

Rent or Buy Analysis (Home)

Prepared for Joseph and June Evers

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Initial Assumptions

After Tax Rate of Return on Investments	4.00%
Marginal Tax Rate	28.00%
Estimated Annual Appreciation of Home	5.00%
Down Payment on New Home	\$20,000
Estimated Closing Costs	\$3,000
Estimated Purchase Price of Home	\$100,000
Monthly Rent	\$800

Cost of Renting

Annual Rent	\$9,600
Renter's Annual Insurance Premium	\$500

Total Annual Cost of Renting	\$10,100
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Cost of Buying

Mortgage Loan Amount	\$80,000
Annual Interest Rate	8.00%
Term of Mortgage (Years)	30
Monthly Mortgage Payment	\$587
Annual Mortgage Payment	\$7,044
Property Taxes	\$2,000
Homeowner's Insurance	\$600
Maintenance	\$1,500
Opportunity Cost of Buying	\$920

Total Cost of Buying	\$12,064
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Less Adjustments:

Principal Reduction in Mortgage	\$644
Tax Savings of Interest Deductions	1792
Tax Savings of Property Tax	\$560

Total Adjustments	\$2,996
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Annual After Tax Cost of Home Ownership	\$9,068
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Less:

Estimated Annual Appreciation in Value of Home	\$5,000
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Net Annual Cost of Home Ownership	\$4,068
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