

# **Enhanced Economic Management Skills**

## ***Moving Beyond Survival To Sustainability!***

### **Housing**

#### **1. Focus on affordable accommodations that fit within your present budget and give room for saving for better housing LATER ON!**

Your choice of accommodation will become less tenuous if you remember that you're looking for a 'home', and not a 'palace' in which to live. With this in mind your place of residence will please you as long as you have a kitchen, a washroom, a bedroom, and a living room which will adequately provide you covering from the weather, a place of relaxation, and a welcoming place of hospitality for guests.

Such being said, a basement suite, or an apartment might be exactly what you need; in all probability these will be in line with your budget, and will allow you to set aside excess for other accommodations later because you're not paying high interest rates on a mortgage for a house from the start. No one likes to be cramped, but if you must, improvise your life-style for long term gain by being flexible; your future does not end just because you don't have a house to call your home!

#### **2. Rent, before you purchase!**

Most individuals/couples begin their road to real estate ownership through renting, and this could be a good beginning if one understands the advantages.

It is imperative that individuals critically examine, understand, and acknowledge the benefits of renting versus purchasing a home.

When renting, only three debts are usually incurred, those being the monthly rent payment, (usually less than the cost of a mortgage payment), hydro (which often includes water and electricity), and cable/telephone/internet service if the 'bundle' plan is chosen.

When purchasing there are numerous debts encountered including lawyer's/notary public fees, documentation registration fees, property purchase taxes, (BC), mortgage financing plus interest on the loan, water and land taxes, upkeep and repairs, along with hydro, cable/telephone and internet services just to list a few.

The major benefit of purchasing property over renting is that 'down the road', (possibly twenty-five years later), you will own the home. But, in reality, owning that home, unless you are able to pay off the loan within ten years, will cost you almost double the original purchase price when you factor in interest paid at a compounding rate and all the other expenses previously listed.

### **3. Pay your rent/mortgage payment by pre-authorized monthly withdrawals at your financial institution.**

It's your money and you need to guard yourself against unneeded interest charges because your payment is late. Remember, you have a contract with the bank that stipulates the size of your payment, the due date of the payment, and the interest charge allowable by the bank if that payment is late. Usually, although many do recognize it, the interest is compounding; miss a week or so, and you'll really compliment the bank with extra instant wealth!

### **4. Never use HOME EQUITY LOANS as foundational financing towards other projects.**

We've all heard the jingle, "If you own your home, you can get that loan!" whether you want it for starting a new business, purchasing a new vehicle, experiencing the vacation of the lifetime or for sponsoring your child's upcoming university expenditures.

Such an idea may not be as welcoming as the finance companies make it out to be for the following reasons:

- a) you will be working with a financial institution that's primary goal is to make money off your need. Therefore, there may be unexpected charges such as the origination fee (sign up cost) which could be as high as one to three percent of the value of the loan.
- b) by accepting the conditions of the loan, you may be risking, not only your equity, but the very residence that provides shelter, comfort, and stability now, and in the future! Suppose, for example, you agree to a repayment plan of eight hundred dollars per month on a sixteen thousand dollar loan, but, because of untimely illness, you are unable to pay that commitment, the finance may either let the interest 'balloon' continuously until your debt is bigger than expected, or it may immediately **call in the demand note** and **take possession of your home**.
- c) **they often exclude any loan prepayment option.** Such being the case you cannot pay off the loan should you come into extra cash; now you, unquestionably, become the slave to the borrower!
- d) Home equity loans are nothing more than a second mortgage; these, as we all know, are usually more expensive than first mortgages, and may demand rates as **high as ten and twelve percent!**

If you are short of money, consider cutting back, selling off investments, or taking out a short term 'line of credit' with your financial institution at a much lower rate.

Regardless what type of a loan you might procure, read all the print, (including the small print), and be absolutely sure you understand the

terms offered before signing any agreement. Remember, with home equity loans you usually have seven days to withdraw (BC) after signing it.

**5. Upon registering your home in the Land Titles Branch, register your spouse and one of your adult children as co-owners.**

The economic benefit of this could be advantages to the survivors supposing that you and your wife died because of an untimely accident or illness. By having such documentation filed, your children will pay no inheritance fees, and they will incur no probate costs.

