



# CONNECT WEALTH





# Our Chat

- My Background, my Bias
- The Canadian Dream of owning a home, is it dead
- Things to consider:
  - Tools to help buy a home
  - Mortgage planning
  - Qualitative Items
  - Quantitative Items
- Case Studies
- Conclusions







# Is Owning a Home Unrealistic

Category	1994 (CAD)	2024 (CAD)
Median Home Price	\$289,334	\$1,295,619
Monthly Rent (1BR)	~\$750	\$2,750
Gasoline (per litre)	~\$0.50	\$2.71
Milk (1 litre)	~\$1.00	\$2.50
Loaf of Bread	~\$1.50	\$3.82
Public Transit Fare	~\$1.50	\$3.20
Movie Ticket	~\$5.00	\$16.00
Minimum Wage	\$6.00/hour	\$15.50/hour

## % of Cdns who own homes

Year	%
1970s	61.8%
1980s	62.4%
1990s	62.6%
2000s	68.4%
2010s	70.0%
2020s	66.8%









# Tax Efficiency

	Going In	While In	Coming Out
<b>RRSP</b>	Tax Free	Tax Free	Taxable
<b>TFSA</b>	After Tax	Tax Free	Tax Free
<b>FHSA</b>	Tax Free	Tax Free	Tax Free
<b>Non Registered</b>	After Tax	Growth Taxable	Growth Taxable

# RRSP

- 18% of previous years T4 income
- Unused amounts can be carried forward
- First Time Home Buyers - \$60,000 per person
  - Repayment starts 5 years after withdrawal
  - 15 years to repay once you start
  - If you don't repay the annual amount – that amount is added to your income.
- Qualification
  - Never owned a home
  - Haven't owned a home in the last 5 years

# FHSA

- TAX FREE MONEY FOR YOUR FIRST HOME
- Rules
  - \$8,000 per year to a maximum of \$40,000
  - Funds must be withdrawn at the end of the 15<sup>th</sup> year of account opening
  - The total value of this account can come out tax free to purchase a home
  - If you do not purchase a home, this money can be moved into an RRSP



# TFSA

- TAX FREE MONEY after the funds get deposited into the account
- Your limit varies and starts accumulating the year you turn 18.
- Current additional contribution for 2025 is \$7,000
- Unused amounts carry forward
- If you withdraw funds, this amount can be redeposited January 1<sup>st</sup> of the next calendar year.

# Tax Efficiency Recap

	Going In	While In	Coming Out
RRSP	Tax Free	Tax Free	Taxable
TFSA	After Tax	Tax Free	Tax Free
FHSA	Tax Free	Tax Free	Tax Free
Non Registered	After Tax	Growth Taxable	Growth Taxable



# Downpayment Options

- Home Buyers Plan (RRSP)
- FHSA
- TFSA
- Gift From Parents
- Loan from Family



# Getting a Mortgage

- Cash Flow
- Debt
  - Gross Debt Service Ratio – 39%

**Formula:**

$$\text{GDS Ratio} = \frac{(\text{Principal} + \text{Interest}) + \text{Taxes} + \text{Heating} + \text{Condo Fees (if any)}}{\text{Gross Monthly Income}} \times 100$$

- Total Debt Service Ratio – 44%
  - Same as GDS but add in all your other Debt Payments



# CMHC

- Protects the lender in the event of mortgage default
- Downpayments as low as 5% (if home is valued at less than \$500,000;
  - 10% for anything above \$500k to a max of \$1.5 million

Loan-to-Value	Premium on Total Loan	Premium on Increase to Loan Amount for Portability
Up to and including 65%	0.60%	0.60%
65.01% to 75%	1.70%	5.90%
75.01% to 80%	2.40%	6.05%
80.01% to 85%	2.80%	6.20%
85.01% to 90%	3.10%	6.25%
90.01% to 95%	4.00%	6.30%

# Home Buyers' Amount

- Up to \$10,000 eligible (max \$1,000 tax credit)
  - Total per household
- Qualification
  - Buy a qualifying home
  - First time home buyer
  - Must occupy the home



# Multi-generational Tax Credit

- 15% of the renovation amount (Max \$7,500 tax credit)
- Reimburse for costs related to secondary suite
  - At least one resident must be 65 or older OR disabled
- Caveat – can claim only once per lifetime

# Property Transfer Tax Credit

- Eligibility:
  - Live at least 2 years in BC
  - 2 tax returns as a BC Resident
  - Never owned a principal residence (anywhere in the world) EVER
  - Value of Home less than \$835,000
  - Buying your principal residence
- The Benefit:
  - PTT exempt on the first \$500,000
    - 1% on the 1<sup>st</sup> \$100k, 2% on the remainder

# Purchase and Sale Costs

- Real Estate Fees (Seller)
- Legal Fees (Seller and Buyer)
- Property Transfer Tax
- Downpayment (5%+ of purchase price)
- CMHC Costs (if applicable)



# Ongoing Costs

- Strata Fees (if applicable)
- Property Tax
  - Apply for Homeowner Grant (if applicable)
- File UHT form annually
- Property Insurance
- Mortgage insurance
- Utilities
- Maintenance and upkeep
- Heat
- Cable/Internet

# Qualitative Considerations

- How long will you live there?
- Do you enjoy maintaining a yard?
- Is your cash flow stable?
- Do you have a rainy day fund?
- Will this make you house rich and cash poor?



