

# What is the True cost of Buying vs Renting?

## Equity Build up Through Amortization and Appreciation

### Appreciation:

Sale price of property purchased	\$120,000
Annual Appreciation	X 3% = \$ 3,600
Divide by 12 for monthly appreciation	\$ 300 (a)

### Amortization:

Mortgage Amount	\$ 120,000
Interest Rate MSHDA	X 5.625%
Annual Interest	\$ 6,750 (1)
Divide by 12 for monthly	\$ 562.00
Total P&I	\$ 690.79
Minus Interest amount	\$ 562.00
Average monthly principle reduction	\$ 128.79 (b)

## Income Tax Savings Estimate

### Before buying home:

Current annual income	\$ 48,000
Tax bracket	X 20 %
Current annual income taxes	\$ 9,600

Current income	\$ 48,000
Minus annual interest paid on mortgage	-\$ 6,750 (1)
Minus annual property taxes	-\$2,000
New "taxable" income	= \$ 39,250
Tax bracket	20 %
New annual income tax	\$ 7,850

Old annual income tax minus new annual income tax = \$1,750 Tax savings  
Tax savings divided by 12 = monthly tax savings \$ 145.00(c)

## True cost of buying -vs- renting

Rent payment	\$750.00
House payment	\$990.96
Equity buildup through appreciation (a)	- \$300.00
Equity buildup through amortization (b)	- \$128.79
Tax savings (c)	- \$145.00
True cost of house payment	\$417.17

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