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Living

ON MY OWN

Can I Afford to Live on My Own?

Needs and Wants | How Much Will My Own Place Cost?
Rental Application Costs | Move-in Costs
Monthly Costs | Making Your Budget

Participant Guide

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Moving into your own place for the first time is a big step—one that means more independence and new responsibilities. Whether you are moving into your own place for a new job, to follow your dreams, start a family, go to college or a trade school, or for reasons beyond your control, finding your own place means you will need to be ready to make many decisions, such as

- Where's the best location for me to live?
- Do I want to live in an apartment or house?
- Will I rent one room or the entire place?
- What utilities will I need?
- Can I afford to live on my own?

All these questions can be confusing and overwhelming. However, thinking about these important decisions now may help you make better decisions when you start looking for your first place.



Needs & Wants

When you begin to think about getting your own place, it's helpful to seriously consider what you need in a place, versus what you want. Identifying your needs will help ensure that the basics are included when you start your search. Adding in your wants will help you select the extras that you can afford.

To start thinking about what is important for your first place, use the chart below to list the top 10 items you need and/or want.

My Top 10 Needs and Wants for My First Place

| Item | Need | Want |
|-----------|--------------------------|--------------------------|
| 1. _____ | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. _____ | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. _____ | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. _____ | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. _____ | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. _____ | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. _____ | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. _____ | <input type="checkbox"/> | <input type="checkbox"/> |
| 9. _____ | <input type="checkbox"/> | <input type="checkbox"/> |
| 10. _____ | <input type="checkbox"/> | <input type="checkbox"/> |

Think about your list—does it include more of your needs or more of your wants? To help you decide about needs and wants, consider the following:

- A need is something that is a must-have to live on your own. Potential needs might be affordable rent, a safe location, being close to work or college or trade school, parking on-site, a space large enough for everyone living in the home, a kitchen with a refrigerator, and easy access to laundry facilities.
- A want is a nice-to-have feature but is not a requirement to be able to live there. Wants might include an exercise room or pool on-site, inside laundry, covered parking, hardwood floors, or a newer place.

Review your My Top 10 list once more. Consider each item you listed and decide if it is a need or a want and check the appropriate column. Now look back over your list. Are your major needs included? Do you have some wants listed in the hope that you can find a place that will provide for all your needs and some of your wants?

If you find that something important was left off the list, revise it until you have the top 10 items that are most important for your first place. After all, this list is about you and for you! When you're ready to move, using your list can help guide you about where and how you will be living.



How Much Will My Own Place Cost?

Once you know your needs and wants, you'll probably be interested in learning what a place of your own will cost. After all, the cost of getting your own place will probably impact when and where you will move.

To get a good picture of the costs for your own place, it's important to include all the costs of living in your new home, as well as the costs related to moving in.

One way to think of these costs is to break them up into three categories:

- Application costs: what you will pay to apply for rentals.
- Move-in costs: how much money it will cost to move into your new place.
- Monthly costs: the expenses you pay every month.

What I Know About Rental Costs

To get an idea about what expenses you'll have when living on your own, list the type of costs you know for each of these three categories:

| | Application Costs | Move-in Costs | Monthly Costs |
|----|-------------------|---------------|---------------|
| 1. | | | |
| 2. | | | |
| 3. | | | |

Were you able to fill in three costs for each category? If not, it's okay. Keep reading to learn more about these costs and why they are being charged.



Rental Application Costs

The following fees are the costs for applying for a rental.

Application Fee

Most landlords require that you pay an application fee at the same time as you submit the rental application. This fee is charged just to process the application, but it also lets the landlord know you are serious about the rental.

Credit Check Fee

This fee covers the cost of running a credit check—which is a credit report to determine if you have a history of paying bills on time. This fee could be a separate charge or it could be included as part of the application fee. If you have a good credit history and a high credit score, you will find it easier to qualify for rentals than if you have poor, little, or no credit history.

Background Check Fee

Some landlords also require fingerprinting for a background check to see if you have outstanding warrants or other issues of concern. This fee may be included in the application fee or it could be a separate fee. In most cases, it's easier to qualify for a rental if you have no outstanding legal issues.

Money-Saving Tip

Since application costs are required for each application submitted, these costs can add up fast. Check out all the options and decide which rentals best meet your needs before submitting applications.

Did You Know?

Most landlords will check your credit score to find out if you qualify as a renter. Paying bills on time will improve your credit score.



