Would you buy the house?

Maya and Jordan pay $4,200 a month in rent. Their lease is up soon, and they've found a $1 million home. Suppose they buy it and stay ten years. How much would they need up front, and what would they have left if they sold?

Starting point	Amount
Take-home pay per month	**$14,500**
Living costs before housing	**$5,100**
Current rent per month	**$4,200**
Cash savings	**$60,000**
Taxable investments	**$350,000**
Retirement savings	**$80,000**

Start with the same household

Both paths begin with $490,000 in cash, investments and retirement accounts. If they rent, they keep the money they would have spent on the purchase. If they buy, they'll put some of it into the house before they make a single mortgage payment.

Maya and Jordan are fictional. Their numbers are here so you can follow the arithmetic and try the same comparison with your own inputs.

Closing day

Maya and Jordan choose 20% down. That’s $200,000 paid now and $800,000 borrowed.

Closing ledger	Buy	Rent
Cash after $3,000 moving costs	**$57,000**	**$60,000**
Investments after $225,000 sale	**$125,000**	**$350,000**
Retirement (untouched)	**$80,000**	**$80,000**
Home value minus mortgage	**$200,000**	**$0**
Total net worth at the starting line	**$462,000**	**$490,000**

Where did $225,000 go?

The model sells investments for the $200,000 down payment plus $25,000 in transaction fees. Cash covers moving. The down payment changes where the money lives: $200,000 leaves the brokerage account and becomes **equity**, the part of the home’s value not owed to the lender.

Where did $28,000 go?

The $25,000 in fees and $3,000 for moving explain the starting gap. Maya and Jordan enter the fees manually. If you use the automatic closing estimate, the calculator starts with a share of the purchase price, adds any mortgage points you enter, and accounts for credits and separately entered escrow and prepaid bills.

Escrow is money set aside for future bills. Prepaids cover expenses such as insurance before they come due. Both can increase what you pay at closing, so enter them separately from fees when you have the breakdown.

The first payment

The mortgage costs $4,796 a month at a fixed 6% over 30 years. In month one, $4,000 goes to interest. Roughly $796 pays down the loan.

Month 1: follow the money	Buy	Rent
Interest: $800,000 × 6% ÷ 12	**$4,000**	
Principal: the amount the debt falls	**$796**	
Property tax, insurance, maintenance, utilities	**$2,117**	
Total housing costs	**$6,913**	**$4,200**
Pay left after housing and $5,100 living costs	**$2,487**	**$5,200**

What happened to the mortgage?

About $796 of the payment reduces the loan, leaving $799,204 owed. Next month, interest is calculated on that smaller balance. With the scheduled payment unchanged, a little more goes toward reducing the debt.

What happened to the budget?

The renter has $2,713 more left this month. The buyer needs enough cash for the full mortgage payment, including the $796 that goes toward equity.

The $2,117 in other owner costs includes property tax, insurance, routine maintenance and extra utilities. In California mode, modeled assessed value for property tax can grow at up to 2% a year, even when the market price grows faster. Add any homeowners association dues and special assessments that apply to your property.

Where the leftover money goes

Both households keep four months of recurring bills in cash, then invest what's left.

End of the first month	Buy	Rent
Cash target: four times recurring bills	**$48,052**	**$37,200**
Cash before moving the excess to investments	**$59,487**	**$65,200**
Added to investments	**$11,435**	**$28,000**
Taxable investments after growth and contribution	**$137,043**	**$379,704**

Why the contribution is bigger than the surplus

They started with more cash than their targets, so the model invests some of their existing savings too. It applies this month's investment growth to the money already invested, then adds the contribution.

What if the next month goes badly?

If cash falls below target, the calculator uses available taxable investments to refill it. If those investments run out, cash can fall below the target. Retirement savings and home equity stay out of reach for these bills.

If an investment sale has a gain

Maya and Jordan's $350,000 account started with a cost basis of $300,000, the amount used to measure gains. Selling half the account would realize half of the $50,000 gain under the calculator's proportional assumption. At an assumed 20% tax on that gain, the sale would cost $5,000 in modeled taxes. We leave that rate at zero in the walkthrough.

Ten years of small changes

Repeat that monthly loop. The loan balance falls, rent rises, and both investment accounts have time to grow.

Year 10: what they have	Buy	Rent
Cash	**$56,411**	**$48,582**
Taxable investments	**$768,888**	**$1,580,539**
Retirement	**$130,312**	**$130,312**
Home equity	**$674,431**	**$0**
Total net worth	**$1,630,041**	**$1,759,432**

Two kinds of growth

The example assumes 3% yearly growth in rent and home value, and 6% price growth for taxable investments. The buyer’s home reaches $1,343,916, with $669,486 still owed. The renter has no home equity but has more in investments.

