



Considering buying a vacation property?

When it comes to cottage life, there are two kinds of people, says Adrian Mastracci, president, with KCM Wealth Management Inc., in Vancouver.

“There are the people who should buy a cottage and there are those who should rent,” he says. Buyers should be people who long to get away from the bustle of the city every weekend, who are going to use the cottage frequently, who are prepared to drive the distance, maintain the cottage and who rarely go elsewhere on holidays.

“Then there are the people who want to visit 10 different places every two or three years,” says Mastracci. “Those are the ones who should rent. Sure, they may be disappointed with what they end up with from time to time but, overall it’s the best alternative.”

To consider whether or not you’d be better off buying or renting, give some thought to questions like:

- How many weeks or weekends each year am I going to use the cottage?
- Am I handy enough to make repairs or renovations myself as required?
- Am I interested in the work of finding renters for the cottage when I won’t be using it myself?
- Is it more important to me to have a family property that I can pass on to my children, or to have the money to travel to a variety of places around the world?

Think about how you’re going to pay for the cottage. If you’ll have to borrow the money and then make mortgage payments, are you going to get sufficient use out of your cottage to justify the expense? Or might it be more cost-effective to rent a cottage for a few weeks every summer and not shoulder the responsibilities and expenses of ownership?

If you’re sure that owning a cottage is what you want to do, choose one with good resale potential. Look for





features that add value, such as a waterfront location, a view of mountains or water, and beach accessibility. Choose a place that offers something impressively different from your city house – trees, a special quaintness or coziness, says Mastracci. Modern amenities such as updated bathrooms, indoor plumbing, hot water, electricity and a clean, spacious kitchen won't hurt, either.

SETTLE ON A BUYING STRATEGY

Of course, before you shop around for your dream cottage, you should understand what your options may be for financing the purchase. Unless you have the funds to buy a cottage outright, you'll need to borrow money.

There are a few different ways you can go. You could increase the mortgage on your city home if you have sufficient equity in it. You could opt for a second mortgage or choose a separate financing plan.

Be prepared to face different rules about the mortgage you get for your cottage compared to the one you have on your home. If the cottage is fully built and winterized, with road access throughout the year, you'll probably be able to obtain the same loan rate

as what's being offered for first-home mortgages. But you may be charged a higher rate for a second home that's incomplete, not winterized or inaccessible for part of the year.

Of course, in the end, a cottage is rarely just about the money – it's also often a sentimental getaway that stays in the family for generations. But if you're just setting out to buy one, it pays to be smart about it.

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