More About Rental Applications

Planning Ahead

Rental applications will be easier to complete when you have the following information:

- **Proof of income.** Landlords usually ask for at least 1 month of income history to show that you can afford to live in the rental. You can use pay stubs from your job, financial aid statements from your school, or housing vouchers. For a new job, ask your employer for a job offer letter that includes your start date and salary.
- **Job history.** Organize a list of your current and previous jobs. Include your job title; employer's name, address, phone number; supervisor's name; and the dates when you started and stopped working for each job.
- **Identification.** Have some type of government ID, such as a driver's license or passport, available to show when you turn in your application.
- **Prior addresses.** Plan to provide addresses of where you have lived for the last 3 to 5 years and how long you lived at each place. Include your current address.
- **References.** Landlords usually ask for non-family references. You will be asked to submit their names, addresses, phone numbers, and/or email addresses. Be sure to ask your references first, so they are prepared if a potential landlord contacts them.
- **Vehicles.** Most landlords want to know what vehicles are being parked on their property. Know the license plate number, make, model, color, and year for whatever you drive.
- **Emergency contact.** Have the name, address, phone number, email, and relationship to renter of a responsible person your landlord can contact in an emergency.
- **Application costs.** Have money (cash, check, money order, card, or electronic payment) ready to pay for application costs.
- **Social Security number.** You will probably need to submit your Social Security number with your rental application. This is used to run your credit check.
- **Co-signer.** If you know you need a co-signer, try to bring that person with you when you submit your application. The landlord will ask for the co-signer's name, address, phone, email, and Social Security number.

It can be challenging to find a landlord who will rent to first-time renters. Luckily, some landlords will consider first-time renters if they have a co-signer. A co-signer is someone who agrees to sign the contract and pay your rent if you miss a payment.



Renting without a Social Security Number

If you do not have a Social Security number (SSN), here are some tips that might help you find a rental:

- Apply for a SSN, if you are eligible, before looking for a rental.
- Rent from family or friends who do not require a SSN.
- Sublet from a renter who already has a place and the landlord does not need to qualify additional roommates.
- Find a landlord who is willing to accept a SSN from a co-signer.
- Look for a landlord who does not require a credit check.



Move-in Costs

Before submitting any rental applications, it is helpful to get an idea of how much money you will need to move into your own place. Known as move-in costs, these are the costs you need to pay before you can move into your new home.

List of Move-in Expenses to Plan For

- **First month's rent.** Once your application is approved, the landlord will ask for the first month's rent before you move in.
- **Last month's rent.** Most landlords also collect the last month's rent. This is to protect the landlord from renters who decide to leave suddenly without notice.
- **Security/cleaning deposit.** This covers damages you cause to the property, other than normal wear and tear. It also covers any cleaning the landlord needs to do when you move out.
- **Key deposit.** This covers the costs of new keys if you lose yours. Key deposits may be required for the front door, laundry, mail, and other facilities such as a gym, pool, or clubhouse. This fee is usually refundable if you return all the keys when you move out.
- **Pet deposit.** If pets are allowed, you will probably be required to pay a pet deposit, in case your pets damage the property.
- **Utilities setup.** For any utilities not included in the rent, there will probably be fees and/or deposits to begin services. These include electricity, gas, water, trash, sewer, internet, cable, satellite, etc. Some utilities also require security deposits to cover services you use in case you don't pay your bills. There may also be additional costs for customers who haven't had utilities in their name before.
- **Moving expenses.** These are the costs of physically moving your stuff into your new place. The options vary from doing it yourself, getting help from friends and family, or hiring a moving company.
- **Furnishings.** You'll need furniture unless you rent a furnished place. Plan for the costs of furniture, linens, decorations, and other home goods.
- **Household supplies.** You'll probably need some kitchen equipment, cleaning supplies, health and beauty supplies, and everything else you use on a day-to-day basis.

Move-in costs can be 3 to 4 times the cost of a month's rent. This means that if your rent is \$500 per month, you could need \$1,500 or more to move in.



How Much Is It Going to Cost to Move In?

To help you calculate move-in costs, review this housing ad and complete the chart below. Find the cost for moving in as listed in the ad.

For Rent: 1BR/1BA \$750 per month in quiet neighborhood in West Chester. Near bus route and shopping center. Plenty of street parking available. First/last months' rent and security deposit (\$500) due at signing. No smokers, no pets.

Move-in Costs and Deposits

| | |
|----------------------------|-----------------|
| First month's rent | \$ _____ |
| Last month's rent | \$ _____ |
| Security deposit | \$ _____ |
| Key deposit | \$ _____ |
| Pet deposit | \$ _____ |
| Total move-in costs | \$ _____ |

The answers are on p. 12.

What are your reactions to the move-in costs for this apartment? Are the costs more or less than what you expected? What could you do to be sure you would have enough money to cover these move-in expenses?

Reminder: These costs are only what you pay the landlord. There are also costs for connecting utilities, moving your stuff, and buying furniture, household goods, kitchen supplies, and personal supplies.

Types of Expenses

Fixed expenses: The amount stays the same every month.

Flexible expenses: The amount changes every month.