# Renting

## Pros

- Moving costs are nominal
- Repair costs aren't your problem
- Tenancy Rules are currently in Renter's favour
- Rent controls can control your shelter costs
- Landlords can only evict you if
  - A family member moves in
  - You don't pay your rent on time

## Cons

- Instability of housing
- Paying someone else's mortgage
- Any improvements you make need to be approved by your landlord and are for the landlords benefit.





# CASE STUDIES

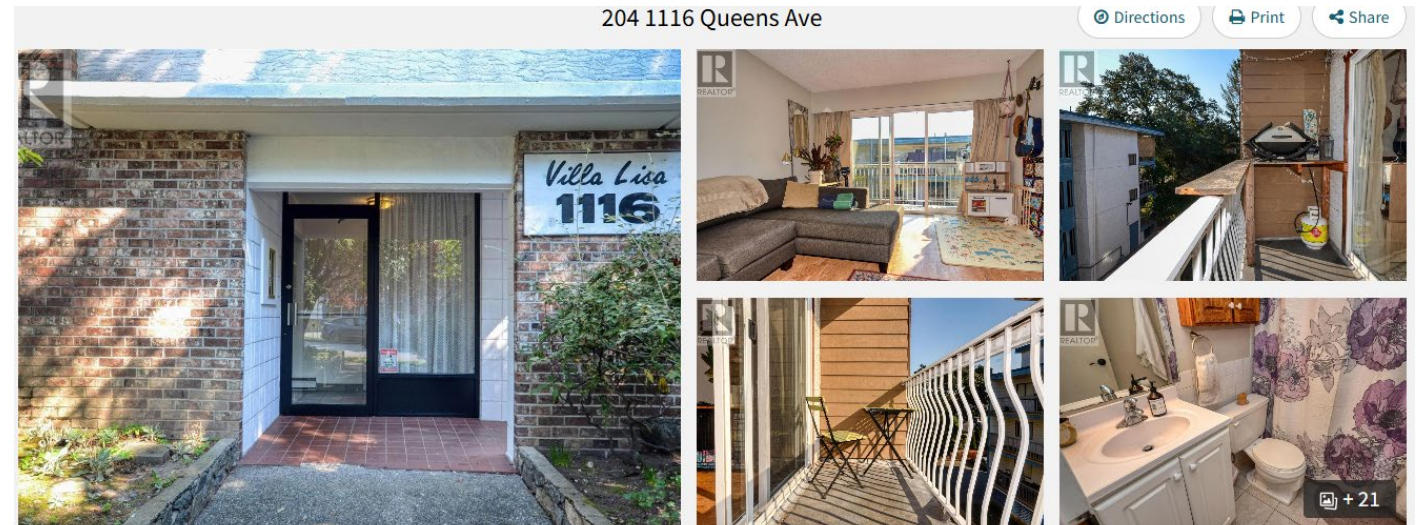
# Assumptions

- Assumes buyer and renter earns same income and holds all else constant
- Assumes utility costs are baked into monthly rent expense
- Assumes client down payment is available in cash on hand
- Assumes mortgage rates remain level over amortization period
- Assumes no investments are made under homeownership until mortgage is paid off
- Assumes 35 years of projection, with the net worth simply representing the differential between home ownership and rental



# Emily

- Age: 23
- Income: \$55,000
- Current Living: Renting 2 Bdrm - \$1,950/mo
- Savings: \$20,000 in bank account
- Home Ownership Option
  - 2 Bdrm Condo - \$450,000
  - Strata Fees - \$400/mo
  - Pty Taxes - \$1,900/year
  - Insurance - \$600/year





# Questions:

- Question:
  - Should she buy the condo?
  - What additional information would you need to know to provide feedback?

# The Result

## General Assumptions:

Household avg tax rate	35%
Capital Gains Inclusion	50%

## Home Purchase:

Purchase price	\$ 450,000	including property transfer tax
Down payment %	10%	
Down payment	\$ 45,000	invested in year 1 for rental option
Mortgage rate	4.90%	
Amortization	25 years	
Home appreciation rate	3.0%	
Portion of home rented	0%	for purposes of determining tax write-off
Rental suite income monthly	\$ -	for purposes of determining suite income
Property tax rate %	0.45%	
Annual ownership expenses	\$ 6,000	R&M, utilities, landscaping, appliances, etc.

