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Cash from your Home

You have likely seen ads for what are called "reverse morgages such as the CHIP plan which uses a percentage of the value of your home to free up cash for living during retirement or to provide money to help your kids buy their first home. Is this a good idea?

It is estimated that the value of these plans is $6 billion and is expected to grow so they seem to be popular. However, there are **down sides** and the ads fail to provide you with the "goods" on how the strategy works. The last few years have seen a big jump in the value of real estate and a growing number of seniors excited to take advantage of the equity locked up in their largely mortgage free homes, but there are risks.

Reverse mortgages rates are **always higher** than those of a conventional mortgage and are paid through proceeds from the eventual sale of the property. The loan to the property value is also pegged at a lower amount than regular mortgages. In a rising interest rate environment, the costs will be significant and the ongoing interest continues to grow on top of the principal amount so depending on the age of the owners this could become a **huge debt.** Another factor is how well the property is maintained as the eventual resale value could cause issues.

There is also the likelihood of housing prices falling in years to come. This poses even more problems for the reverse mortgage option with the possibility that in the future you or your estate owes a larger sum to pay to the bank. There are **better options** that do not put your house and assets at risk such as the "Manulife One" equity plan or a secured line of credit. As with everything, buyer beware - make sure you check all facts.

Ups and Downs are Normal

After a long period of market growth, it is uncomfortable to experience some declines. But markets have **always recovered.** At Financial Decisions, we have experienced volatile situations over the years and can confidently assure you that like after a storm the sun comes out and perhaps even a rainbow. With time and patience, values return and grow. For those wanting more insight, there are market analysts' reports on our website ***www.financialdecisions.ca.***

Summer Patio Meetings

There are still many who are concerned about COVID and are uncomfortable in meeting inside even wearing a mask, which we **still require** due to the susceptibility of several of our staff members. Our option has been happily received to **meet outdoors** during the good weather on comfy patio furniture. Feel free to request a "patio appointment".

For those coming into the office, we have **repurposed** our front room area taking pandemic protocols into consideration and have installed a large flat screen TV for video conferences. We have had good feedback from those taking advantage of this new arrangement.

Staycation Tax Credit

A tax break is always good news and for those who take their vacation in Ontario this year they can **save 20 percent** on accommodation expenses up to $1,000 a person or $2,000 a family. This means **a** $200 **credit** for an individual or $400 a family.

With the many disturbing reports of those travelling to foreign locations, and even outside our province, it is another good reason to visit many attractive and interesting spots in our own province.

Please keep your receipts for your taxes. For more information just google: "staycationontario".

See reverse for more news

First Home Savings Account What You Should Know

It is brand new and as revealed in the latest Federal Budget being described as a **"very powerful tool"** for the younger generation to achieve home ownership. This new tax deduction of a contribution of up to $8,000 a year begins next year (2023).

The program does have a $40,000 lifetime contribution limit and the funds need to be used within **15 years** for a home purchase, or if not, the amount can be transferred to an RRSP.

Unlike a Tax Free Savings Account you **cannot carry forward** unused contribution room, however, your yearly contribution qualifies as a tax deduction. It would be best to contribute to the First Home Savings Account first and then the Tax Free Savings Account. Of course you could do both. Each account allows you to withdraw without paying tax.

Unfortunately, using both this new plan and the Home Buyers Plan of "borrowing" $35,000 from your RRSP (which needs to be paid back) is **not allowed.** However, if you contribute the maximum to both the new FHSA and TFSA plans after a number of years the amount available could be substantial with growth over that time. Hopefully future house prices will have moderated somewhat and you will have enough for a reasonable down payment.

Best to give us a call to discuss your future home buying options.

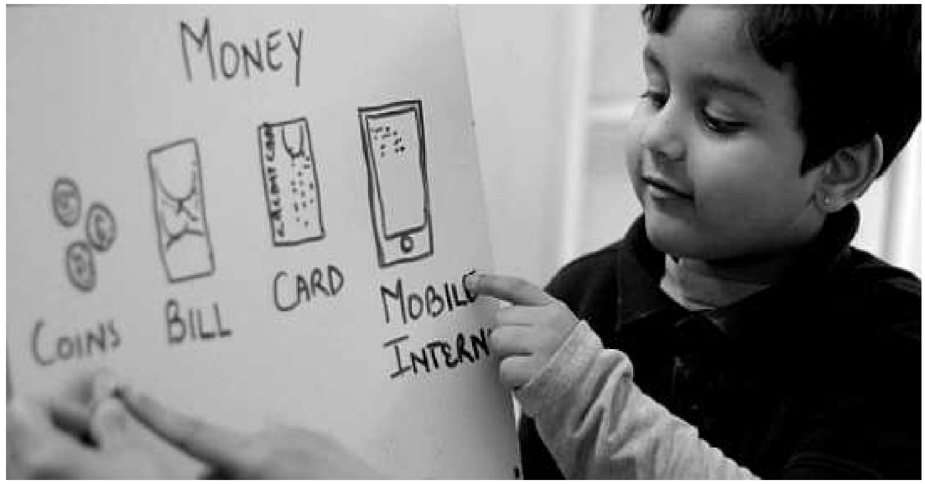
Interest Rate Increases

After years of interest rates about as low as they could go, there is **movement upwards** for a variety of reasons but the most common given is to help curb or control inflation.

The increase in rates is good news for those who invest in GICs but bad news for individuals who are paying mortgages that respond as interest rates rise.

Regardless, more rate increases **can be expected** this year. What effect this will have on the equity and bond markets is uncertain. We will be **watching closely** and can discuss the best options for you as they present themselves.

Teach Your Children Well - Money Matters



One of the best gifts we can give our children is how to manage money. Kids are never too young to **appreciate** the value of money and how to save and spend responsibility. How to do this can be a challenge as regardless of age we have difficulty determining the difference between wants and needs.

In many families**,** children have no awareness or understanding of household finances. They have **no idea** of where the money comes from or how it is spent. It does not take much to explain the income source(s) or where this money "goes" or what is saved for whatever purpose, but most parents don't do this which is unfortunate as it provides the basis for their kids**' financial stability** while still young and before any bad spending habits develop.

We all learn by doing and when kids are given a certain amount of money either as an "allowance" or by doing chores they are then **responsible** for spending this money on both necessities and "pleasures" **-** educational and practical experiences.

It is recommended that when they are about six to provide enough money for them to purchase their own clothing and other essentials plus enough extra for "treats" or special "wants" whatever they might be. Give them the responsibility to determine what is important and how they are going to **allocate** their resources. It is important for parents to let the children make their own choices and not to "bail them out" if they go "broke"**.** They will learn to "budget" themselves, something that will last for their lifetime.

When old enough, you can have them open up a bank account to save for **specific goals.** You could also provide basic information on debt, interest and investing.

Starting young can prevent future money problems which are the greatest **source of stress** in life**,** even more than work, personal relationships or health**.**

Being **financially independent** is the goal of all parents for their children when they become adults to function on their own in the world and it needs tostart when they are young. Teach them well and all will benefit.