00:00:09:13 - 00:00:22:14

Welcome. My name is Andrew Baron, and this is Well… It Depends! The podcast where I address financial decisions that can't be answered by a simple yes or no.

00:00:22:16 - 00:00:52:05

In this episode I ask the question; should I rent or buy a vacation home? But before we begin a short disclaimer, this is being recorded on February 13, 2024. The contents of this podcast are strictly for informational purposes only, and nothing said should be taken as investment, tax or legal advice. It's important to consult with a professional before making any financial decisions as the strategies discussed may not be suitable for you specifically.

00:00:57:13 - 00:01:08:06

If you're looking to enjoy warm weather throughout the year, you might consider owning two homes. Let's consider both the advantages and disadvantages.

00:01:08:09 - 00:01:23:06

Owning two properties allows you to accumulate equity in both homes at the same time, which may be a good long-term investment. This equity can later serve you for future financial endeavors.

00:01:23:16 - 00:01:36:14

Owning a second home can give you a sense of familiarity. You can decorate it the way you want, which can make your days more enjoyable because they are tailored to your preferences.

00:01:36:14 - 00:01:54:16

In the long run, it may be cheaper to own two properties compared to renting, especially if rental rates keep increasing in your area. Additionally, this can help diversify your portfolio by spreading risk across multiple assets.

00:01:54:16 - 00:02:14:05

By spending over half the year in one of the properties, you may be able to change your state residency and save on taxes depending on the states involved. When you're not using the property, you can rent it out, which can help generate income to offset your other expenses.

00:02:14:16 - 00:03:00:13

Now let's discuss the disadvantages of owning two properties. Owning two homes means double the maintenance, repairs, taxes and insurance. It's important to budget adequately to cover these additional expenses besides the ongoing costs. It's also important to consider the costs of acquiring a second property.

00:03:00:16 - 00:03:19:11

These can include a down payment, renovations and furniture. If owning two properties sounds like a headache, you might consider maintaining your primary residence and renting a second property.

00:03:19:11 - 00:03:30:05

This can provide you flexibility which you may enjoy. If you're unsure about the area or you enjoy visiting new places, besides geographic flexibility, renting can allow you financial flexibility, since you won't have to worry about the cost of acquiring and maintaining a second property. You can put those additional funds elsewhere.

00:03:34:00 - 00:03:57:18

The disadvantages of renting a second property are essentially the advantages of buying. You'll be less familiar with the property since you won't be able to decorate it with your things. You won't accumulate equity in the property since you won't own it and you'll be subject to rental increases which can make this option more expensive in the long run.

00:03:57:18 - 00:04:30:15

To recap the optimal solution comes down to your financial situation long term objectives and lifestyle preferences. If you have the financial means and want the comfort of owning two homes, this may be the solution for you. Be prepared for the added responsibilities of owning and maintaining multiple properties. If instead you value flexibility, you may instead choose to rent one property and own another.

00:04:30:17 - 00:04:44:06

However, understand you may be subject to rental increases over time. So to answer the question; should I rent or buy a vacation home? Well… It Depends!