



Retirement can seem daunting due to issues such as affordability and location. Not to fear, because *Canadian Real Estate* has taken on the task so you can sit back, relax and retire

Where to \$pend your retirement?

After 40 years of hard work, there's nothing as enjoyable as retirement. But before settling into your recliner, consider whether or not you've got the funds to live comfortably.

"Ideally you should start to save for retirement the moment you get a job," says Nat Busa, retirement income specialist at Canada Retirement Information Centre Inc. "The more years that your money is working for you, the better."

There are several funding options available that will help ease the worry of financing your golden years. Canadians are entitled to receive government funds such as old age security (OAS) and guaranteed income supplement (GIS). Also,

individual employers offer their employees pension plans (CPP).

Many people depend upon their RRSPs, which in most cases roll over into retirement income funds (RIFs) or locked-in income funds (LIFs), and are generally used to fund ongoing living expenses after retirement. Although it's possible to withdraw from your RRSPs before you retire, finance experts warn against it.

"We wouldn't generally advise clients to cash in their RRSPs as they'd be subject to the maximum tax penalties by the Canadian Revenue Agency," says Helen Azevedo, manager of financial planning at RBC.

Investing in retirement

According to recent statistics, many people are purchasing a retirement home before they actually retire and then renting out that property until they're ready to live in it.

“There are a number of Canadians who do buy their retirement homes earlier in anticipation of retirement,” says Azevedo. “Interest rates have been the lowest we’ve seen in many years, and carrying a mortgage seems more affordable and comfortable to maintain.”

This influx is also because people have noticed that real estate prices continue to surge each year, no matter which area they're in. Purchasing a property before retirement could save them big bucks in the long run. Plus, the added benefits of a tenant covering the mortgage costs and increasing equity aren't too shabby either.

However, coming up with the cash for a down payment to invest in this home could be a problem. If you wait until retirement to purchase a property, the sale of your current home will provide the needed funds for your retirement home. But purchasing beforehand is a bit trickier.

Azevedo suggests setting up a monthly savings plan where you automatically put aside a set amount of money each pay, and this can be used later as a down payment. Historically, certain investment vehicles such as mutual funds generate a higher rate of return over time when compared to a guaranteed investment certificate (GIC) or term deposits.

An equity loan is also a viable option. This type of loan is backed by your current property and the funds can then be used to purchase a retirement home.

“Equity loans can be a great way of securing low cost financing for a second home, as long as the borrower has the ability to service the debt without putting themselves in financial risk,” says Michael Cameron, mortgage planner at Axion Mortgage.

Cameron warns that when you're nearing retirement you need to make sure your debt is structured as wisely as possible to minimize tax implications and take into account any estate planning considerations.

Another investment option is using a home equity line of credit (HELOC)

RETROFIT YOUR EXISTING HOME

For those that are nearing retirement but don't want the hassle of changing house, there is an alternative. Through the help of a renovator you can retrofit your current home to make it retirement friendly.

Canada Mortgage and Housing Corporation (CMHC) offers a Home Adaptations for Seniors' Independence program. Through this program, anyone who is renovating a home for the convenience of someone over the age of 65 can apply for a forgivable loan of up to \$3,500. Renovations can include items such as walk-in showers with grab bars, handrails and lever handles on doors. If approved, the loan does not have to be repaid as long as a senior is occupying the premises for at least six months after renovations are completed. The following is a list of some simple features for do-it-yourselfers.

Retirement feature	Cost*
Walk-in bathtub	\$400+
Toilet grab bar	\$35+
Shower and bathtub grab bar	\$66+
Swing clear offset door hinge	\$20+
Folding bathtub seat	\$180+
Modular wheelchair ramp	\$430+
Solid wheelchair ramp	\$175+
Raised toilet seat	\$25+

(base price not including installation)

If you're planning on going the whole nine yards and hiring a contractor, the following is a list of the most popular features.

