

The Complete Communicator

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Down Payment Options and Pre-Approvals

As a first-time home buyer, you probably have many questions, including the right down payment amount and whether you'll be approved for a mortgage.

An important first step before purchasing your new home is to obtain a pre-approved mortgage. A pre-approval will demonstrate to sellers and realtors that you are a serious buyer, which can help in your negotiations.

Another advantage of having a preapproval is that you will know how much you can realistically afford and what your payments will be before you start looking at homes. It also allows you to lock in your interest rate with a 90 day guarantee which is a great feature in the event that interest rates rise.

Homebuyers will generally need to have an appraisal of the property they are purchasing in order to obtain a firm approval of their purchase. Make sure to contact your mortgage broker as they'll be able to assist you with this pre-approval process.

When it comes to deciding on the right down payment amount, there are a number of options to consider:

Conventional Mortgage – A conventional mortgage requires a down payment of at least 20% and is offered on both a fixed or variable interest rate mortgage. Conventional mortgages have the lowest carrying costs because they do not have to be insured against default. So, while it may take long to accumulate this type of down payment, it will also save on mortgage costs over the long run.

Low Down Payment Insured Mortgage – Most lenders now offered insured mortgages for both new and resale homes with lower down payment requirements than conventional mortgages-as low as 5%. Low down payment mortgages must be insured to cover potential default of payment; as a result, their carrying costs are higher than a conventional mortgage because they include the insurance premium.

Using Your RRSP as a Down Payment – Under the federal government's Home Buyer's Plan, first-time home buyers are eligible to use up to \$25,000 in RRSP savings per person (\$50,000 for couples) for a down payment on a home. The withdrawal is not taxable as long as you repay it within a 15-year period. To qualify, the RRSP funds you plan to use must have been in your RRSP for at least 90 days.

When you are ready to search for your new home, contact your mortgage broker for assistance. Your mortgage broker will be able to help you get pre-approved and will be able to assist you in determining which of the above down payment options are right for you.

(Source: News Canada)

The most important rule when it comes to saving money is to "pay yourself first."



RETIREMENT – Estimate how much cash you'll need each year to sustain your standard of living when you reach retirement. With this yearly sum in mind, you'll be able to determine how big your nest egg has to be to produce that income stream.

Tips on Keeping More of Your Money

According to a recent survey released by the Canadian Payroll Association, 59% of us don't have enough saved up to pay for next month's necessities if we suddenly got laid off. If you find yourself living paycheque to paycheque where you are finding it difficult to save because you're either spending too much, don't have a financial strategy and/or your investment choices haven't been doing as well as you'd hoped, here are some tips on how you can keep more of your money.

SAVING

Basic first steps – Before making any decisions about what to do with your money, you have to make sure that you have enough of it on hand.

DO pay yourself first. That's the most important rule. Take an amount from each paycheque and set up an automatic savings or investment plan. Putting 10% of your gross is a good start but whatever amount, make sure you don't spread yourself too thin. After awhile, you won't even notice this amount disappearing.

DO pay off your consumer debt before investing. It's like earning a return that equals the interest charged on your debt. For instance if you're carrying a credit card balance of \$1,000 with 18% simple annual interest, that's \$180 a year in charges. Pay off that debt and you've saved \$180. That's the same as investing \$1,000 in something that earns an 18 % return after tax. In fact, if you're in a 50% tax bracket, you would have to earn 36% to emerge with the same \$180 in your pocket.

THE TRUTH ABOUT MORTGAGES

While your home's value may have greatly increased, you may also be paying more than necessary on the mortgage.

DO refinance your mortgage if your rate is more than 2% higher than current rates, and you have less than 2 years until maturity. Check with your mortgage holder to determine the penalty for getting out of your deal.

DO consider a variable or floating rate mortgage if you have built up equity in your house and are able to tolerate the risk that your monthly payments will fluctuate. Speak with your mortgage broker to determine if this is an option for you.

INVESTING

Expect ups and downs. Too much risk can hurt your portfolio's growth rate but so can hiding in ultra-safe investments paying one percent or less. Ideally, your portfolio should be able to keep its head above water during prolonged market downturns and be positioned to grow when the economy and market soar.

DO look at staying invested for the long haul. Don't chase every fad as studies have shown that it's long-term discipline that provides above-average returns.

DO diversify. But don't overdo it. To start, you need the right mix of stocks and bonds. A general rule of thumb is that the percentage of your investment portfolio consisting of fixed-income holdings should equal your age. The thinking is, you become more conservative as you get older.

DO know when to sell. The toughest thing for any investor is to sell. One suggestion is that no holding should make up more than 5-6% of your portfolio.

(Source: Reader's Digest)

Pick the Perfect Pumpkin this Halloween

Make pumpkin carving a tradition your whole family can enjoy for Halloween. With this guide, you and your kids will love every step of the process.

Pick Your Pumpkin

If you have the time, enjoy a family trip to a pumpkin farm to make your selection. Savor some fresh cider or steaming hot chocolate while browsing hundreds of sizes and shapes of pumpkins. Your visit can also be an opportunity for younger kids to connect with nature and learn how pumpkins are grown. But even if you find yourself making a last-minute run to the supermarket or roadside stand, your family can have a blast picking the perfect pumpkin.

Start the selection process by deciding on the shape and color:

- ❖ Tall thin shapes are ideal for funny faces and whimsical expressions.
- ❖ Round shapes are great for happy faces – and scary ones, too.
- ❖ Oddly shaped pumpkins are perfect for creating unique characters.
- ❖ Want something different? Consider a white pumpkin. Even when unlit, white pumpkins seem to glow as the daylight fades.

Next consider size:

- ❖ A large space, like a big front porch, will look best with a large pumpkin. Or, group three or more medium-size pumpkins to create a big display.
- ❖ If your pumpkin is destined for a small space, like a table in your entry hall, choose a more diminutive pumpkin. For a long narrow space, like a mantle, consider lining up three or more small pumpkins.
- ❖ If your kids will be helping with the carving, stick with medium-size pumpkins, which are the easiest to work with.

Before making your final selection, make sure your pumpkin:

- ❖ Has a broad, gently curved face for carving that is vertical or tilted upward.
- ❖ Is free of soft spots or breaks in the skin.
- ❖ Sits well on the ground and is stable.
- ❖ Includes a bit of stem, especially if you will be removing the seeds through the top.

Assemble Your Tools

You can carve your pumpkin with common household items or purchase an inexpensive kit under \$10. Either way, you'll want some version of the following tools: Cutting tool, Scraper, Punch, Pattern, Tape and Table Covering. With these tools handy you're ready to carve your pumpkin. Enjoy!

(Source: Kaboose / www.kaboose.com)

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Choosing a Design. When pumpkin carving with your kids, keep in mind that the younger the child, the simpler the design you should choose. The Internet is a good source for finding design ideas.

The word 'Halloween' is the Scottish variant of the fuller 'All-Hallows-Eve,' that is, the night before All Hallows Day.