## Home Rent:

Monthly Rent	\$ 1,950
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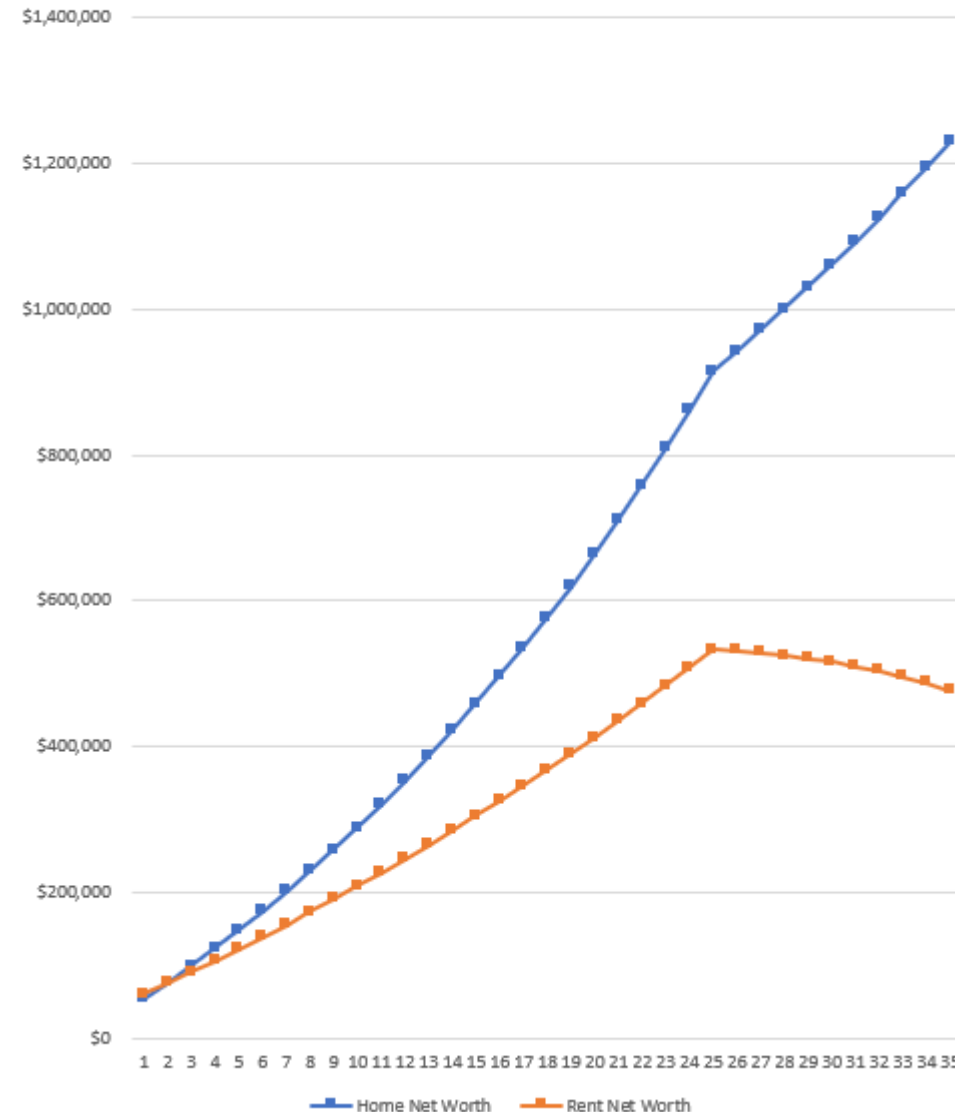
## Economic Assumptions:

Annual rate of return	6%
Income return	35%
Capital return	65%
Capital return turnover	30%
Inflation	2.5%

Home Ownership Net Worth  
\$1,229,357

Renting Net Worth  
\$477,017

## Net Worth - Buy Vs. Rent



# Mary – Emily's Twin Sister

- Age: 23
- Income: \$105,000
- Current Living: Renting 2 Bdrm - \$1,950/mo
- Savings: \$95,000 in bank account
- Home Ownership Option
  - 2 Bdrm Condo - \$950,000
  - Strata Fees - \$1,034/mo
  - Pty Taxes - \$3,508/year
  - Insurance - \$1,300/year





# Questions:

- Question:
  - Should she buy the condo?
  - What additional information would you need to know?

# The Result

## General Assumptions:

Household avg tax rate	35%
Capital Gains Inclusion	50%

## Home Purchase:

Purchase price	\$ 950,000	including property transfer tax
Down payment %	10%	
Down payment	\$ 95,000	invested in year 1 for rental option
Mortgage rate	4.90%	
Amortization	25 years	
Home appreciation rate	3.0%	
Portion of home rented	0%	for purposes of determining tax write-off
Rental suite income monthly	\$ -	for purposes of determining suite income
Property tax rate %	0.45%	
Annual ownership expenses	\$ 13,000	R&M, utilities, landscaping, appliances, etc.