Having a an adult child registered as co-owner of the property **DOES NOT NEGATE** your desires as laid out in your will regarding the property in question! (Be sure to consult your lawyer regarding this and other related matters)

**6. Include, with your mortgage payment, monthly installments towards your water and land taxes.**

Equalized payment towards these is smaller and usually more easily handled. Furthermore, this guarantees you that you will not default on paying these when they come due in April and July. Again, remember, interest charges are always levied by municipalities when taxes are not paid in full on time!

Be extremely cautious about the tax payment deferral option now being offered in BC for families with children, and for seniors. Just because you have decided to defer your payments until a better time, the government has not decided to defer your interest charges. Suppose your taxes are twenty four hundred dollars (\$2400) per year, and you do not pay them for ten consecutive years. Your bill is now twenty-four thousand dollars, (\$24,000) **PLUS** compounded interest at four percent. In ten years your total payment due has now risen to thirty-two thousand, two hundred fifty-four dollars.

Considering the numbers, deferring taxes has now cost you eight thousand dollars extra, (\$8,000) which is the price of a second car, or a cruise, or any other benefit you've always dreamed of enjoying!

**7. If moving into a STRATA, know the stipulated rules thoroughly, and ensure that you're not buying into a LEAKY CONDO PROJECT.**

Strata can be a very welcoming place for retirement; no more lawns to mow, no more painting to be done, no more concern over reroofing and the like. But, they can also be very expensive when one remembers that the upkeep of the complex now becomes the responsibility of everyone in the unit. So, when complex C needs to have its patio replaced, most likely all the patios in the unit will be replaced. If so, the Strata Counsel will be 'hitting you up' for extra cash.

In some complexes, the Strata Counsel will delineate in the contract(s)

outdoor decor standards, the types of plants accepted, etc. If there is a noncompliance to these stipulations, the Counsel may fine the owner an exorbitant fee, or have him remove the items at his own expense. Years ago the Leaky Condo Crisis was commonplace and many credible investors were 'hit' with unexpected huge repair bills that reduced their equity considerably. You don't want to be one of these! Therefore, before you purchase a condo or townhouse, ask for an inspection of the property, and obtain a **NOTARIZED** statement as to whether or not the property under consideration has had problems related to this issue.

## 8. Move as infrequently as possible

Little do people recognize the immense, unwelcome expenses they incur simply because they've decided to move. The intention might be commendable, but unless it can be justified because of change of work, change for schooling, change because of health, or change because of aging and downsizing, (move to a senior's complex like Elim, or Fleetwood Villa), don't make the move!

Consider the following possible costs if and when an **UNNECESSARY** move is made:

- a) packing boxes and wrappings
- b) moving company special packaging/transportation costs
- c) storage costs if possessions cannot be moved in immediately, or if they need to be stored until new accommodations are available for acquisition.
- d) hidden, extra charges for moving larger items such a pianos, upright freezers, home made bedroom suites
- e) rental of U-haul, Budget, Discount moving vans, trailers, etc.
- f) post office address change fees and/or mail transfer fees
- g) hydro/telephone/cable transfer fees
- h) driver's license address change
- i) painting or upgrading the premises purchased
- j) the possibility of purchasing new furniture/lighting which will enhance the ambience of the new home and delight friends at the house warming party
- k) Real estate fees and/or commissions if you are selling a home in order to purchase a new one
- l) The Property Transfer Tax (in BC) which is one percent on the first two hundred thousand, and two percent on the balance.
- m) An unexpected increase in property taxes, especially if you're moving to an upscale neighbourhood like the West Side, Morgan Creek, Shaughnessy, Citadel Heights.
- n) Temporary accommodations during the move, should, for some

unexpected reason, the move cannot be made within the day.

o) More often than not, an increase in monthly rental or mortgage fees, unless you're downsizing!

Remember, unless the move is **ESSENTIAL**, you're still getting a residence with a kitchen, bedroom, living room, washroom, and maybe a family room or basement. Thinking it through, the new location offers you nothing more than that which you're leaving - **SO WHY MAKE THAT MOVE?** Stay where you are; save your money!

Friends I've known for approximately thirty-five years, purchased their home in central Surrey for eight thousand dollars, (\$8,000) in May of 1953 and are still enjoying it as their place of residence.

Today, at present market values, this home is valued at three hundred sixty-eight thousand dollars, (\$368,000).

Yearly local Realtors call this couple asking them if they're ready to sell. As you might have guessed, they're not because they are very much satisfied with their present accommodations, and they're not quite yet ready to pay the added costs for the move!

