MODULE 04 / HOME & CAR DECISIONS

Compare the whole decision.

Look beyond the monthly payment when renting, buying or leasing.

Your take-away
A like-for-like comparison of cash commitments and wealth at your chosen horizon.

By the end, you can

- Compare alternatives with equal starting resources.
- Account for fees, equity and remaining debt.
- Distinguish rental-property cash flow from price appreciation.

Read. Work it out. Apply it.

Read the concepts and worked example first. Use the worksheet for your own decision, then answer the eight questions before turning to the answer key. Open the linked tools when you are ready to apply the ideas.

About 22 minutes with exercises · 8 questions · Version learning-2026.09-v1

Original educational material and fictional examples. This workbook does not assess suitability or provide personalized financial, tax or legal advice.

Keep these checks beside your plan

- I compare equal starting resources.
- Both alternatives retain any unused money.
- The exit calculation settles remaining debt.
- I understand local costs and the contract’s limits.

01 / UNDERSTAND

The essentials

A low payment can hide a large commitment

Monthly payment alone does not show upfront fees, balloon payments, residual debt, running costs or exit charges. A longer loan can lower the payment while increasing total interest. Compare the same item, horizon and assumptions, then inspect the contract terms behind the quote.

Equity is not the property’s full value

Home equity is property value less the related outstanding debt. At a sale, fees and taxes can reduce proceeds further. Principal repayment builds equity while interest is a financing cost, but both affect the monthly cash you must fund.

The alternative keeps its unused money

A fair rent-versus-buy comparison gives both sides the same starting cash and monthly budget. The renter retains the cash not used for a deposit and acquisition fees. Whichever side spends less in a month can retain or invest the difference. State the return assumption and do not make cash disappear.

Terms worth knowing

Equity. Asset value less related debt, before any omitted sale costs.

Residual value. An assumed value at the end of a period or lease.

Opportunity cost. The alternative use of money committed to a decision.

Capitalization rate. Net operating income divided by property value, before financing and income tax.

02 / APPLY

Put it into practice

1. Choose a realistic decision horizon

Use the period you expect to keep the property or vehicle, and test an earlier exit. Relocation can make a long-run break-even point irrelevant. The horizon must include settlement of remaining finance and realistic sale or return costs.

2. Build an all-in cash schedule

For a home, include acquisition costs, mortgage payments, property charges, maintenance, insurance and selling costs. For a car, include tax, down payment, payments, running costs, resale and any lease mileage/wear/termination terms. Local charges and tax treatment require actual quotes.

3. Compare what remains at the end

For buying, calculate sale proceeds net of debt and exit costs, then add retained savings. For renting, calculate retained/invested cash. For a car, settle outstanding loan principal on sale; do not add every future interest payment as if the loan continued after settlement.

When life crosses borders

Check borrowing eligibility, transaction taxes, ownership rules and currency mismatches locally. A salary in EUR and loan in another currency can change affordability even with an unchanged contractual payment. A move may also change the property's use or insurance.

Before you decide

Calling rent wasted and mortgage payments pure saving. Interest, fees and running costs are also costs. Principal repayment builds equity, but an honest comparison includes both sides' opportunity to retain money.

Using a lease quote without the return terms. Mileage, wear, renewal assumptions and early termination can change the effective cost. The planner's remaining-payment assumption is not a provider's settlement quote.

Treating property yield as total return. Net operating income is before debt service and income tax. Capitalization rate divides that income by property value. Cash-on-cash return uses cash after the stated operating and financing costs divided by cash invested. Neither guarantees appreciation.

03 / WORK IT OUT

A one-year comparison with equal cash

Both alternatives start with €30,000 and a €1,000 monthly budget. Buying costs €8,000 upfront fees plus a €20,000 deposit on a €100,000 home; the remaining €2,000 stays in cash. This deliberately simplified example has zero returns, zero price change and no taxes beyond stated costs.

Item	Buy	Rent
Monthly all-in cash cost	€1,000	€800
Year-end retained cash	€2,000	€32,400
Year-end home value / loan balance	€100,000 / €78,000	Not applicable
Sale cost	€5,000	Not applicable
Net sale proceeds	€17,000	Not applicable
Ending wealth	€19,000	€32,400

Renter: €30,000 + 12 × (€1,000 - €800) = €32,400

Buyer ending wealth is €100,000 - €78,000 - €5,000 + €2,000 = €19,000. Renting ends €13,400 ahead in this short, fee-heavy illustration. This is not evidence that renting always wins: change the horizon, costs, financing and prices to test the decision.