## Home Rent:

Monthly Rent	\$ 1,950
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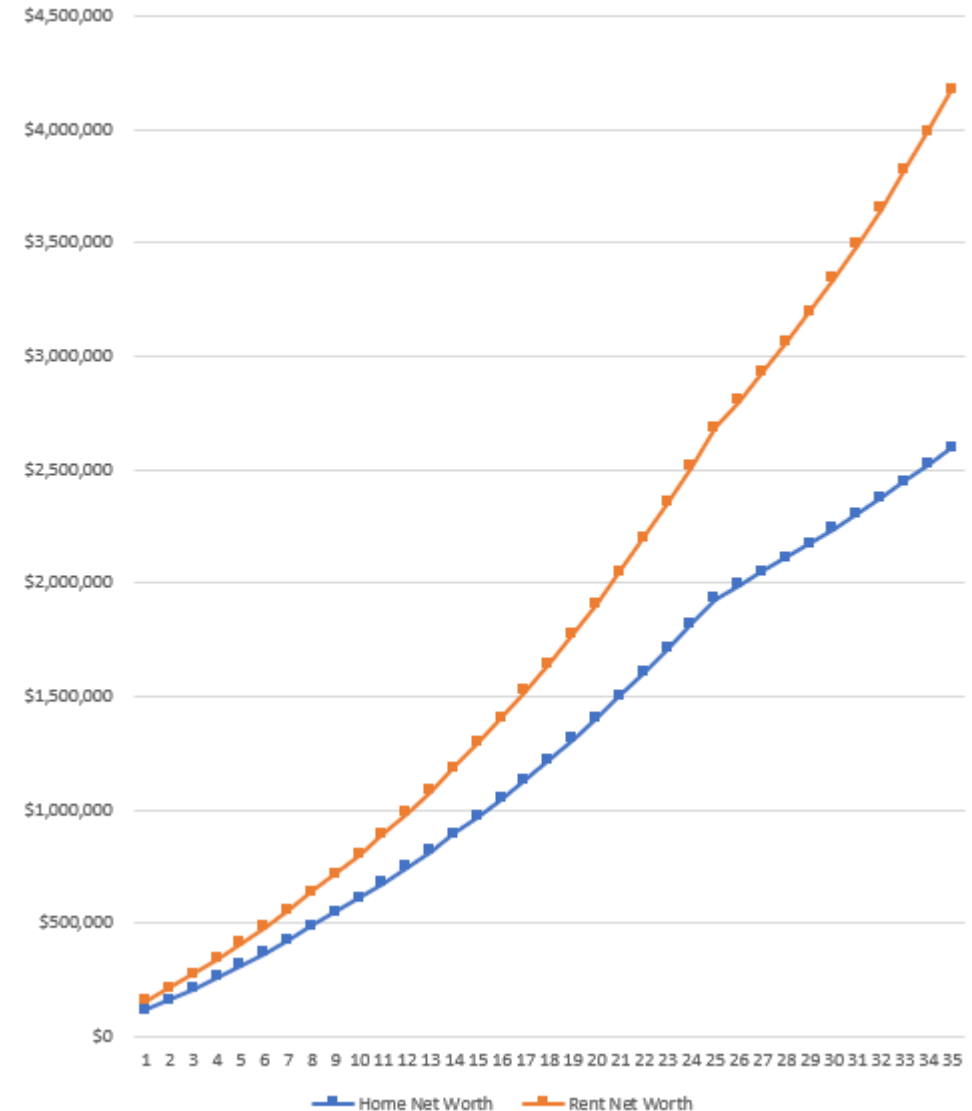
## Economic Assumptions:

Annual rate of return	6%
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Home Ownership Net Worth  
\$2,595,310