Where the numbers came from

The calculator runs monthly, but we’re taking a snapshot after 120 months. Pay and inflation grow at 2.5% annually, retirement at 5%. The numbers are nominal dollars: they haven’t been converted back to today’s buying power.

Open the inflation-adjusted chart to see both balances in starting-month dollars. If you enter investment distributions separately, use a growth rate that excludes those payouts.

What if they sell?

Maya and Jordan want to know what they could walk away with after ten years, not just what their balance sheet says.

Buyer: accessible money after selling the home $1,432,534



Renter: accessible money without a home sale $1,629,121



Buyer’s hypothetical sale ledger	**Amount**
Home sale price	**$1,343,916**
Less remaining mortgage	**-$669,486**
Less selling costs (5% of sale price)	**-$67,196**
Property proceeds before modeled sale taxes	**$607,235**
Plus cash and usable taxable investments	**$825,299**
Total available after the sale	**$1,432,534**

Why retirement isn’t on either bar

Retirement accounts count as wealth on the previous page. They aren’t money this model makes available for a move or a bill. The example also sets sale taxes to zero to isolate the cost of selling; that’s not a prediction about anyone’s taxes.

If you model a tax on the home sale, the calculator estimates the gain after selling costs and your adjusted home cost basis. Apply an exclusion only if you expect to qualify. The holding period you enter cannot establish eligibility on its own.

Change one thing at a time

The baseline is just one possible future. Let’s change the same household’s story twice, resetting to baseline before each change.

Year 10 difference: buy minus rent	Net worth	After sale
Baseline	**-$129,391**	**-$196,587**
Only change: $40,000 repair in month 24	**-$193,434**	**-$260,630**
Only change: home growth rises from 3% to 4%	**$6,937**	**-$67,075**

The repair also changes the month it happens

In month 24, the buyer’s budget goes from $2,841 left over to -$37,159. The repair is paid now, but its effect lasts: money withdrawn from investments can’t keep growing there.

Why the columns disagree

At 4% home growth, buying pulls slightly ahead in net worth. Renting still comes out ahead after selling costs. If Maya and Jordan expect to move in year ten, the second column speaks more directly to their plans.

Negative means renting comes out ahead for that measure; positive means buying comes out ahead. None of these rows tells you which future is most likely.

What would you change first?

Maya and Jordan now have two questions to answer. Could they carry the house through a bad year? How long are they likely to stay?

Check the worst month

The buyer has $2,487 left in month one. Over the ten-year budget window, their accessible assets reach a low of $182,000 in the baseline and $182,000 with the repair. Accessible assets are cash plus taxable investments after any estimated tax on selling them. Compare the low point with the minimum you want to keep available.

Would you be comfortable selling early?

In the calculator’s holding-period table, look at year three or five. Closing and selling costs are much harder to spread out if you leave sooner. Compare the after-sale result at that shorter horizon as well as net worth.

Try this with your numbers

Start with the property and rent, then enter take-home pay, spending and savings. Put in the mortgage rate you’ve been quoted, or use the automatic benchmark as a starting point. A benchmark rate may differ from your quote. Save a baseline before you try a higher rate, a shorter stay or a different down payment.

The sensitivity grid reruns pairs of home growth and investment growth assumptions. Look for the point where the sign changes. The stress tests show how a pay cut, a market drop or a repair can squeeze the budget before you reach your chosen sale date.

What else could change?

Add an advanced setting when there’s a particular event or expense you want to account for.

A change in pay or spending

If Maya and Jordan expect a stretch of reduced pay, they can enter the months it lasts and the share of pay they expect to receive. They can also schedule dependent expenses or enter a retirement date and estimated take-home pay. A repair is a bill in the month it happens. A renovation can spread spending over several months and add the amount of resale value you assume it creates.

A different mortgage

Extra principal payments reduce what you owe and use up cash in the month you make them. A refinance replaces the loan at the month you choose and adds the fees you enter. If your quote includes mortgage insurance, enter its monthly cost and the assumed cancellation point. A temporary rate discount lowers early payments; check who gets any unused subsidy if you refinance or pay off the loan.

Allow for taxes only when you have an estimate

The example leaves out any extra annual tax benefit from owning, as well as taxes on home and investment sales. Those assumptions keep the closing and sale arithmetic easy to follow. They won’t fit every household. Use the tax settings for a separate scenario if you have an estimate you trust.

Keep a copy of the comparison

Saved snapshots stay in your browser. You can download the monthly results if you want to check a particular bill or see when the cash balance dips. Revisit the inputs when you get a new quote or find out what the home costs to insure.

Illustrative comparison only. The results depend on the assumptions you enter.