Your turn

Try it: a car sells for €18,000 while its loan balance is €7,000. What remains before any sale or settlement fees?

Write your answer here; the worked solution is on page 8.

04 / MAKE IT YOURS

Your working notes

Decision: ______________________________ Review date: ______________

Use this page for estimates and questions. Keep account numbers, tax IDs and other sensitive records in an appropriate secure location.

1. The alternatives, common starting cash and comparison horizon

2. Upfront and recurring costs from actual quotes

3. Debt balance, expected sale value and exit costs at the horizon

4. Retained cash and stated investment return for each alternative

5. Earlier-exit and less-favourable price/cost scenarios

My next action and when I will take it

Return to these notes after the knowledge check. Relevant tools and source references are on page 9.

05 / CHECK YOUR UNDERSTANDING

Knowledge check 1-4

Choose one answer for each question. Answers and explanations are on page 8.

1. Why give rent and buy alternatives the same starting cash?

A. To force equal results

B. To compare their use of equivalent resources

C. To make renting win

D. To ignore deposits

2. What is buyer ending wealth in the worked example?

A. €100,000

B. €22,000

C. €19,000

D. €30,000

3. What is renter ending wealth in the worked example?

A. €32,400

B. €30,000

C. €9,600

D. €42,000

4. A car is sold for €18,000 with €7,000 debt outstanding. What is available before fees?

A. €25,000

B. €18,000

C. €7,000

D. €11,000

05 / CHECK YOUR UNDERSTANDING

Knowledge check 5-8

Choose one answer for each question. Answers and explanations are on page 8.

5. Which is needed beyond a lease's monthly payment?

A. Only the vehicle colour

B. Down payment, contract term, return/exit costs and usage limits

C. Nothing else

D. Only an expected salary increase

6. What does mortgage principal repayment do?

A. It is all interest

B. It reduces the loan balance and builds equity, subject to property value

C. It eliminates maintenance

D. It guarantees a profitable sale

7. Which ratio is capitalization rate?

A. Loan payment ÷ salary

B. Property price ÷ loan balance

C. Net operating income ÷ property value

D. After-tax profit ÷ original deposit

8. A ten-year break-even is shown, but you may move in three years. What should you test?

A. Only the ten-year answer

B. Guaranteed appreciation

C. Ignore selling costs

D. A three-year exit with realistic settlement and sale costs

06 / REFLECT

Answers & explanations

1. B - To compare their use of equivalent resources

Different starting resources create an unfair comparison. Each side must account for retained cash.

2. C - €19,000

€100,000 value - €78,000 debt - €5,000 sale cost + €2,000 retained cash = €19,000.

3. A - €32,400

The renter keeps €30,000 initially and saves €200 of the common budget for 12 months: €32,400.

4. D - €11,000

Sale proceeds first settle the remaining debt: €18,000 - €7,000 = €11,000.

5. B - Down payment, contract term, return/exit costs and usage limits

Upfront, running and contractual exit/use costs can materially change total cost.

6. B - It reduces the loan balance and builds equity, subject to property value

Principal reduces debt. Price changes and costs still affect the eventual owner outcome.

7. C - Net operating income ÷ property value

Capitalization rate uses property-level net operating income before debt service and income tax.

8. D - A three-year exit with realistic settlement and sale costs

The comparison horizon needs to reflect when the decision may actually end. Test that scenario explicitly.

Worked answer: your turn

€18,000 - €7,000 = €11,000. The outstanding debt must be settled before the proceeds are treated as available money.

A score checks these concepts, not your readiness to make a financial commitment. Revisit any missed ideas before applying them.

07 / TAKE THE NEXT STEP

Use your Playbook

Rent versus buy

Enter actual acquisition/sale costs and test a horizon consistent with possible relocation.

Lease versus buy

Use a full quote, including down payment, finance term and resale or return terms.

Sources & scope

Original explanations and fictional worked examples. These official references support the background concepts; local rules and exclusions still apply.

CFPB: Loan Estimate explainer

US-specific loan disclosure; comparison principles are useful more broadly.

CFPB: Compare and negotiate loan offers

Compare like-for-like borrowing terms and upfront costs; US context.

Source review: 6 September 2026. This is an English-language learning edition. EUR, USD and BRL examples use explicitly stated fictional inputs; they are not live exchange quotes.

Tool links will work when the matching website release is published. Before launch, open the corresponding HTML pages in your site preview. Review model assumptions before using an output.