Renting Net Worth  
\$4,175,129

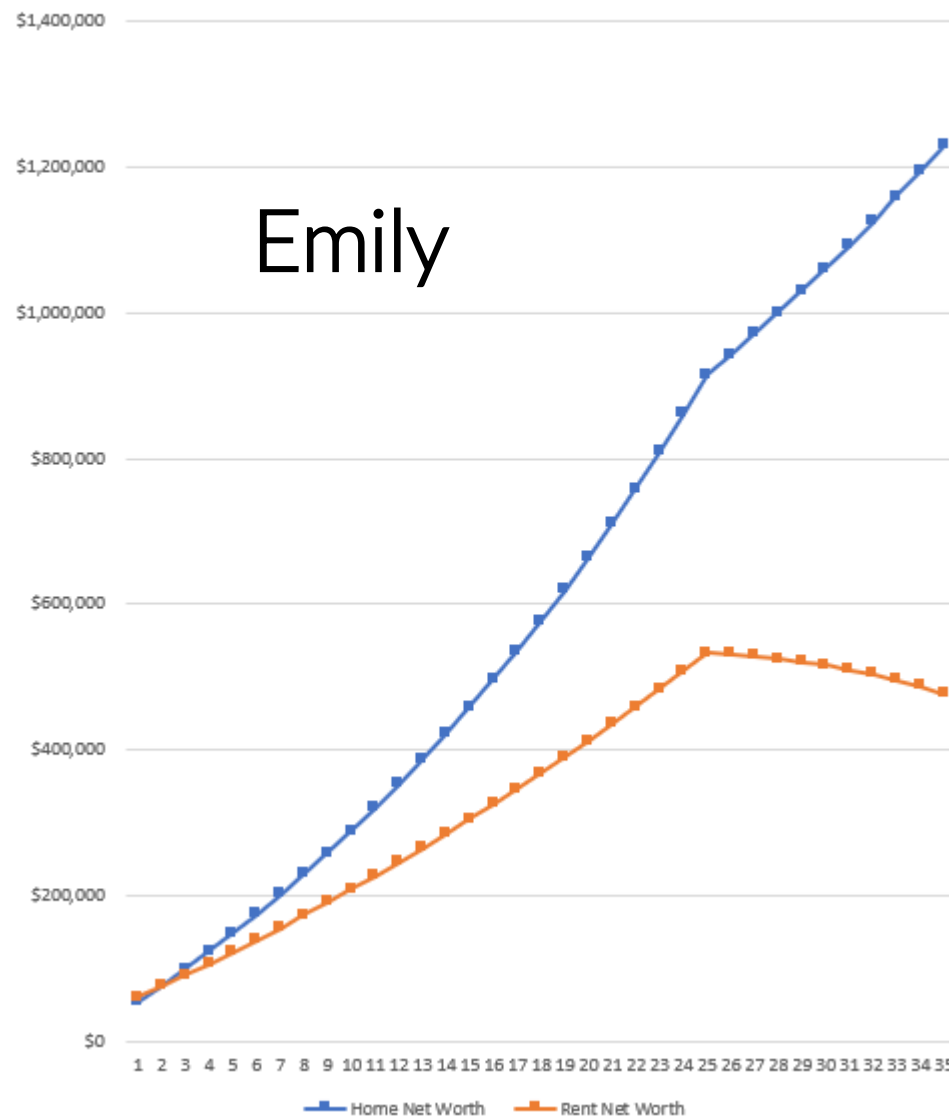
Net Worth - Buy Vs. Rent



Home Ownership Net Worth  
\$1,229,357

Renting Net Worth  
\$477,017

Net Worth - Buy Vs. Rent

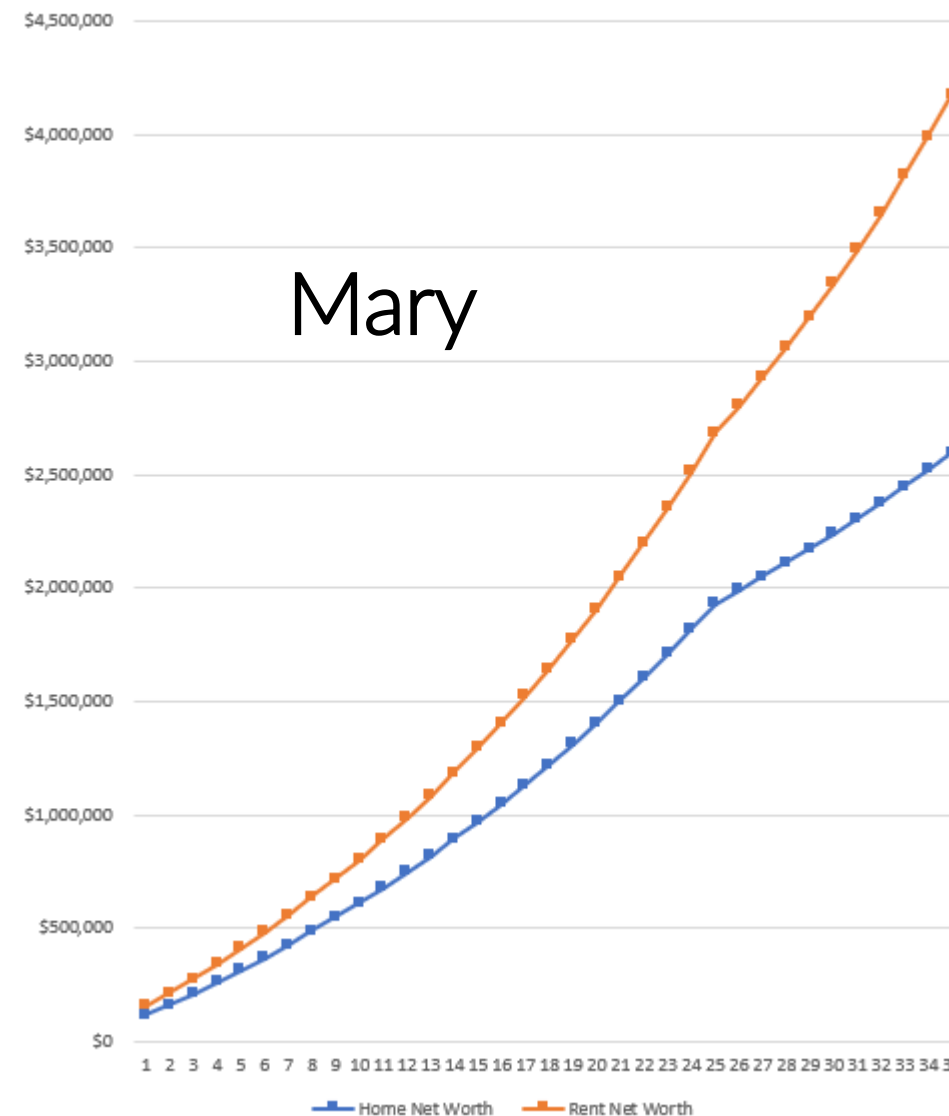


Emily

Home Ownership Net Worth  
\$2,595,310

Renting Net Worth  
\$4,175,129

Net Worth - Buy Vs. Rent



Mary



# Tom and Jane

- Age 30
- Income: \$250,000 joint
- Currently Renting: \$4,000/mo
- Savings: \$290,000 (includes gift from parents)
- Home Ownership:
  - Detached House - \$1.45 million
  - Home ownership costs:
    - \$15,000/year
  - Property Taxes: \$5,000/year



# The Result

## General Assumptions:

Household avg tax rate	35%
Capital Gains Inclusion	50%

## Home Purchase:

Purchase price	\$ 1,450,000	including property transfer tax
Down payment %	20%	
Down payment	\$ 290,000	invested in year 1 for rental option
Mortgage rate	4.90%	
Amortization	25 years	
Home appreciation rate	3.0%	
Portion of home rented	0%	for purposes of determining tax write-off
Rental suite income monthly	\$ -	for purposes of determining suite income
Property tax rate %	0.45%	
Annual ownership expenses	\$ 15,000	R&M, utilities, landscaping, appliances, etc.

## Home Rent:

Monthly Rent	\$ 3,000
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## Economic Assumptions:

Annual rate of return	6%
Income return	35%
Capital return	65%
Capital return turnover	30%
Inflation	2.5%

