

PERSPECTIVES

An excerpt from "Perspectives" - Volume 6 – Issue 4

Financial and Estate Planning

B.C. Property Tax Deferral Program for Seniors

By Elaine Loo – Associate Investment Advisor

One question we sometimes hear is, "Should I defer my property taxes?" The answer depends on your circumstances – and often comes down to a personal choice.

In this issue, we'll take a closer look at the British Columbia Property Tax Deferral Program for Seniors. It's a loan program that allows you to defer your annual property taxes on your primary residence. Note that recreational or rental properties do not qualify.

To take advantage of the program, you must be a Canadian citizen or permanent resident. You must have lived in British Columbia at least one year immediately prior to applying. Further, you must be:

- at least 55 during that calendar year (only one spouse must be 55 or older)
- a surviving spouse, or
- a person with a disability as defined by regulation.

You also must have, and maintain, a minimum 25 percent equity of the current B.C. Assessment value of your home, after deducting all outstanding mortgages, lines of credit and other charges.

Once approved, your application becomes a signed agreement. A certified copy is registered as a lien in the Land Title Office. Once the lien is registered, the B.C. Property Tax Deferral Program for Seniors pays your current property taxes for you. However, you must pay all penalties, interest, previous years' property taxes, user fees and utility charges, as these cannot be deferred.

Simple interest is charged at a rate not greater than two percent below the bank prime rate. The interest rate is set every six months in April and October. Currently, the rate is one percent. It's been as high as four percent in 2007 and 2008, and as low as 0.25 percent in 2009 and 2010.

Let's look at an example. Say you are 65 today, the B.C. Assessment value on your home is \$1 million and your taxes are \$7,000 per year. Assume you will stay in your home until age 80, when you want to downsize. If you've deferred taxes throughout, what would you owe when you sell? Well, it's simple math really, because it's, well, simple interest. There are 15 years until you are age 80, and \$7,000 times 15 years equals \$105,000. If we assume a level one percent, it would equate to \$8,400 in interest. Your total owing would be \$113,400.

From an estate perspective, some might think this is an unfair burden on family who may inherit the home. However, note that we have not included any increase in the home value, which could surpass any taxes and interest owing.

In summary, here are some pros and cons:

Cons

- having a lien on your property
- having to ensure you maintain the minimum 25 percent equity requirement relative to your B.C. Assessment
- a possible limit on your options when it comes time to renew or refinance your mortgage.

Pros

- an increase in household cash flow
- lifting pressure off mortgage payments
- freeing up finances to do home repairs
- providing capital for other investments
- low interest rate that is not compounded.

So, should you consider B.C.'s Property Tax Deferral Program for Seniors? As mentioned, the decision comes down to your personal situation. Are you on a limited income but with significant equity in your home? Do you simply want extra cash to spend or to invest? How long do you plan on staying in your home? You should ask yourself these questions and more before you apply for the program.

At The Stan Clark Financial Team, we'll be happy to talk to you further about the program. Or, for more information, please visit www2.gov.bc.ca.



Elaine Loo is a portfolio manager and Associate Investment Advisor for the Stan Clark Financial Team at CIBC Wood Gundy. She is responsible for the day-to-day monitoring and maintenance of client accounts and investment portfolios.

To learn more about CIBC Wood Gundy, the Stan Clark Financial Team and the many ways we can help manage your wealth, please contact us by phone or by email as listed below.



The Stan Clark Financial Team

Where planning, investing and behavioral finance meet

Phone: (604) 641-4361 Toll free: 1 (800) 661-9442 Fax: (604) 608-5211 Email: StanClarkFinancialTeam@cibc.ca www.stanclark.ca

Stan Clark is an Investment Advisor with CIBC Wood Gundy in Vancouver, BC. The views of Stan Clark do not necessarily reflect those of CIBC World Markets Inc. This information, including any opinion, is based on various sources believed to be reliable, but its accuracy cannot be guaranteed and is subject to change. Clients are advised to seek advice regarding their particular circumstances from their personal tax and legal advisors. If you are currently a CIBC Wood Gundy client, please contact your Investment Advisor. CIBC Wood Gundy is a division of CIBC World Markets Inc., a subsidiary of CIBC and a Member of the Canadian Investor Protection Fund and Investment Industry Regulatory Organization of Canada.