OWNING	RENTING
Costs of Owning - Purchase of a home includes a cash down payment and a mortgage loan which is paid, with interest - Owners must pay property tax, a percentage of the estimated value of your home - Most owners buy home insurance to protect their home and its contents - Condo owners usually pay a monthly fee to cover operating, maintenance, administrative and improvement costs - Owners pay for all utilities, maintenance, repairs and services they use	*Costs of Renting* - A tenant uses a property owned by the landlord and pays rent for the use of the property - Utilities and services such as heat, water, electricity, and parking ***may or may not*** be included in the rent, depending on the rental agreement - The landlord will pay for repairs - The tenant usually pays for phone, cable, and Internet service - The tenant may wish to buy tenant insurance to protect his/her belongings

Example 1   Calculating Annual Expenses

Determine how much each expense will cost for one year.

a) Monthly rent of $1400

1400×12
$= \$16,800$

b) Bi-weekly mortgage payments of $856.21

$= 856.21 \times 26$
$= \$22,261.46$

c) Semi-annual home insurance payments of $546.75

$= 546.75 \times 2$
$= \$1093.50$

Example 2 Total Monthly Housing Costs

Determine the total ***MONTHLY*** housing cost for the following expenses:

- Bi-weekly mortgage payment of $771
- Annual property taxes of $3588
- Quarterly Water/Sewer bill of $75 (equal billing)
- Monthly house insurance of $85
- Monthly gas/hydro bill of $177 (equal billing)
- Monthly Internet/Cable bill of $110

Convert non-monthly to monthly

Mortgage: Annually : $771 \times 26 = \$20,046$
Monthly : $20046 \div 12 = \$1670.50$

Property Tax: Annually : 3588
Monthly : $3588 \div 12 = \$299$

Water/Sewer: Annually : $75 \times 4 = \$300$
Monthly : $300 \div 12 = \$25$

Total Monthly

Mortgage: $1670.50

Property Tax: $299

Water/Sewer: $25

Insurance: $85

Gas/Hydro: $177

Internet/Cable: $110

TOTAL: $2366.50

Example 3 Comparing Rental Properties

Sarah will be moving to Sarnia to attend Lambton College.

a) What is the annual rent for the apartment? Is it more or less expensive than residence?

$625 \times 12 = \$7500$.
It's more expensive than residence by $1300 a year.

b) What additional expenses might Sarah have in setting up the apartment that she would not have for the residence room?

• Food
• Furniture
• Cable

Option 1
• 1-bedroom apartment within walking distance from the college
• Rent: $625 a month, including heat, electricity, water, and parking
• Must sign a 1-year lease

Option 2
• College residence
• Share a room and washroom with another student
• Room includes: beds, desks, shelves, a small fridge, a microwave, cable service (but no TV), and local telephone service
• Shared kitchen available
• Cost: $6800 for September to April, including utilities and an $1800 meal card

c) What, if any, benefits might there be to living in the apartment? To living in residence?

Apartment	Residence
• More space	• Cheaper
• Independce	• Closer to school
• Privacy	• Meal plan

d) Which option would you recommend? Justify your answer.

Residence

Example 3 Additional Renter's Costs

Renters will typically pay first and last month's rent before they can move in. Trevor is moving with his wife Sasha to a new home they are renting for $1950 per month. Before they can move in, they must pay first and last month's rent, a deposit of $200 for their electricity, and a deposit of $175 for the natural gas that heats their home. Before they can move into their home, how much will they have to pay?

Initial Costs:

Rent → $1950 × 2 = $3900
Elec. Deposit → $200
Gas. Deposit → $175
─────────
$4275

∴ They will have to pay $4275

Practice: Page 485 #1, 2, 6 – 8, 11, 12