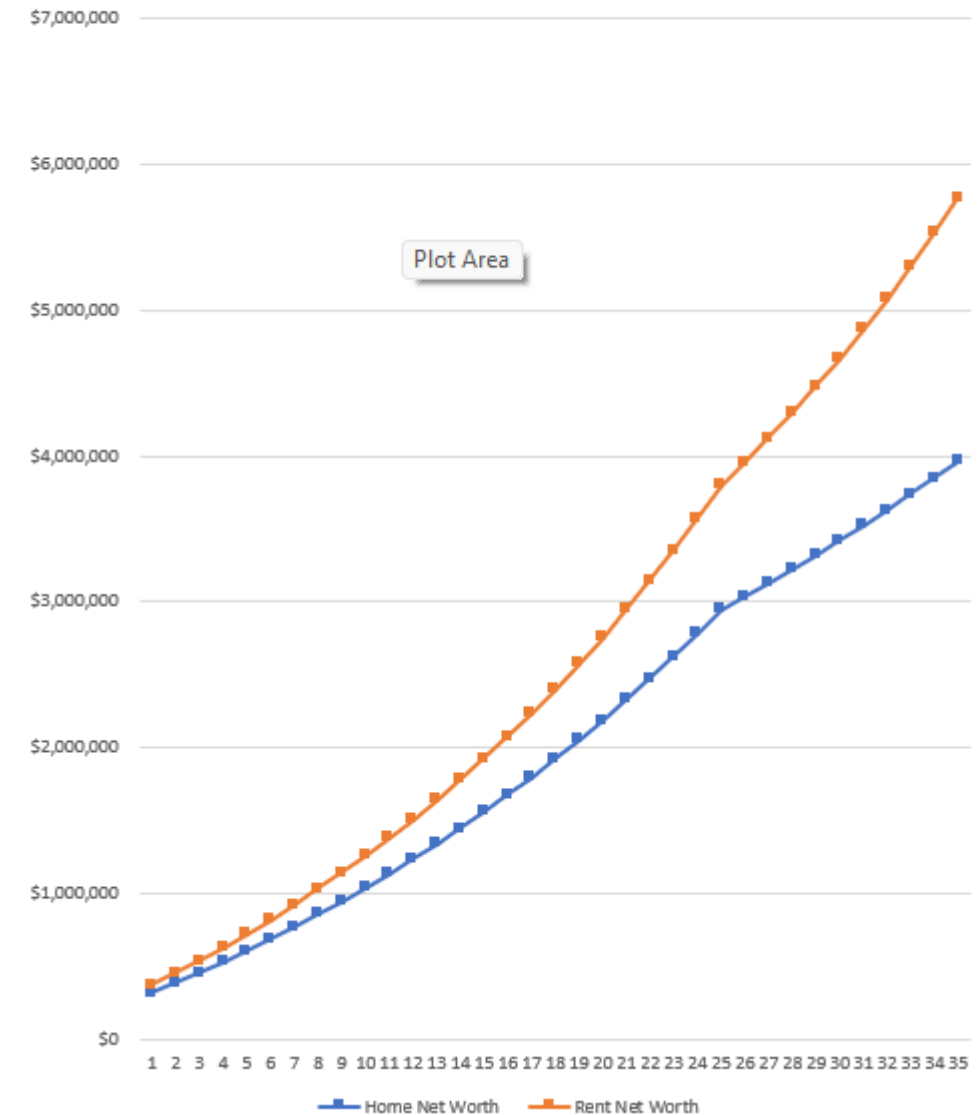
## Home Ownership Net Worth

\$3,961,263

## Renting Net Worth

\$5,765,713

## Net Worth - Buy Vs. Rent



# Tom and Jane

- Age 30
- Income: \$250,000 joint
- Currently Renting: \$4,000/mo
- Savings: \$290,000 (includes gift from parents)
- Home Ownership:
  - Detached House - \$1.45 million
  - Home ownership costs: \$15,000/year
  - Property Taxes: \$5,000/year
  - **Rental Suite - \$2,500/mo**

# The Result

## General Assumptions:

Household avg tax rate 35%

Capital Gains Inclusion 50%

## Home Purchase:

Purchase price \$ 1,450,000 including property transfer tax

Down payment % 20%

Down payment \$ 290,000 invested in year 1 for rental option

Mortgage rate 4.90%

Amortization 25 years

Home appreciation rate 3.0%

Portion of home rented 30% for purposes of determining tax write-off

Rental suite income monthly \$ 2,500 for purposes of determining suite income

Property tax rate % 0.45%

Annual ownership expenses \$ 15,000 R&M, utilities, landscaping, appliances, etc.