Occasional expenses: Occur only now and then throughout the year.

Monthly Costs

Monthly costs are your day-to-day living expenses. These are the costs you pay each month and probably include many of the following expenses:

- Savings
- Rent
- Renter's insurance
- Utilities
- Cell phone
- Internet
- Food
- Transportation
- Parking
- Debt payment
- Taxes
- Health/dental costs
- Clothing
- Personal care
- Education
- Entertainment
- Gifts/charity
- Child care
- Occasional expenses
- Other _____

Monthly costs that will be the same each month are known as fixed expenses. Rent is usually a fixed expense—you pay the same amount every month.

Expenses that change each month are called flexible expenses. Utilities, food, and going out are usually flexible expenses—you pay for them monthly, but the amounts differ each month.

Occasional expenses occur only a few times a year, such as car registration, move-in costs, being in a wedding, taking a vacation, etc.

It's easy to plan for fixed expenses because they are always the same amount. Flexible and occasional costs are harder to determine, but estimating will help you plan for them.

Review Your New Knowledge

Look back at your answers for What I Know About Rental Costs on p. 4. Compare your answers with what you now know about the costs for living on your own. Update the chart to reflect your new knowledge.



Making Your Budget

Now that you have an idea about most of the costs for living on your own, you can determine if you are ready to move out based on your income and expenses.

A budget can help you decide if you're financially ready for a move. A good way to think of a budget is as a guide you create to help you decide how you want to spend your money. It's a great tool for

- making sure you have money to pay your rental costs.
- saving for the things you want and need most.
- figuring out where you can cut back on spending.
- giving you more control over your money.

Did You Know?

A budget is a road map to get you where you want to be financially.

Pay Yourself First! (PYF)

Sometimes things happen that require you to spend money unexpectedly. If your car breaks down, where will you get money to fix it? Or if you lose your phone, how will you pay to get another one? Plan for these unexpected emergencies by saving money. PYF—have money taken out of each paycheck and put into savings. Then you will have some money when you need it most.

Four Steps to Making a Budget

1. Write down all your expenses. Keep track of your spending for at least a month to know where your money is going. You can record your spending on your cell phone or a small pad of paper. Or, try a free mobile app for keeping track of what you spend.
2. Add up all your expenses for the month and then subtract them from your income. If you have money left over, then your income is more than your expenses, which is great. If your income doesn't cover your expenses, look over your expenses and find ways to reduce them. Use these costs to estimate how much to spend on each expense next month.
3. Track your spending again and compare it with what you planned to spend. Did you spend more than you estimated? Look at each item and write down the difference between what you planned and what you spent, even if it's a negative number.
4. Estimate your expenses again for the coming month and try again. It may take a few tries to get a budget that works for you, but it is worth the effort! A budget can help you pay bills on time and have money for the things you want most—like that new place where you want to live!

Putting It All Together: Case Study



Here's a chance to try out a budget. See if you can help Antonio afford the place he really wants.

Antonio is super excited! He just found a great rental. It's going to be his first place and he really wants it to work. So, he decided to take a look at what he can afford by making a budget. Here's his monthly budget:

| Income | | Expenses | |
|---------------------|----------------|--|-------|
| Part-time job | \$1,000 | Rent | \$400 |
| | | Electricity | \$30 |
| | | Natural gas | \$20 |
| | | Cell phone | \$60 |
| | | Food (<i>groceries and eating out</i>) | \$400 |
| | | Transportation | \$100 |
| | | Entertainment | \$50 |
| | | Savings (<i>pay yourself first to prepare for emergencies</i>) | \$20 |
| | | Renter's insurance | \$15 |
| | | Miscellaneous | \$30 |
| Total income | \$1,000 | Total expenses | |

Add up Antonio's expenses. How much more are his expenses than his income? \$ _____

What could he change in his budget so he could afford the monthly costs? _____

How did you do? Find out by looking at the answers on the last page.

Here's the bottom line: Before you start looking for that new place to live, plan ahead first. Sure, it's going to take some time and some effort—but the payoff is well worth it. You'll know what you need and want in your first place and you'll have a good idea about all the costs. And you'll feel prepared and ready to start looking for just the right place when the time comes for living on your own.

Budget Tip

If after making a budget you realize the monthly expenses are more than you can afford, you may think about having a roommate or two.

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Answers to *How Much Is It Going to Cost to Move In?* p. 9:

First month's rent: \$750
Last month's rent: \$750
Security deposit: \$500
Key deposit: \$0 (not listed)
Pet deposit: \$0 (pets not allowed)
Total: \$2,000

Answers to *Putting It All Together—Case Study*, p. 11:

Total income: \$1,000
Total expenses: \$1,125
How much more are expenses than income: \$125
Changes to afford monthly costs: Answers will vary