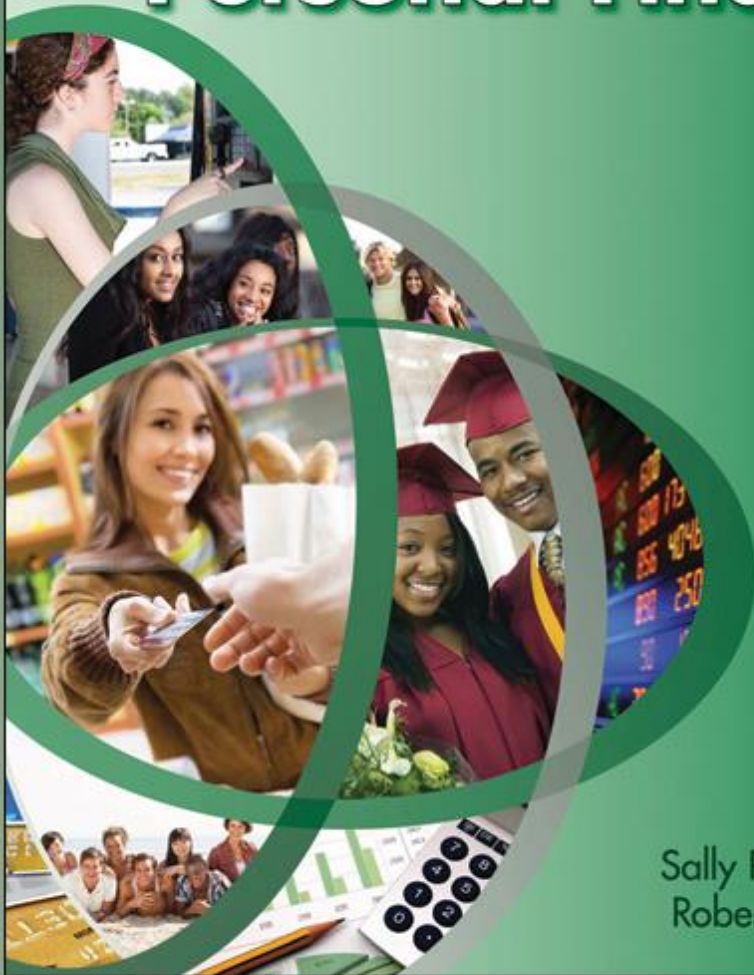


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Foundations of Personal Finance

Ninth Edition



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PowerPoint Presentations for

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Chapter 12

Housing

Section 12.1

HOUSING DECISIONS

Objectives

- List key factors to consider when choosing a housing location.
- Compare and contrast renting a residence to buying a residence.
- Discuss the moving process.
- Make suggestions for obtaining furnishings.
- Describe the importance of home maintenance.

Terms

- apartment
- single-family house
- condominium
- landominium
- cooperative
- townhouse
- manufactured home

Did You Know?

A landlord's property insurance policy does not cover the renter's personal property. You will need to purchase renters insurance.

Renters Insurance

- Renters insurance typically provides coverage for:
 - Damage to your property from fire or wind
 - Theft
 - Personal liability
 - Accidental damage to the property of others in your care
 - Living expenses if you need to live elsewhere while the rental property is being repaired

Housing Location

- Housing location considerations include:
 - Employment opportunities
 - Cost of living
 - Climate
 - Lifestyle
 - Neighborhood
 - Community facilities
 - Schools

Your First Residence

- An **apartment** is a living unit in a multifamily dwelling where residents share common areas
- **Single-family house** is a detached house, usually with a yard, driveway, and sometimes a garage
- A lease is the rental agreement from the owner of the property

Your First Residence (Continued)

- A **condominium** (condo) is multifamily housing in which a person typically owns the unit he or she occupies
 - Common grounds are jointly owned
 - Owners pay monthly maintenance fees
 - Owners elect a board of managers
- A **landominium** is a planned unit development in which the homeowner owns the home and the land on which it is built
 - Common areas are owned by the homeowners' association
 - Owners elect a board of managers