## Home Rent:

Monthly Rent \$ 3,000

## Economic Assumptions:

Annual rate of return 6%

Income return 35%

Capital return 65%

Capital return turnover 30%

Inflation 2.5%

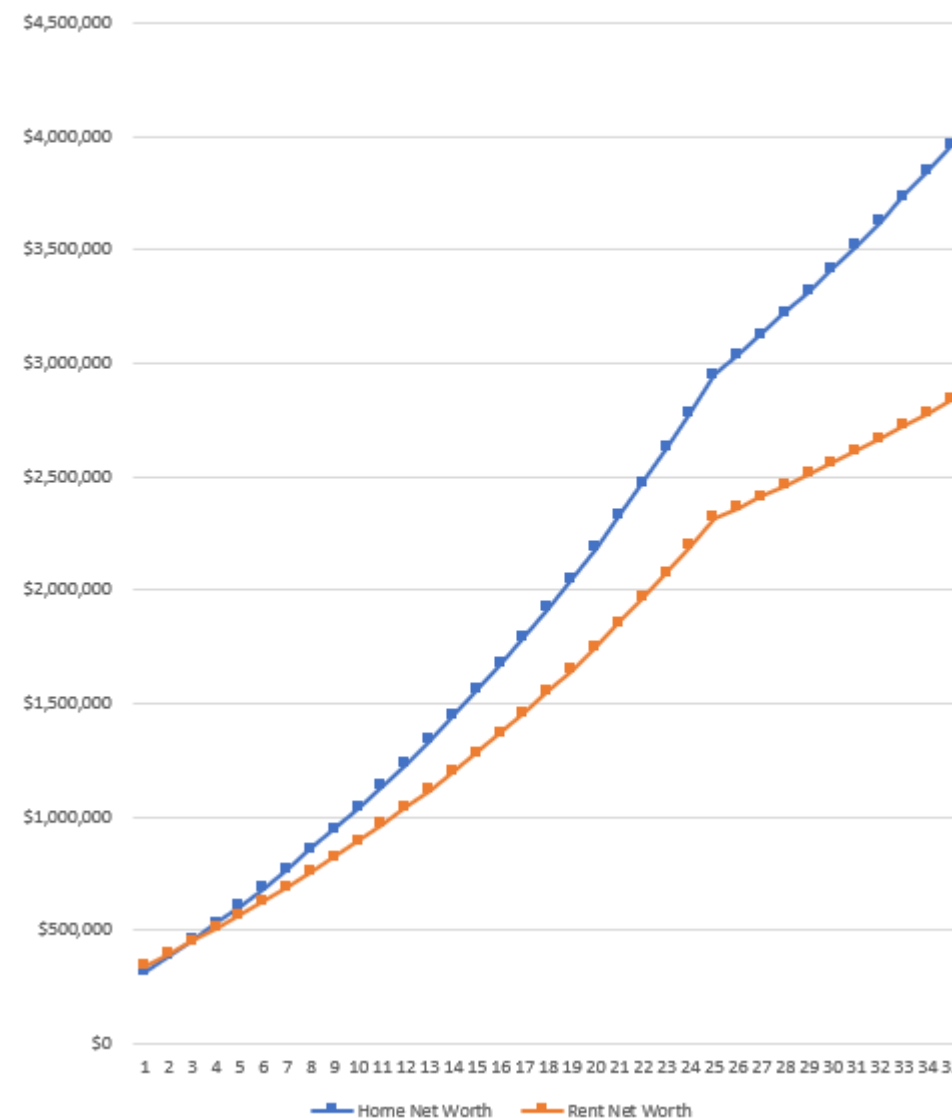
## Home Ownership Net Worth

\$3,961,263

## Renting Net Worth

\$2,836,417

## Net Worth - Buy Vs. Rent





Home Ownership Net Worth  
\$3,961,263

Renting Net Worth  
\$5,765,713

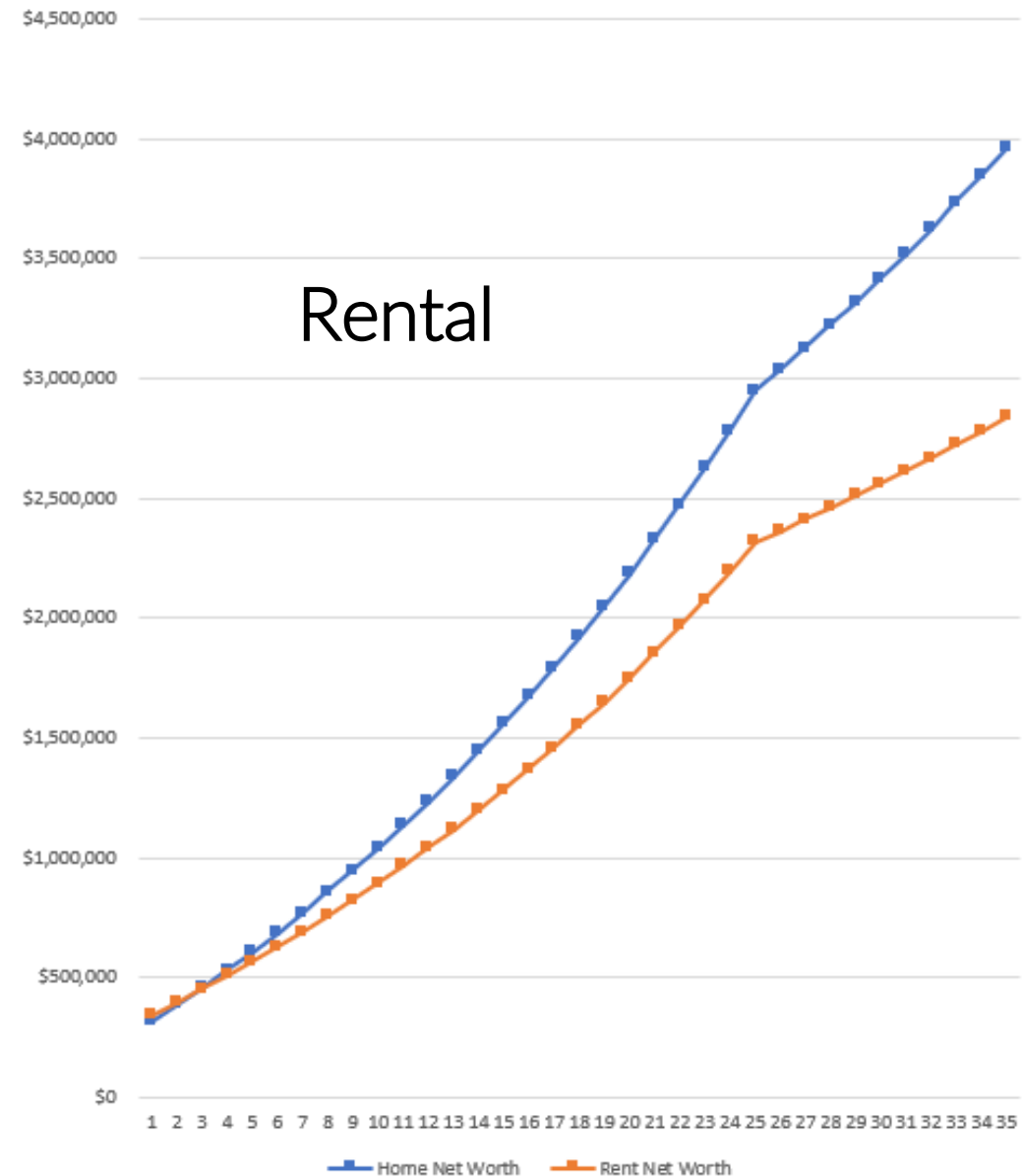
Net Worth - Buy Vs. Rent



Home Ownership Net Worth  
\$3,961,263

Renting Net Worth  
\$2,836,417

Net Worth - Buy Vs. Rent



# Summary:

- Set Goals
  - Get as specific as possible
  - Be intentional
- Build wealth smart
  - Use Tax vehicles
  - Live below your means
- Consider the Qualitative and Quantitative reasons to buy or rent.



THANK YOU

