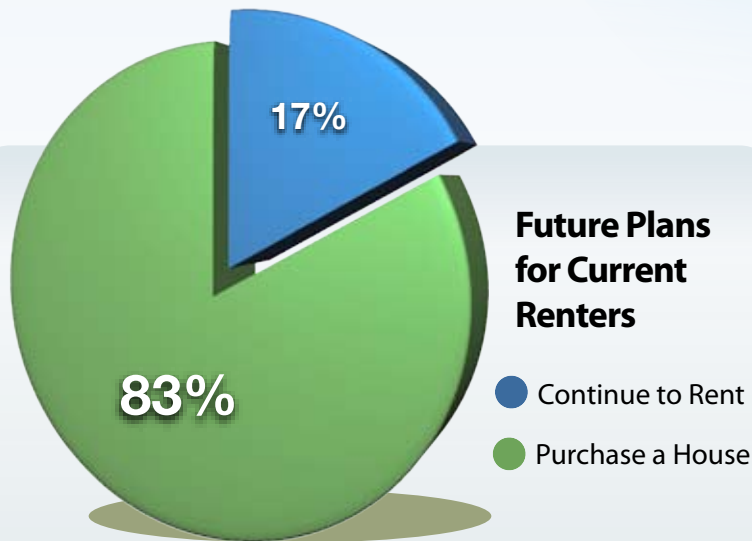


# Rising Rental Costs: Are You Paying Too Much to Live in Someone Else's Home?

In most major cities in North America, rents are increasing as vacancies in available rental properties are falling. The average vacancy rate for rentals in the United States fell **17%** in 2010 to **6.6%**.<sup>1</sup> Demand is expected to raise rental costs by **4.5%** in 2011.<sup>2</sup>

Homeownership is still the best investment you can make. Over the past five years, **more renters have become qualified to buy a home** due to increasing incomes, population growth, reduced home prices and lower mortgage rates. As a result, the **minimum income necessary to purchase a median priced home is \$40,300**, down from \$56,600 in 2005.<sup>3</sup>



Source: Pew Research Center Survey, March 15 to March 29, 2011

*Today's homeownership rate is 68% in Canada and 66% in the United States.<sup>5</sup>*

## Financial Benefits of Homeownership

- **It's a good asset.** If you're seeking a good long-term investment, look no further than a house. Each month that you pay your mortgage, you build equity. The longer you own the home, the more equity you are likely to accrue, which is more than can be said for renting.
- **You will provide a boost to the local economy.** New homes generate \$90,000 in tax revenue, and sales of existing homes generate \$60,000 in peripheral activity.<sup>4</sup>
- **Enjoy tax deductions and credits.** In the U.S., homeownership offers big tax advantages in the form of deductions for mortgage interest and credits for certain home improvements.

## Lifestyle Benefits of Homeownership

- **You are free to redesign your space.** You can renovate your home to adapt to the latest design trends or expand to meet the needs of a growing family without the approval of a landlord.
- **You will become more invested in your community.** Homeowners are more likely to vote, volunteer and participate in local government meetings and events.
- **Homeownership is good for your health:** **44%** of homeowners rate their health as "Excellent" or "Very Good" in contrast to only **29%** of renters.<sup>3</sup>

***81%** of adults view homeownership as the **best long-term investment** they can make.<sup>6</sup>*

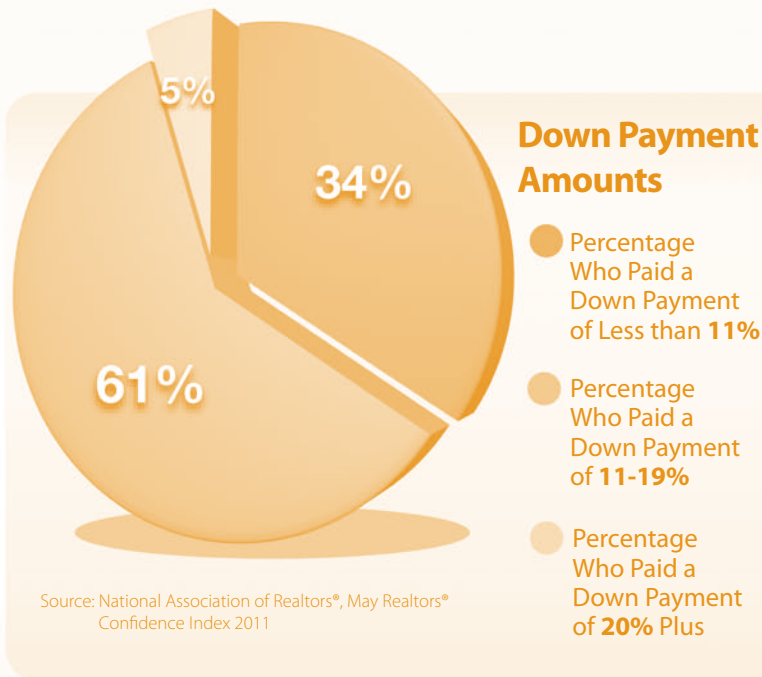
Sources: 1) SmartMoney, February 22, 2011  
2) RISMedia, February 23, 2011  
3) National Association of Realtors®  
4) Associated Press, March 30, 2011  
5) Wall Street Journal, March 19, 2010  
6) Pew Research Center Survey, March 15 to March 29, 2011  
7) Forbes, February 11, 2011

*88% of young adult renters hope to own a home someday.<sup>7</sup>*



# Saving for a Down Payment

Due to the burst of the American housing bubble, more lenders in the United States and Canada are encouraging a **20% down payment** to secure financing for a home.<sup>1</sup> Although the median down payment for nine major cities in the U.S. was **22%** in 2010, **66%** of those who bought existing homes provided a down payment of less than **20%**.<sup>2,3</sup>



By saving **20%** for a down payment, you can avoid additional **mortgage insurance costs**, lower your **monthly mortgage payments** and may be able to lock into a loan with a **lower interest rate**.<sup>4</sup>

## 3 Tips to Help You Save for a Down Payment

- 1. Create a budget and stick to it.** Outline where your money goes each month and list your fixed, irregular and discretionary expenses. If you're living beyond your means or feel you aren't saving enough, reduce or eliminate a few discretionary expenses.
- 2. Make your money work for you** in a high-yield savings or money market account. Although interest rates are low at the moment, these types of accounts accumulate more interest than a standard savings account.
- 3. Use your retirement savings accounts.** First-time homebuyers in the U.S. may borrow up to \$10,000 from their individual retirement account (IRA) for a down payment on a home. In Canada, homebuyers are authorized to withdraw a maximum of \$25,000 from a registered retirement savings plan (RRSP) for a down payment on a qualifying home.<sup>5</sup>

Sources: 1) Vancouver Sun, January 18, 2011

2) Wall Street Journal, February 16, 2011

3) National Association of Realtors®, May Realtors® Confidence Index 2011

4) Kiplinger, July 24, 2006

5) Canada Revenue Agency

# Is Now the Time for You to Buy?



There are a few things to consider before you transition from renter to homeowner.

- **Houses carry additional costs.** Once you have purchased a home, you will be responsible for insurance, taxes and maintenance costs.
- **Expect a reduced return.** If you purchase a home for a low price, don't expect to get the rate of return that you would have a few years ago.
- **Property is not a liquid investment.** You may not be able to draw equity from the home until you've paid down your mortgage or until the economy stabilizes.
- **Take an honest look at your finances.** If money is tight, this may not be the best time for you to purchase a home. Instead, pay down your debt, improve your credit and save for a down payment.