

Buy or rent?



It's the question many are asking in today's real estate market.

WE HEAR A LOT ABOUT CANADA'S HOUSING MARKET in the news – record home sales and steadily rising prices. In fact, house prices in Canada's biggest cities more than doubled from June 2005 to April 2017. As year-over-year growth rates reached over 14 per cent in July 2017¹, some Canadians were rethinking home ownership and embracing the lower cost and flexibility of renting.²

Making the decision

When it comes to deciding whether to rent or buy, the housing market isn't the only factor to consider. Your age, cash flow, location, job, family situation and lifestyle can all affect your decision. For example, couples who have young children (or are planning to) might want to put down roots in a family-friendly neighbourhood. Frequent travellers might prefer renting a small apartment in a big city. There is no right or wrong decision. What's right for you depends on your personal preferences and financial situation.

The pride of home ownership

For many Canadians, there's something fundamentally more satisfying about paying for your own home instead of paying a landlord. If you are thinking of buying, you might want to consider the following points:

More up-front costs

When you purchase, not only are you required to come up with a sizable down payment, you must also pay legal fees and land transfer taxes. And owning a condominium or strata home means a monthly maintenance fee on top of mortgage and property tax payments.

A nest egg

Mortgage payments can almost be considered a form of forced savings. When you purchase a home, you are essentially building a nest egg. With each mortgage payment and passing year, you are building equity – if your home increases in value.³

Tax saving opportunities

Homeowners are eligible for tax deductions or credits. The *home buyer's amount* allows new homeowners (who have not owned a home within four years) to claim a non-refundable tax credit of up to \$750. Those who rent out part of their home or run a home-based business can deduct some expenses, including mortgage costs, utilities, property tax and insurance.

¹ <http://housepriceindex.ca>

² <http://business.financialpost.com/personal-finance/young-money/should-you-rent-or-own-your-home>

³ <http://business.financialpost.com/personal-finance/young-money/should-you-rent-or-own-your-home>

If your principal residence is a new build – and costs less than \$450,000 – you may be able to claim the *GST/HST new housing rebate*. Plus, under the Home Buyers' Plan, first-time home buyers can withdraw up to \$25,000 tax-free from their Registered Retirement Savings Plan (RRSP) to help buy or build a home.⁴

More control

Homeowners have more control over their property and don't have to deal with the vagaries of landlords, such as neglecting repairs or unexpectedly selling their rental unit. But that control comes with greater responsibilities – homeowners must manage (and pay for) maintenance, from the shingles on the roof to the furnace in the basement. Even condo owners who pay a monthly maintenance fee may still have to pay for repairs beyond more common maintenance items like landscaping and roofing.

The realities of renting

Renting may not be for everyone, but if you have a particular lifestyle or want to save money, it might be worth considering.

Fewer costs

Renters pay only first and last month's rent and possibly a security deposit, which can free up cash for travel, a car or retirement savings. Compare that to purchasing a house, which generally costs more than a rental unit,⁵ and includes those expensive up-front costs.

Maintaining a rental unit (from the building itself to appliance repairs) is usually the responsibility of the owner. But beware: renters are also at the mercy of their landlords, who may not have a sense of urgency.

More mobility

Renting can free you up to possibilities – to travel, to move more easily for a job or to make a life change. Usually it is easier and quicker to move out of a rental unit than to sell a home.

Less risk

Renters don't have the forced savings of mortgage payments, nor will they have that equity nest egg at the end of their rental. But careful investing could see renters further ahead, particularly if there's a real estate correction.⁶

Seek advice

A house is the single largest purchase most Canadians will ever make and should never be an impulse buy. It makes sense to consult an advisor at the beginning of your house hunt, before making a decision. Whether you want to rent or buy, an advisor will help you calculate costs based on your situation and help you fully understand your options. ■

⁴ www.moneysense.ca/save/taxes/tax-credits-and-rebates-for-canadian-home-owners/ et turbotax.intuit.ca/tips/home-tax-deductions-credits-in-canada-5223

⁵ http://www.huffingtonpost.ca/2016/04/01/canada-real-estate-rent-buy_n_9587556.html

⁶ <http://business.financialpost.com/personal-finance/young-money/should-you-rent-or-own-your-home/wcm/d040872e-464e-47f3-8331-0d86ae086bb9>



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