Your First Residence (Continued)

- In a **cooperative**, owners buy shares in “co-op” that owns the apartment building
 - Owners pay monthly maintenance fees
 - Approval is usually needed from the board of directors before selling or remodeling
- A **townhouse** is a home attached to adjacent houses and owner usually owns the land
- A **manufactured home** is a single-family house built in a factory and shipped to a site

Moving Your Possessions

- Move yourself with help from your friends and your family
- Rent a moving truck
- Hire a moving company
 - Check with the Better Business Bureau
 - Get estimates
 - Check insurance coverage
 - Inventory your possessions
 - Supervise pickup and delivery

Discussion

Where, in this community, can a person go to find reasonably priced used furniture or appliances?

Furnishing Your Residence

- Purchase new furniture
- Garage and yard sales
- Flea markets and secondhand stores
- Classified ads
- Furniture warehouses
- Online discounters
- Estate sales

Home Maintenance

- Maintenance chores and expenses include:
 - Appliances
 - Plumbing
 - Floor care
 - Cleaning gutters and windows
 - Landscaping, mowing, snow removal
 - Repairing roof, windows, fallen trees, foundation damage, electrical, heating and cooling systems

Review 12.1

- Does a landlord's insurance policy cover the renter's personal property?
 - No
- What is the name for a multifamily housing complex where renters share common areas?
 - Apartment



Section 12.2

RENT OR BUY

Objectives

- Compare the advantages and disadvantages of renting a place to live and buying a home.
- Discuss the process of renting a residence.

Terms

- equity
- security deposit
- lease
- lessee
- lessor
- rental agreement
- rental inventory checklist
- eviction

Monthly Housing Costs

- Total housing costs should not exceed one-third of your monthly take-home pay
- Housing costs include:
 - Rent or mortgage payment
 - Utilities
 - Maintenance
 - Property taxes
 - Homeowners or renters insurance

Renting

- Advantages:
 - Fewer financial responsibilities
 - More free time
 - Less financial risk
 - Greater mobility
- Disadvantages:
 - No equity
 - Less control
 - No tax benefits

Buying

- Advantages:
 - **Equity** is the difference between the market value of the property and the amount owed on the property
 - Tax benefits
 - Greater control
- Disadvantages:
 - Greater costs and financial responsibilities
 - Less mobility
 - Complicated relationships
 - Greater financial risk

In Your Opinion

If you have a job that requires you to move frequently, would home ownership be a good option for you?

Renting a Living Space

- **Security deposit** is an amount the renter pays to help protect the property owner against financial losses due to damage or unpaid rent
- A **lease** is a contract specifying conditions, terms, and rental of a property (usually six or 12 months)
- The **lessee** is the person who rents the property
- The **lessor** is the owner of the rental property

Renting a Living Space

- A **rental agreement** is a written agreement that permits the tenant to move out any time as long as the required notice is given
- **Eviction** is the legal process of removing a tenant who is not paying rent

Before Signing a Lease with a Roommate

- What is each person's share of the rent?
- How will the security deposit be divided?
- How long will each roommate live there? What if one wants to move out early?
- How will utility bills be divided?
- Will furniture and electronics be shared?
- If food or meals are shared, how will costs be split?
- Housework? Guests? Off limits areas?

Discussion

Could having your best friend as a roommate ever be hard on your friendship?

Being a Good Tenant

- Meet the terms of the lease
- Keep the dwelling clean and pest free
- Prevent property damage
- Report problems right away (plumbing, electrical, windows, etc.)
- Avoid noise and be a good neighbor
- Give proper notice before moving out
- Clean up before moving out

Discussion

What makes a good landlord?

Review 12.2

- What is the term that describes the difference between what your home is worth and the amount you have left to pay on the mortgage?
 - Equity
- Do tenants of a rental property build up equity or get tax benefits from renting?
 - No