**9. When purchasing household furniture, appliances, or other related commodities, purchase quality from the onset and then care for them.**

Be specific about the decor of your home; do you want it French Provincial, American, Antique, etc., and then purchase in accordance with your choice. When purchasing, however, choose quality from reputable manufacturers, and purchase stocks that will be available years later. Your home, so they say, is the largest expenditure one will make in a life time, so be on guard to purchase quality once in a life time.

Fads may come and go, but paying and over again to stay in vogue with the times, when all one needs is furniture, is wasteful!

**10. Purchase a home alarm monitoring system as a necessity, not as an option!**

Although I do not want to instill within you an unnecessary fear regarding theft, prudent, wise, diligent stewards of their possessions will do every thing within their power to protect them. Therefore, it is strongly suggested and encouraged that you purchase a twenty-four hour home monitored system that can notify authorities immediately if your premises are broken into.

Whistles, bells, etc. may have worked in earlier time, but evidence shows that thieves have little, if any regard, for these types of system; for the twenty-five (\$25.00) or thirty (\$30.00) dollar per month monitoring fee, you will rest easier knowing your possessions are protected, and your money is working for you and not the thief!

**11. Document ALL household acquisitions for insurance purposes**

Digital cameras make this readily possible and plausible. Starting from the kitchen moving towards the basement, and then out to the garage and storage sheds, photograph everything you possess, regardless how significant it may or not be to you. Everything has value either in time or in money. Once the photographs are taken, download them to your computer and label items.

When this is complete, copy photos to labelled CD's, and then store these in your safety deposit box or at a friend's home for easy access if you should need to make an untimely, unwanted, and unwelcome insurance claim.

For larger items such as computers, radios, appliances, lawn mowers, etc., Microsoft Works has an excellent household itemization sheet on which one can list the item, the date purchased, and the serial number of the article(s) in question. Sure, it takes time and commitment to follow through with doing this, but the dividends are great if, as stated above, an insurance claim should be made. The greater the proof an insurance company receives, the less haggling one will have in getting the 'claim' processed; as a steward, that's exactly what your hoping!

## **12. Store valuables (jewelry, coins, stamp collections, property titles, wills, etc.), in a safety deposit box, no in YOUR UNIQUE PRIVATE HOUSEHOLD location.**

It happens more often than not; someone has decided that they will store precious items in a vacuum cleaner, under a carpet, in a teddy bear, or in a mattress thinking that they'll never go missing because no one would think to take them.

However, due to the business of life, aging, and/or to the death of the individual that has 'hid' them, these articles become 'lost in time' or thrown out by mistake. Regardless what one's IQ is, and regardless how 'fresh he/she thinks his/her memory is, the only recourse to everyone in the family team knowing where they are located is the bank safety deposit box. These cost very little, are theft protected, and can empower you to bypass considerable stress, anxiety, disappointment, and financial loss and costs if and when these are needed.

In May 1988, five months prior to marrying Martha, we decided that we would place one thousand dollars under the living room carpet as safe storage' for our honey moon trip to Hawaii.

With the excitement and the business of the wedding plans, both she and I totally forgot where we had placed the money. Not wanting to pain ourselves looking for it, we decided that upon our arrival home we would further investigate the problem. After three months searching for the money, but finding nothing, we decided to 'sleep on the matter' until we discovered where it had been put.

On September 1st, 1993, as we were cleaning to move to New Westminster, Martha decided to vacuum under the living room carpet. As she shifted it from place to the other she found a large brown envelope at the wall edge of the carpet. There, much to our delight, was the thousand dollars we had set aside for our trip!

**13. Do household repairs, whenever possible, yourself.**

It doesn't take much training to put in a sidewalk, put in a patio, put in a drying heater outlet, to do other household repairs. If you are uncertain regarding the steps to follow when doing repairs, visit Rona, Home Hardware, Home Depot or Dick's Lumber, and inquire of them exactly what you must do. If these are not helpful, contact Shell Busey at Home Smart for tips to make the project easier.

Be on guard that you monitor home structural changes continuously. Fences can readily be maintained by purchasing weather treated posts and fixing them in concrete or metal footings. Concrete walks and steps can be maintained by power washing them regularly; if cracks appear, use top coat cement for patching; cedar siding, although it looks great when painted, can be replaced with plastic moulded siding which will last four years. If your roof needs replacing, use treated shakes, or heavy duroid shakes which have no less than twenty-five year guarantee. Putting a roof on yourself is not that difficult if you do it slowly, and carefully. Structural or electrical wiring changes/additions need a municipal permit. Never do any of these without a permit, or without calling professional, licensed tradesmen. If damage is incurred to your home because no permit has been obtained, or because a trade person has not completed the work, your home insurance could become null and void. The conclusion of the scenario - you will be held financially liable for the damages!

