

P E R S P E C T I V E S

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Financial Planning

Property 101: Buying your first home

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You've finished school. You've got the job. You're settled in your city. What's next? Buying your own home!

Buying a home is often the first big financial decision people make in their lives. Your first step is to look at what you can afford and how you are going to pay for it.

You will need to save for your down payment – at least 20% to avoid the Canada Mortgage and Housing Corporation (CMHC) insurance premium. You will also need to save for closing costs, typically from 2% to 5% of the purchase price. And be sure to budget for any monthly maintenance fees!

If you're like most home buyers, you will have to finance your purchase with a *mortgage*. A mortgage is a loan that uses the home you buy as security. Your mortgage payments build personal equity, as opposed to renting, where your money goes directly to the building or unit owner.

When you apply for a mortgage loan, your credit score will aid in dictating your rate. In other words, the higher your credit score, the easier it is to get credit at a lower interest rate. Personal finance expert and author Preet Banerjee, host of the Oprah Winfrey Network's *Million Dollar Neighborhood*, and financial panelist on CBC's *The National*, provides some tips on when buying is more attractive than renting. He states that you should:

- Have a healthy down payment saved up.
- Consider staying put once you do buy (for at least 10 years - with the option to rent out during that time).
- Have enough money left over every month for both saving and living a balanced life.

In the long term, investing in real estate is typically a win. When you purchase a home, the increase in value is relatively steady and the return on this kind of investment can be substantial. In addition, homeowners can use the equity in their homes as security to acquire additional loans. Buying a home and building equity is the first step on the property ladder. It gets you into the housing market, keeps you in touch with cumulative housing prices and allows you the potential to trade up to better homes as your circumstances allow.

Yes, Vancouver can be affordable

We all keep hearing that Vancouver isn't affordable. However, according to Vancouver real estate agent Thomas Beeson, himself a millennial, buying a home actually *is* possible in this seemingly volatile market. The key is to be creative and strategic in your approach.

Beeson maintains the most important thing is getting into the market.

Buy to wait instead of waiting to buy. Realize that your first place isn't your last! The media and the *#donthave1million* campaign have created a potentially misleading perception for first-time home buyers: that there are no housing options under the \$1-million-mark in the City of Vancouver. Beeson disagrees. There are many options under \$600,000 – under \$500,000, even – that allow for a livable space and won't stop you from upgrading.

I can personally attest to this. I recently purchased an apartment in the West End for under \$500,000 and am very happy with it as my first home. As Beeson points out, it's not going to be perfect. He relates buying your first place to a job. You can upgrade your job, right? Well, you can also upgrade your home! You can wait for the promotion – or you can plan for it and eventually get it yourself.

Here are Beeson's other tips for first-time home buyers:

- Make a wish list of wants versus needs. Identify what is important to you, e.g., if you don't have a car, being near transit is a need.
- Talk to a mortgage broker or your bank about your financing options.
- Find a realtor who is right for you.
- Have patience! The right place will come along. ■



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