Elevator including wall and pit, and framing for elevator 3'x5' -12"	Electrical for elevator
Finishing two new doors for elevator, replacing old doors, baseboards	Ramp for front of house
Change tub to stand up shower with a seat in master bathroom	Relocate toilet on main floor
Plumbing: moving bathroom and laundry	Lumber for raising bathroom floor and redoing second floor
Framing labour in bathrooms and walls as needed	Electrical for laundry, bathroom, elevator
Wider doorways, Doors – 865mm (34in)	Lever door knobs
Retrofit kitchen cabinets, counter, sink, cook-top	Drywall repair and painting new rooms including bathrooms, kitchen, dining, laundry, bedrooms
New flooring	
House clean-up and landfill fees	Labour to remove old materials

Approximate grand total: \$75,000–80,000

Overall, it might make more sense to retrofit if there are only a few changes that need to be made since some of the renovations can be costly. Add up the total costs of the additions, and compare it to what it will cost you to pack up and move (include moving costs, sale of current home and purchase of new retirement home). Remember to weigh the pros and cons accurately.

Source: Jane Udell-Jones of Hearthstone By the Bay, CMHC, Adaptive Access

The do's and don'ts of retirement

DO

- » Do look at how much time you've got. If you're 10 years away from retiring, your plan will be different than someone with 30 or more years left to save.
- » Do set clear goals. Figure out how much money you'll need when you retire. Make that your target.
- » Do compare your choices for savings inside your plan. Not all savings products work the same. Not all give you the same benefits.
- » Do find out if you have a retirement savings or pension plan at work. They're often the best deal around.
- » Do track your progress every year. Change your plans when and if you need to.

DON'T

- » Don't put off saving until it's too late. Your government pension may not be enough for when you retire.
- » Don't put your savings into a bank account and forget about it. Your money likely won't grow fast enough to meet your goals for retirement.
- » Don't put all your money into one type of savings. Spread your money around into different types of investments. If one way doesn't work out, other ways may be better.
- » Don't do things with your money that you don't understand.
- » Don't forget that if something seems too good to be true, it probably is.

Source: The Investor Education Fund www.investorED.ca

against your existing home. When applying for a HELOC, it doesn't matter whether you have a mortgage on your primary residence or it's free and clear, as long as you have a fair amount of equity to either purchase or put a sizable down payment on the retirement property.

"Because it's positioned as a line of credit, not a mortgage, it has an open term, so you pay it off when you have extra cash or sell the existing home without penalty,"



Top: Victoria, British Columbia. Below: Stratford, Ontario

says Krista Rumberg, mortgage specialist at Integrity First Mortgage Solutions.

Considerations

After sorting through the financial aspects of buying a retirement home, deciding where and what to buy is the next step.

For once, you have the luxury of living where you want, and not having it depend on where you work. The world is truly yours to discover, although many people still do choose to reside close to their family and friends.

"When people start to think about retirement, they should consider the type of lifestyle they want to lead and how they want to address health issues in the future," says Jane Udell-Jones, gerontology expert and marketing consultant at Kim Graham and Associates.

Due to the number of Baby Boomers in today's population, builders have taken action and developed many active lifestyle communities across the nation to fit each individual's needs.

"Builders are finding requests for amenities such as 36-inch doorways, ramps and lever door handles for those who want wheelchair access or are thinking ahead just in case," says Mark Lummis, real estate agent at Sutton Group Professional Realty. "Additionally, ensuite

baths are a must, often with a whirlpool tub and stand-up shower with a seat for easy access."

It's also a great idea to downsize and de-clutter. Lummis recalls his clients who sold their large home of 30-plus years that included a lifetime of accumulated belongings and antiques.

They scaled back to less than 1,400 square feet by liquidating the clutter in a huge yard sale, and kept what fit in their new place.

"Recently they told me that it was their best decision in years and fit perfectly with their health needs and upcoming retirement lifestyle," he says. "Seniors often don't want all the worry of taking care of a large home with unused levels."

Popular spots in Canada

Where you decide to spend your retirement is completely in your hands. Something to take into consideration if you're planning on investing is that some areas won't allow you to rent out a property that's located in a retirement community, so be sure to check beforehand. There are some areas in Canada that are more sought after than others. Each of these cities offers something unique that will be sure to grab your attention.

Victoria photographs courtesy of Tourism Victoria, Stratford photography courtesy of Richard Dean Photography

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Profile:

Hearthstone by the Bay, Toronto, ON

Hearthstone By the Bay offers a new concept in retirement living focusing on luxury, freedom and choice. Located on the Toronto waterfront, Hearthstone combines independent condo ownership and five-star amenities. The onsite Club Activities Director provides a menu of activities for residents to choose from and a trained medical team including nutrition and fitness counselors, massage and physiotherapists, chiropractors, nurses and doctors staffs the health and wellness centre.

