclaimer

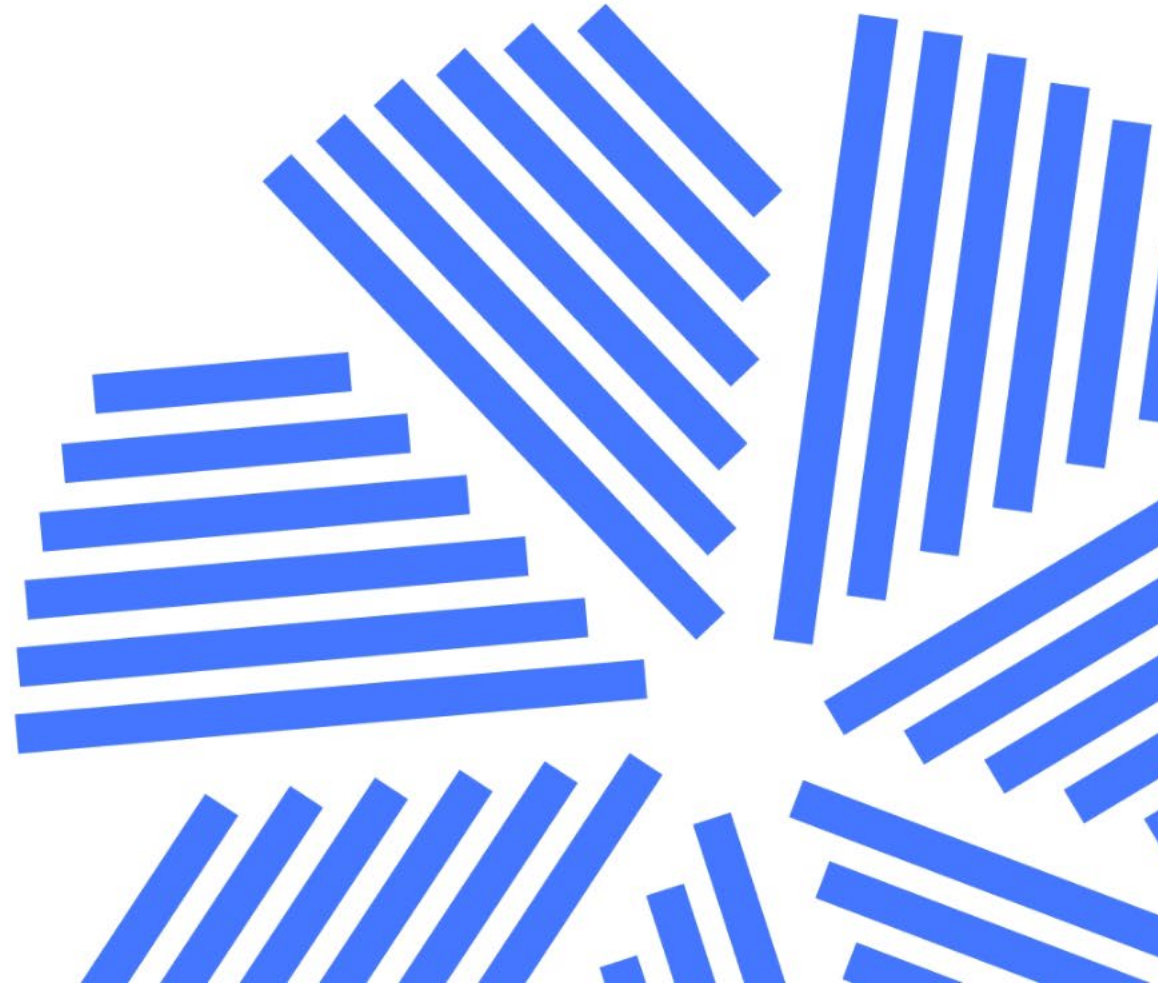
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Thank You



About CFA Society Boston Financial Literacy Program

Who We Are

CFA Society Boston is dedicated to putting investors first and raising ethical standards within the investment profession. We unite Boston's investment community and provide a forum for collaboration, education, and innovation. Originally called the Boston Security Analysts Society, Inc., we are a non-profit professional society founded in 1946. In 2017, we became CFA Society Boston. More than 6,000 investment professionals locally and globally are members of CFA Boston, representing over 650 investment firms. 96 percent of CFA Boston members hold the Chartered Financial Analyst designation from CFA Institute.

Our Financial Literacy Mission

This community outreach program aligns with non-profit groups to reach a wide variety of audiences, from late high school onward. Since its inception in 2014, the initiative has touched thousands of people, partnered with over 30 organizations, and currently has over 30 active volunteers. This community outreach program makes valuable financial literacy content available to the general investing public through collaboration with our alliance partners. The initiative addresses issues such as Personal Finance, Basics of Investing, Retirement, Bonds vs. Equities, Choosing a Bank, and more.

How it Works

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How to Partner with the CFA Society Boston Financial Literacy Program

What CFA Society Boston Commits To

- Provide neutral, expert presenters
- Set up and present topics
- Supply the presentation / activity
- Bring a laptop and materials
- Be experienced in presenting in-person and in a virtual setting

What Your Organization Commits To

- Provide the audience and venue, either in-person or virtual
- Promote the event onsite, local newspapers and website
- Make a projector or USB connection available
- Briefly introduce presenter(s) Complete a post offering survey

For more information on how CFA Society Boston can partner with you visit www.cfaboston.org/financialliteracy or email finlit@cfaboston.org.

