



Renters better off financially than homeowners

By Paul Owers | March 28, 2011 07:41 AM

People who rent a home probably have been told at some point that they're "just wasting money" or "helping someone else pay his mortgage."

But a study by professors at Florida International and East Carolina universities shows that renters did better financially than buyers over a 30-year period.

The study collected data from 23 metro areas nationwide from 1978 to 2009. FIU's Ken H. Johnson and Eli Beracha from East Carolina compared profits from the sale of a home to the value of a renter's investment portfolio. They factored in such things as the costs of owning a home, its tax benefits and home-price appreciation.

"As a government and a society, we recognize that homeownership has multi-dimensional benefits: increasing civic pride, improving self-esteem, crime prevention, child development and better educational outcomes, among others," Johnson said in a statement. "Yet our findings show that financially, if renters exercise disciplined investing over time, they can be more successful in accumulating wealth than those who own a home."

A couple of caveats:

1. The study found that homeownership was better for people who would spend the difference between the costs of renting and owning.
2. Renters did not always do better. Owning, for instance, was better during the housing boom, before prices started falling in 2006. Today is another exception. Current prices favor buying vs. renting.

Thoughts?