

**PORTFOLIO DOCTOR** Buying a house isn't a no-brainer after all. *By Jeffrey R. Kosnett*

## Sometimes, it makes sense to RENT

**P**AOLO and Lediya Beltran have a rare southern California housing deal. They pay \$700 a month and perform routine maintenance to rent a small, 50-year-old house in Lakewood, near Long Beach. But Paolo and Lediya, both 29, want to start a family within a year and are eager to have a place that's larger—and their own. "We think we've been losing out on price appreciation and equity by renting," says Paolo.

But Paolo is also missing out on mortgage-rate adjustments (possibly), rising property taxes (probably) and repair

bills (almost certainly). Paolo, a city administrator in Lakewood, and Lediya, human-resources director for a domestic-violence agency, are undeterred. The couple earn \$130,000 combined, so they figure that they can afford monthly payments of \$3,000.

In much of the U.S., that would buy a chateau. In the Los Angeles area, it gets you little more than a shack. Should the Beltrons even be thinking about buying? Or should they rent a larger

place and invest the difference to pay for education and retirement?

**Pros and cons.** Avid savers, Paolo and Lediya would almost certainly qualify for a large mortgage. They have accumulated \$100,000 in various Vanguard funds for a down payment, and they have also saved \$130,000 for retirement. With their excellent credit histories, the Beltrons could probably obtain a \$425,000 loan. At 6%, that would mean payments of \$2,500 a month, excluding taxes and insurance.

But there's more to this decision than numbers. Paolo doesn't want to take on so much debt that he might be forced to change careers. Paolo, who has an MBA, derives satisfaction from public service. Plus,

municipalities are less likely than private employers to lay off people and chop benefits. That's key because Lediya may cut back once the couple have children.

Financial planners don't often advise renting, but in this case it makes sense. Rick Mayes, a planner in Carlsbad, Cal., says that buying in southern California today can be twice as costly as renting, even after various deductions. He says the couple should rent for now. They can buy, he says, "when they have more savings and the housing market is right."

There are other factors to consider. The tax benefits of homeownership aren't as valuable if the family slides into a lower tax bracket. There are the forgone investment opportunities on down-payment money and taxes on the gains they'd generate to raise the payment. Paolo and Lediya would also give up large sums if they needed to trim retirement-plan contributions because of mortgage costs and upkeep. Paolo

now views things in a new light. "When you see all this calculated out, it makes you think differently," he says. ■

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