



Get rich as a renter: 5 ways to build wealth without buying a home

For many, homeownership is an essential part of the American dream. That doesn't mean it has to be your dream, too.

Maybe you don't need the space or a backyard for your dog. Maybe you don't think real estate is the best investment out there.

Or maybe you simply can't figure out [how to afford a mortgage](#).

Either way, people will tell you that renting is like burning your money — but in reality, being a renter can work to your financial benefit. Here are five ways to flourish.

1. Take advantage of reduced pandemic rents

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At the onset of the pandemic, rent in expensive cities like New York and Seattle plummeted. While prices in most areas have recovered, they're likely below where they would have been without the crash.

Plus, real estate data site Apartment List says there are still five major cities where rents are *below* pre-pandemic levels: San Francisco, Oakland, San Jose, Minneapolis and Washington, D.C.

As a renter, you can use this to your advantage. Working from home is sure to be the norm for a while longer, and people are flocking to mid-size markets and smaller towns for more space.

If you want to keep renting in the city, now's the time to lock in a lease at a great price — you may even be able to negotiate with your current landlord for an even better rate.

2. Find better investments than homeownership

Many people assume that owning a home is a good investment, but that's not necessarily true.

A 2010 Federal Reserve [report](#) titled "American Dream or American Obsession?" showed that the actual rate of return on U.S. real estate between 1975 and 2009 was below 0%.

Meanwhile, the stock market's average annual return between 1975 and 2009 was 3.375%, after taxes and inflation, according to the Fed study.

Today, it's never been easier to put money into the market — [all you need is a smartphone app](#).

3. Use the money you save to pay down debt

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Owning a home involves a number of non-recoupable costs like mortgage insurance, homeowners insurance, interest and property taxes. And when something breaks down, you've got to fix it yourself instead of simply calling the landlord.

When you save all of the money as a renter, you could take it and put it toward consolidating your debt.

If you've been relying on your credit cards through the pandemic, you're probably piling up plenty of expensive interest by now. By dropping all your balances into a single [lower-interest debt consolidation loan](#), you can make your debt easier to manage and even pay it off sooner.

4. Invest in yourself

It's never a bad idea to upgrade your marketable skills by going back to school.

If you haven't got all the funds upfront for a college program, taking out a student loan at a competitive rate can help make your dream come true without costing you all your savings.

But that assumes you're not already drowning in student loan debt from the first time you went to college. If that's your situation, you might want to explore [refinancing your student loans](#) to take advantage of today's record-low refi rates.

5. Shop around for deals

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The premise that owning is better than renting also assumes that homeownership is your No. 1 priority, without taking into account other goals you may have for spending your money or what you'd like to do with your life.

As a renter who doesn't have to worry about the costs of homeownership, you have more money for the things you really care about. Your standard of living will be higher overall.

If, for example, you like to shop online, you can download [a free browser extension](#) that will instantly find you the best deals and coupons.

'But owning a home is my dream'

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If your heart is set on becoming a homeowner, you're not necessarily destined to become house-poor.

Just make sure you follow these tips to put yourself in the best financial position:

- **Get the lowest possible rate on your loan.** The best way to save on your mortgage is to [comparison shop for the lowest mortgage rate](#). Multiple studies have found that borrowers who review at least five rate offers save thousands of dollars over time, versus those who grab the first loan they see.
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Find the best price on homeowners insurance. Homeowners insurance is a must, but overpaying is not. By [shopping around for your coverage](#), you can pay hundreds of dollars less on home insurance every year.

- **Save up a respectable down payment.** Making a higher down payment can land you a lower mortgage rate. Save up a pile of cash by using a popular app that allows you to [invest your “spare change”](#) and grow your money in the record-breaking stock market.

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