

# FIRE Starter - The Non-Financial Side of the Rent vs. Buy Debate

You can find all of Zach's previous posts [here](#).

Today, Zach is going to discuss what often becomes a very heated debate in personal finance circles. It's easy to do the math to find the optimal financial decision, but not every problem should be solved with math alone. It's a little like trying to build a house with just a hammer: when you have just a hammer, everything looks like a nail. I know...this goes against my mantra that "the path is all math." [But sometimes personal finance gets, well, personal!](#) Many people forget to account for the time and emotion variables that should be weighed in conjunction with the math.

I hope you enjoy Zach's latest **FIRE Starter** post below.

## First, a Quick Reminder of Why I Started This Series

For the astute observer, you will notice that I have added three new series to the blog: [LateFIRE](#), [FIRE Starter](#), and [Chasing FIRE](#). Notice a theme? They all capitalize on the explosion - one might say the COMBUSTION - in the FIRE (financial independence retire early) movement. But let's set the record straight: on the GYFG blog, "FIRE" is defined in a slightly different way, meaning, as I see it, Financial Independence / Recreational Employment. That's because I am after **freedom**, rather than a typical retirement, and see myself working forever. But once I hit [my number](#), my employment will represent my recreational choice.

At 32, I find myself on the older end of the millenials' age range, which in 2018 is 22-37, [according to the Pew Research Center](#). Guys like Zach have got me thinking that there is a younger part of my generation that may not be able to relate to where I am in life personally. Thus the decision to bring on Zach as a regular GYFG contributor, to reach those younger millenials. He will be writing about earning, investing, and saving money in your 20s. At 24, with a net worth in excess of \$130,000 and an income approaching six figures, he is more than qualified. Believe me when I say there is always someone younger and better than you out there, and Zach is putting my own 24-year-old self to shame. I share that only to say that I

*wish I had been reading people like Zach when I was in my early 20s.*

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One of the biggest decisions we have to make in life is to rent or buy a home. Financially speaking, this could be the biggest choice we ever make – and we may have to make it several times in our lifetime.

So how do we typically make this massive decision? More often than not, we compare the financial pros and cons of renting vs. buying.

We consider the total cost of a house over the long run based on the monthly mortgage payment, interest rate, property taxes, expected maintenance costs, and a myriad of other factors.

Then we consider the cost of renting and how much we could earn through investing the money left over each month after paying for rent.

We compare the cost of renting vs. buying over the long term and – *voilà!* We have our answer. One choice leaves us better off financially than the other. The New York Times even has [an impressive Rent vs. Buy Calculator](#) that shows whether it's financially smarter to rent or buy, based on a huge list of factors.

And while it's certainly important to consider the financial implications of this choice, there are two factors that often go unmentioned in the Rent vs. Buy debate: **our emotions and our time.**

## **How Much Does Peace of Mind Cost?**

Consider the following thought experiment:

Bob currently rents an apartment for \$800 per month. He has one roommate he absolutely can't stand, a landlord who constantly bugs him about something, and tenants in the apartment above him who are obnoxiously loud. Bob hates his current living situation, so he begins to research houses to buy in his area.

After finding a house he loves, he throws in all the appropriate numbers into the [Rent vs. Buy calculator](#) and finds out that renting will save him \$20,000 over the course of the 10 years he plans to stay in his current city. Financially speaking,

even though Bob hates his situation, it is better for him to keep renting for the next 10 years.

But should Bob really continuing living in a situation he hates just because it's financially smarter?

The real question should be: Is Bob willing to pay a premium of \$20,000 to have his own place where he doesn't have to deal with the headache of an awful roommate, a needy landlord, and obnoxious tenants?

Of course a home may bring its own potential headaches with maintenance and repairs, but to Bob this might be a completely satisfactory trade-off in order for him to have greater peace of mind. And it's hard to put a price tag on peace of mind.

Bob may be far better off buying than renting, even though this isn't the optimal financial decision.

This little example illustrates an important concept: **sometimes what's best for us financially isn't always best for us emotionally.**

We should keep in mind that the point of life is to find fulfillment, meaning, and inner peace. If we're so obsessed with making smart financial choices that we completely ignore the choices that will bring us a greater sense of well-being, we're missing the point. Making smart financial choices is supposed to increase our happiness, not detract from it.

For some people, buying a home simply offers a greater sense of well-being than renting. I recently read an article from [NZ Muse](#) in which she outlined [all the advantages she experiences from owning a home as opposed to renting](#). Here's a snippet from the post:



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Clearly the emotional benefits of owning a home far outweigh the cost of renting for her. In her situation, a home offers less stress, more independence, and greater peace of mind. It's difficult to put a price tag on any of these.

## How Much Does Freedom Of Time Cost?

Now suppose Bob has a friend named Owen who lives in a different city. Owen lives in a 3,000 square foot home with a massive backyard. Owen loved the idea of having so much space when he purchased the house, but after only a year of living there he has come to despise all the time he must spend cleaning the house, mowing the lawn, and fixing broken appliances around the house.

He looks for a place to rent and finds a great apartment complex near his house. He then uses the [Rent vs. Buy calculator](#) and finds that renting will actually cost him \$20,000 *more* than keeping the home he currently lives in.

So the real question is not whether buying or renting is a financially smarter decision – Owen already knows he will lose money renting. The real question is whether or not he is willing to pay a \$20,000 premium in order to gain control of all the time he currently spends maintaining his house.

To Owen, renting might be worth losing money simply because he values his time so much. In his situation, renting would greatly increase his sense of well-being.

For some people, there are benefits that come with renting that are simply worth paying extra for: more flexibility to move, less housework, less yard work, less maintenance, etc.

## Conclusion

So while we shouldn't neglect the financial implications of buying vs. renting, we also shouldn't neglect the time investment and emotional impact this decision may have on us as well.

Maybe you're someone who enjoys doing work around the house and making your yard look nice. Or maybe you're someone who absolutely hates house maintenance and would rather have a landlord take care of the dirty work for you.

Maybe you're someone who values the independence and sense of privacy that comes with a house. Or maybe you're someone who isn't ready to be tied down to one area for several years.

There are no right or wrong preferences when it comes to what you value. What

matters is that you consider these personal preferences when making the decision to rent or buy.

Let's strive to place importance on the emotional impact and the time investment of renting vs. buying before making it a purely mathematical, financial decision.

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## Gen Y Finance Guy

**Hey, I'm Dom** - the man behind the cartoon. You'll notice that I sign off as "Gen Y Finance Guy" on all my posts, due to the fact that I write this blog anonymously (at least for now). I like to think of myself as the *Chief Freedom Officer* here of my little corner of the internet. In the real world, I'm a 30-something former C-Suite executive turned entrepreneur turned capital allocator. I am trying to humanize finance by sharing my own journey to Financial Freedom. I believe in total *honesty* and *transparency*. That is why before I ever started blogging, I decided that I would share all of my own [financial stats](#). I do this not to brag, but instead to inspire motivate, and also to hold myself accountable. My goal is to be a beacon of hope, motivation, and inspiration for *you*, the reader, by living life by example and sharing it **all** here on the blog. My sincere hope is that you will be able to learn from me - both from my successes and my failures! [Read More](#)