Suites have been designed for accessibility and independent living, and feature wide entrances to accommodate wheelchairs, faucets for arthritic hands and outlets that don't require bending over.

Victoria, BC

With some of the mildest temperatures in Canada, Victoria offers retirees a way to stay warm throughout those frosty winters. Typically, wintertime highs and lows reach 8.2 and 3.6 degrees Celsius, and snowfall averages 26cm annually.

Also, Victoria provides easy transportation and is close to all amenities, says Scott Piercy, real estate agent at Sotheby's International Realty Canada. Residents can have the security of a smaller city, but also have international travel hubs like Vancouver and Seattle at their fingertips.

James Bay, Fairfield and Gonzales make up the neighbourhoods where Baby Boomers and retirees flourish. "The most popular properties are oceanfront and ocean view homes with entry level main floor living," says Piercy. "Condominiums are also very popular because of the easy maintenance."

Detached bungalows in Victoria are \$425,000 on average, and standard condominiums are \$292,000, according to Royal LePage fourth quarter 2007 results.

Stratford, ON

Located in the southwestern area of the province, Stratford is a charming little city that offers retirees who enjoy culture and arts something special. Each year, tourists flock to Stratford for the Stratford Festival, a collection of contemporary plays with a focus on Shakespeare. For music lovers, Stratford hosts the Stratford Summer Music Festival; and for art buffs, Stratford is home to the Gallery of Stratford.

"I think people are looking to retire in Stratford because it's such a pretty town with a great downtown area," says Barbara Hiller-Thibeault, broker and owner at Royal LePage Hiller Realty. "Also, it's a very touristy place, and we're close to all amenities and major cities."

The Stratford General Hospital is being constantly updated and developed, notes Hiller-Thibeault. Having a healthcare facility just minutes away is another reason that retirees choose Stratford.

The city offers gated community living for retirees. These are detached homes in a segregated area that offer special services such as lawn cutting.

Bungalows and condos are the number one choice among seniors due to convenience. "Retirees prefer property where they can live mostly on the main floor," says Hiller-Thibeault. "This way, things such as laundry are close at hand."

An average two-bedroom bungalow is about \$250,000. Condos tend to be slightly more expensive and start at about \$300,000, according to Hiller-Thibeault.

Halifax, NS

Nova Scotia encompasses one of the highest percentages of senior citizens throughout the nation, and it's no wonder why. Halifax's beautiful waterfront, abundance of amenities, friendly environment and low prices attract retirees from all over.

"People looking to retire near the sea and enjoy a moderate climate can do so sooner here for less," says Lummis. "Seniors can sell their home and move here with quite a lot of leftover money in their pockets or just live mortgage free."

Condos tend to be the most sought after due to size and available amenities, and Summer Gardens is one of the most desirable buildings in the city. Primarily senior citizens, including doctors, judges and the former Premier of Nova Scotia, occupy the building. Also, Summer Gardens is walking distance to the region's two main hospitals.

"Another popular home style is the moderate two-bedroom bungalow with open-floor plans," says Lummis. "Sometimes this will include a third loft-style bedroom or bonus room for visitors and often a two-car garage."

The average price of a condominium in the southwestern area of Halifax is \$170,000, and for a detached bungalow is \$235,000, according to Royal LePage fourth quarter 2007 results.

No matter where you buy your retirement property, the most important thing to remember is to stay active and involved with other people on a daily basis. "Ageing can be about loss and so it's important to maintain social interaction, to keep happy and positive in order to keep functioning," advises Udell-Jones. "Retirement can be one of the best times of your life!" 🏠

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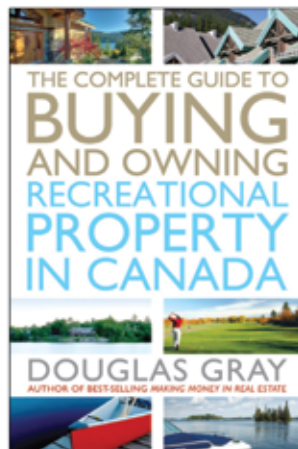
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