**14. Don't be seduced into purchasing new household appliances simply because they are regarded as being environmentally friendly!**

Regardless how old your stove, refrigerator, washer, or dryer is, if they're still in working condition, don't throw them out. The environment will not irreparably be damaged by your using them, despite what some might say. Throwing these out would be a flagrant abusive waste of your resources, while you 'pad' the pockets of the marketers for gain.

Should, however, the appliances break down, purchase those that adhere to CSA standards, which will already be environmentally friendly!

This should also be considered when considering purchasing household light, Christmas lights, heating system, etc. Never, under any circumstance, replace these items until they are no longer functional. Throwing them out while they're still usable is like flushing your money

down the toilet or throwing it a furnace; you wouldn't do either of these, so why would you discard something that still has functional and monetary value to you?

**15. Store seasonal household items in original supply boxes year to year in suitable, adequately weather protected storage areas.**

Everyone has them; you know, patio sets, 'park benches', outdoor swing sets, skies, Christmas trees and decorations, etc. To protect them from damage, and to keep all the related items together, as the 'season' ends, place them in their original packaging (which should have been kept), and place them in an appropriate place so they are easily accessible next time round. As an added benefit, if there are a number of items in the same box, or if the items have use in a specific area (indoor Christmas decorations as opposed to outdoor Christmas decorations), label the boxes accordingly.

Donna and I purchased a patio set in 1999, just after we were married. In September, as the frost begins to settle in, we disassemble the set, wipe it down, repackage it in the original packaging and then store it in the garage furnace room. Because we have meticulously cared for the set and kept in "like new condition", visitors, during the summer often say, "where did you buy this, we'd like to get one too!"

Take a drive in your neighbourhood; check out the homes where every thing is left unkept and in disarray. Consider this statement - "if they'd just put some of this stuff under cover, certainly, couldn't they save a lot more money!"

**16. Use screen front doors and heavy duty weather stripping around windows during the winter months.**

Screen doors are recommended to protect expensive front doors from weathering, regardless of the time of the year!

Heavy duty weather stripping, tightly tacked to all major entrances and windows will restrict heat loss considerably. If you are unable to weather strip, during the summer make fitted, heavy duty covered plastic frames, which can be placed over external windows. Your energy costs will be cut down, and you will also be adding a protective covering against weathering of glass textures.

**17. Use timer switches for electrical outlets wherever possible.**

A quick, user friendly way of saving money especially when one is out a lot, or when one is travelling. Quality made timers are readily available, and are easily installed. Use them, and save money.

**18. Wherever possible save on household expenses by minimizing**



## **hydro expenses.**

- if you have a choice between electric baseboard heating, oil or natural gas, choose the latter. Electric heating is considerably more expensive than central, forced air natural gas heating.
- shut off lights when not in use
- use clothes dryer on a limited basis; on sunny days hang washing on clothes lines
- during the evening set home thermostats no more than six degrees less than day time settings. By so doing, energy needed to reheat the house during the day will be considerably less.
- wherever possible use fluorescent lights, instead of regular incandescent light. They use less energy, and they prove to be less tiring to those who work with them.
- during winter months draw drapes to insulate against cold window drafts and maintain constant heat in room

## **19. Unless your residence is pre-fitted with a swimming pool, or with a thermo regulated hot tub, don't invest in them.**

At first these are appealing items; they add a sense of prestige that cannot be measured by money. But, as most individuals say, after a duration of time, and in light of the extended, necessary maintenance, they usually lose their glamour. Instead of purchasing these, set regular bi-weekly family nights at the local recreation centre where, besides using the pool, and hot top, you will also have unlimited access to the exercise facilities at a very reasonably and affordable price.

One of our close friends, upon moving into their new home in Surrey, purchased a six seat hot tub for five thousand dollar. During the first three or four months they used it continuously. However, as time went on, it became less and less significant to them, and eventually they didn't use again.

Deciding that it was time to rebuild the deck on which the hot tub had sat, and not having further use for it, they sold it at a garage sale for one hundred dollars. As it left the yard my friend commented, "I hope when the intrigue wears off, and the costs begin to mount, that they won't drop it off at our front door hoping for a refund!"