



TO BUY OR NOT TO BUY SYSTEM



**It's More
Affordable To
Rent Than Buy**

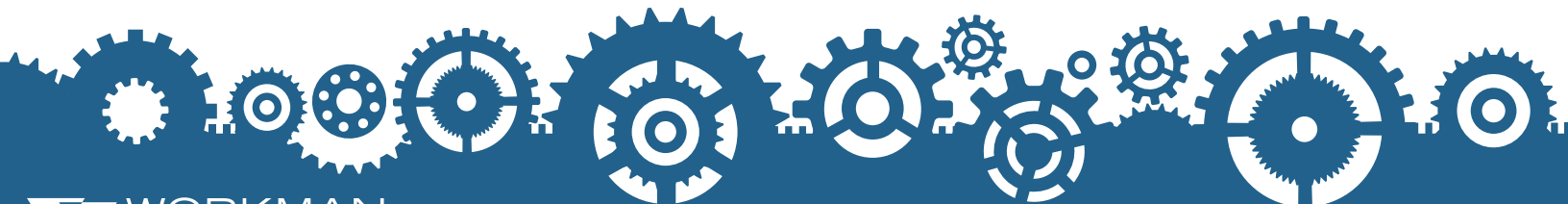
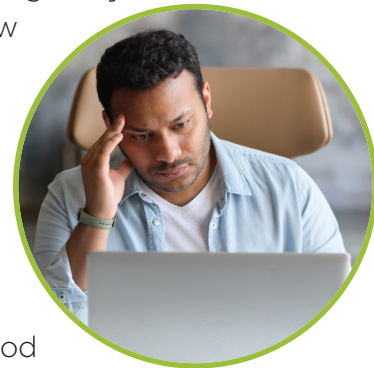


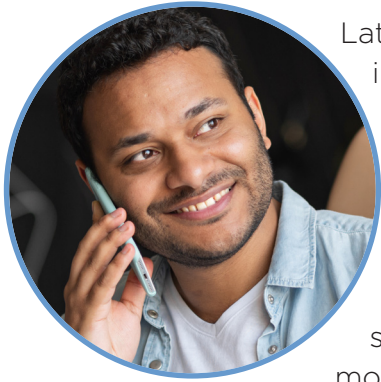
**To Buy Or
Not To Buy
System**

Eduardo has been an agent for just over six years. Each morning he catches up on the latest in real estate news; lately the news has been bad. One headline told of the Fed, yet again, raising interest rates - this time by .75 points - further increasing the cost of borrowing money.

In a recent conversation with a mortgage broker, their discussion focused mostly on how interest rates were up and, due to the government's effort to fight inflation, they may continue to climb even

higher. Eduardo was discouraged by the news and wondered how he should advise his clients who were considering buying, when he, himself, had never seen interest rates this high in his career. If he was being honest with himself, he wasn't sure if he actually believed it was a good time to buy.





Later that morning he came across an article concerning the rising cost of rent in his area. The article made a good point regarding how renters are paying someone else's mortgage. Why wouldn't they want to pay their own? Taking a deep breath, he picked up the phone and began calling buyer prospects from the past year who were still renting because they had no luck previously finding a home.

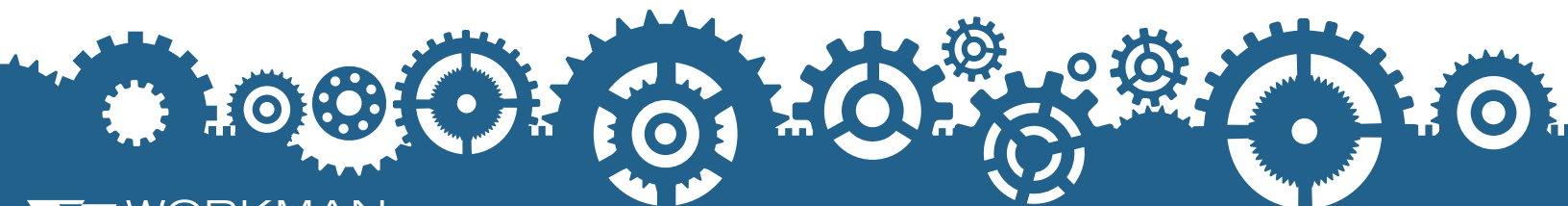
He called John, a good friend from high school who was still renting. John said the timing of his call was perfect. John had just received a \$400.00 per month rent increase that would start in 60 days. He was flabbergasted.

He asked John if he would be interested in comparing the annual cost of renting a home compared to the annual cost of home ownership. John jumped at the chance to learn. Eduardo scheduled a Zoom meeting for later that afternoon. Prior to their appointment, Eduardo found a great spreadsheet on Freddie Mac's website which nicely compared the annual cost of renting to the annual cost of ownership and downloaded a copy for himself. He felt lucky to have stumbled on this resource. He made a few customizations to the sheet and was ready for his meeting with John.

