

RENT VS BUY

WHAT IS BEST?

We all want to be comfortable and stay in a place that we enjoy. But what is it costing you? And how can your decision to rent or buy today affect your future?

Renting

Renting is cheaper over the short term



It is not always possible to buy a home as renting is usually cheaper in the short term. You will be able to rent a much nicer place than you will be able to buy. BUT, your rent will increase with inflation (or more) every year and you **will never be free** of this expense.

Buying

Buying is much cheaper over the long term

When you buy a home, your initial costs can be more than renting and you might have to downgrade your living arrangements, but in a few years' time, it can become cheaper to pay your monthly instalments than to rent, and after 20 years you will have **NO MONTHLY PAYMENTS**. How wonderful will that be!

You will still be paying rent after retirement



Your monthly pension might not keep up with inflation, but your rent will still increase every year. Soon you might not be able to afford a place of your own. You will therefore have to save much more in order to pay your rent after retirement.

No rental expense after retirement

You will have no rental expense when you retire one day, which will make a huge difference in your standard of living after retirement.

Your house is never your own

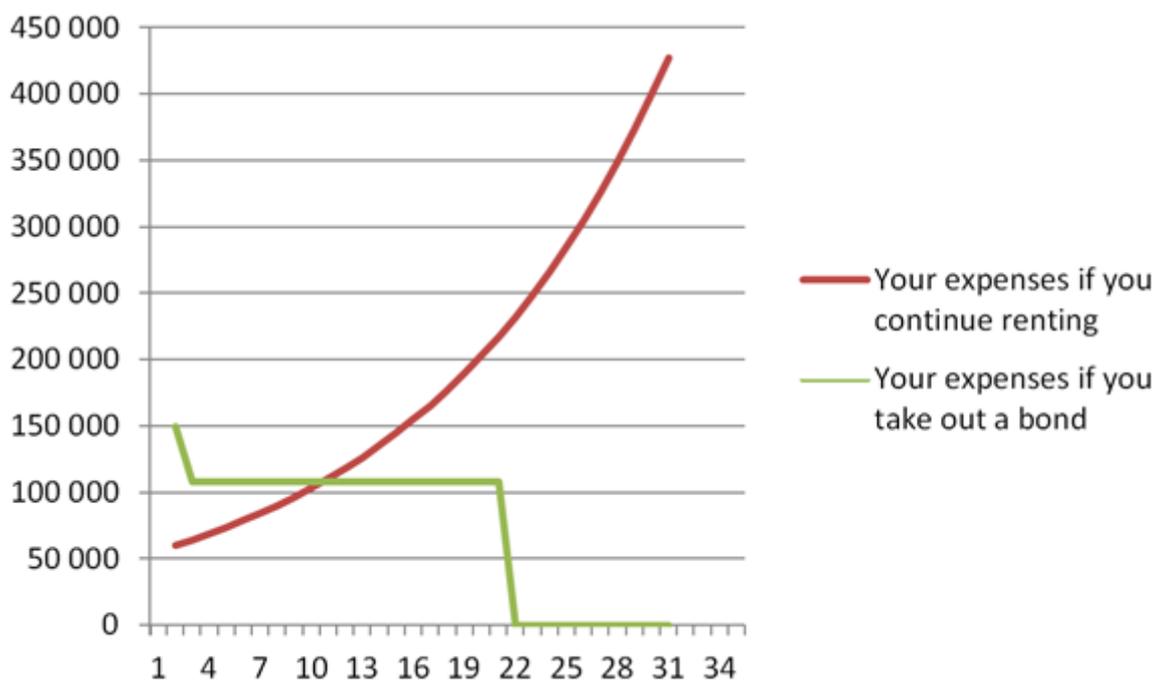


You can never make permanent adjustments to the property.

You can make your house your home

You will be able to make adjustments to your home and create a wonderful space to live in.

Your annual property expenses over the next 30 years might look something like this:



Once you have paid off your property, you will be able to buy another one as an investment.

WHAT DO I NEED TO CONSIDER IF I WANT TO INVEST IN PROPERTY?

People buy a second (third or fourth...) property usually in order to get the rental income. There are a few things you need to consider before you go this route:

Besides rental income which you will receive until such time as you sell the property, there are other advantages to buying property which include tax benefits (you can claim for interest, rates and taxes, insurance and maintenance).

There are some negatives though. Property requires maintenance, and is not a very liquid investment (this means it's hard to turn it into cash in the short term). You also need to bear in mind that good tenants might be hard to

find, and bad tenants will end up costing you more money if they inflict damage to your property. If interest rates rise your repayments could also become a financial burden.

TIP *South Africa has the fastest growing middle class in the world, so buying a townhouse/ house in this category is best.*

All in all, investing in property is certainly a better idea than splurging on something like a luxury vehicle; but remember never to put all your eggs in one basket. If you have all your money tied up in property, you stand to lose if the property market crashes and you need to sell because you need the money.

SO...THE CONCLUSION?

- BUY RATHER THAN RENT if you can manage the repayments, even if you have to downgrade to a smaller property.
- Try and pay off your property AS SOON AS YOU CAN.
- Once your property is paid off, INVEST THE MONEY YOU WOULD HAVE PAID on your bond into your **retirement savings vehicle**, or buy a second property on which you can collect the rental income.