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# THE REAL COSTS OF HOME OWNERSHIP

Many first-time buyers are so excited about finding that perfect home that comes with everything on their wish list that they often don't realize that the costs involved go beyond the purchase price. "We often enter into the single biggest purchase of our lives without a clear plan, research or budget," says Gordon Bennett, a partner/lawyer at Bennett & Parkes.

### THE MORTGAGE

Once the decision to buy a new house has been made, the financial adventure begins. Meet with your lender or mortgage broker to find out exactly what you can afford to spend. The first order of business will be to determine the amount of your down payment. You need a minimum of five percent down to around 20-25 per cent.

The lender then calculates what you can borrow based on the total of mortgage payment, property taxes, heating costs

and any current debts you're carrying. A great place to start researching is on the CMHC website (Canada Mortgage and Housing Corporation). There is a calculator that helps you estimate the maximum purchase price and maximum monthly housing cost you can afford based on your gross monthly household income. Generally the monthly cost of your mortgage, property taxes and home insurance should be no more than 28 to 32 per cent of your monthly gross pay. Some advisors suggest using your take-home pay to calculate that same percentage so you're not eating up all of your income with home expenses.

### COSTS OF BUYING

Buying entails a number of extra costs as well. You may also be responsible for real estate commissions (if you are selling as well as buying), mortgage loan insurance (if you are paying less than 20 per cent down on your home) and, on a newly built

home, GST and possibly PST. It's worthwhile to pay for a home inspection to check for major issues. As a buyer, you don't pay your Realtor, but it's important to have a lawyer or notary public to represent your interests, and you do pay for that. A buyer is also responsible for the property transfer tax of 1 per cent on the first \$200,000 and 2 per cent on the balance. Buying expenses can also include a site survey, optional title insurance and strata move-in/move-out fees.

### THEN THERE ARE OWNERSHIP EXPENSES

You finally have a place to call your own. Now, you have to protect it and your valuables. Homeowner's insurance is important because it covers you for unforeseen incidents, such as fire, burglary, a flood, or sewer or water damage. Once you own, there are heating, electricity, cable, Internet, home telephone,

garbage, sewer, property taxes and other local municipal fees to consider. You may even need to buy an annual parking pass to park on your street. Things do break down, so you need to have a bit of a financial cushion in case the washer quits or your hot water tank bursts.

In addition, when buying a townhome or condominium, soon-to-be buyers might also end up with major replacement or repair costs—beyond the monthly strata fees.

Don't let those hidden costs turn you off buying a home. If you practise due diligence, you'll be able to kick back and enjoy your new home that much more.

“Dollars and cents of buying a new home: don't get caught by hidden costs!”