When they met over Zoom, Eduardo walked John through each row of the spreadsheet and helped him input the required information. To their surprise, the annual cost of renting a home for \$2,800 per month, after adjustments for appreciation and tax savings, was \$17,451 more costly than purchasing a similar home. That was a huge difference. Any worry John had about rising interest rates quickly went away.

Eduardo immediately put John in touch with his preferred mortgage company to begin the pre-approval process for a home loan. Eduardo then set out to show him homes that met his criteria. Fortunately, John was in a good position financially to purchase a home - steady income, good savings, and good credit. His pre-approval didn't take long and soon thereafter, John fell in love with the fifth home he viewed.

Despite higher interest rates and all of the doom and gloom in the news, two months later Eduardo was handing John a set of keys to his new home!





He had managed to help his friend, but figured that if this was happening to John, then it had to have been happening to others. He began his research on rising rents in the U.S. He found they had increased significantly over the past several years.

Eduardo came across an article in the Washington Post that showed a chart of the metro areas with the fastest rent growth according to the National Association of REALTORS. In fact, he learned that rental rates were rising at the fastest pace in decades; 11% in the last year alone. In Canada, according to the latest national rent report from rentals.ca, the average rental rate increased a comparable 11.1%. These increases have made housing more costly than ever for tenants.

Convinced it made sense for his friend John to buy a home, Eduardo wondered if it would always make sense for someone to buy versus rent. When would it make more sense to be a renter? Eduardo was determined to find an answer to the question: “To buy or not to buy?”

He continued his research by digging into the wealth of a homeowner compared to a renter. He found a CNBC article which indicated the average wealth of a U.S. homeowner was \$255,000 and the average wealth of a renter was \$6,300. According to Statistics Canada, Canadian homeowners reported a higher median net worth (CAN\$685,400) than renters (CAN\$24,000). This was, in his mind, proof positive that buying a home instead of renting a home was a great choice for almost everyone.

Eduardo thought it may be helpful to prepare a Pro and Con list of Renting versus Owning.

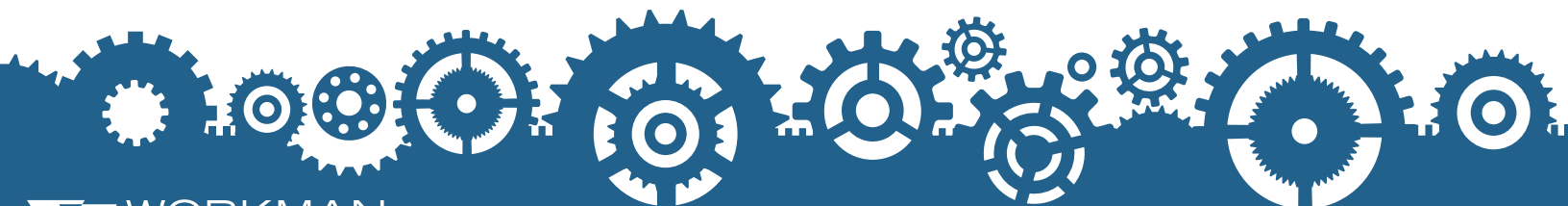
RENTING

Pros:

- No additional costs of property taxes, homeowner’s insurance, and other household costs
- Landlord takes care of repairs
- Easy to apply
- Minimal initial investment/down payment
- Shorter-term commitment

Cons:

- Rent payment goes directly to landlord; it’s gone
- Can’t make any physical changes to the property
- Rental prices typically increase annually
- No tax advantages
- Can’t choose your neighbors



OWNING

Pros:

- Each payment builds wealth over time
- Freedom to make physical changes to the property
- Monthly mortgage payment is often fixed for a long period
- You're paying down your own mortgage balance
- Tax advantages
- Possible additional rental income

Cons:

- Saving for initial down payment
- Home repair costs
- Home renovation costs, if needed
- Long-term commitment



Eduardo utilized his research findings to develop a program he could use to potentially help his buyer prospects who are currently renting. He managed to answer his own question, and named his findings the To Buy or Not to Buy System. He worked a little more on the calculator spreadsheet he found online and created an easy-to-use and understand tool.

Eduardo had a follow-up lunch scheduled with his friend and client John. Thanks to John's situation, he was now extremely motivated to share his system to all of his buyer prospects. Lunch would be Eduardo's treat.

For access to our FREE Resources, visit: www.WorkmanSuccess.com/THESHIFT

TO BUY OR NOT TO BUY SYSTEM RESOURCES:

- Story
- Calculator
- Script (*private clients only*)
- Assignments (*private clients only*)