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To Uber or Not to Uber: When to Stop Sharing & Start Buying

April 25th, 2017

The Millennial generation has been at the forefront of the surge in sharing everything from rides to clothes for both convenience and financial reasons. Taking Ubers on occasion can sometimes be less costly than owning a car you may not use very often, or living with roommates can help cut down the cost of living. But at a certain point, it's important for individuals to do the math and see if it makes financial sense after all to consider a big-ticket purchase.

Let's look at the pros and cons of a home purchase first. When first considering the purchase of a house or condominium, you need to look at your situation and determine whether or not your life, career and the place in which you are currently living or thinking about living are stable. Make sure to the extent that you can that you have strong job security (obviously unforeseen circumstances can arise), you are more or less satisfied with your lifestyle, and you are happy with where you live and don't plan to move across the country.

If you can find a mortgage for a place that is suitable for roughly the same amount as your current rent or less, then the transaction makes sense. I counsel my clients that the general rule is 25% of your net salary can be allocated to your home and mortgage expenses without having the fear of becoming "house poor." Make sure that you're also factoring in condo or HSA fees (if they apply) as well as municipal taxes. Also, keep in mind that a real estate investment, like any other investment, has inherent risks. Always complete the proper due diligence before any purchase.

The decision to use ride-sharing services exclusively or purchase a car fluctuates more based on where the person lives and what shared transportation options (like Uber or Car2Go) are available. In addition, different urban areas create very different circumstances. For example, DC, where I live, is a condensed and compact city where one can either walk or take a shared ride to and from destinations for a relatively low cost. In a city like Miami, Los Angeles or Houston, where the urban area is very spread out and not as walkable, ride sharing would quickly take a heavier toll on your wallet. Of course, these assumptions aren't black and white, as people's lifestyles and commutes can vary, making the need for a car more or less necessary.

Generally, though, I tell my clients that in a world where more and more cheap ride share options are becoming available, a car purchase can be pushed out further. A car is a hefty cost in most cases, and paying for the car, gas, insurance, repairs and parking becomes very expensive. A car is also a depreciating asset, meaning you will rarely recover anything close to what you paid for it. (Your house, however, generally should appreciate in value.) So, if you can live your life through ride sharing and public transport comfortably, I recommend going forth as such.

Regardless of what you choose, check in periodically on pricing and compare your options. Changing life circumstances or new choices in the market may influence your decision. In general, it's always a good idea to have a solid understanding of your financial situation so you can assess if you can change your living situation, lifestyle, or retirement plans.

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