



Saving for your first home

For first-time homebuyers, the road to acquiring your own home can seem fraught with complex obstacles and unforeseen expenses. To devise a savings strategy, first you have to know what your target is. How much will you need for a down payment?

Suppose you've decided you can spend \$200,000 on your home. Next, decide whether you want to put down five, 10, 25 per cent – or more. From there, it seems pretty straightforward: if you want to put 10 per cent down, then you'll need to save \$20,000.

It's trickier than that, though. You also have to factor in closing costs (including an advance deposit on the home when you make your offer), lawyers' fees, land transfer tax, if applicable, and mortgage default insurance if you put less than 25 per cent down. These costs can add up quickly – to almost another two per cent of the purchase price.

SET UP A HOUSE FUND

David McGruer, a certified financial planner with Dundee Private Investors in Ottawa, says if the amount seems daunting, look at your spending habits. "Saving up for a down payment is often a simple matter of discipline," he says. "Many people easily spend \$10 a day on coffee, fast food, snacks, magazines and other low-priority items. With a little effort to save through automated investment plans, most people can save up a five per cent down payment in a few years."

Consider setting up a special savings fund just for that purpose – make regular contributions and try to get the best rate of return you can find to make the most of these short-term savings. A separate house fund can force you to pay yourself first, rather than simply hoping there'll be some savings left at the end of the month.

"If you're going to be investing monthly for five years, then you may choose anything from a fixed-income investment to a very conservative equity fund," says





McGruer. "If you have a lump sum which will be left to grow for a few years, and you won't be adding to it, you'll want to be more conservative."

The new high-interest bank accounts are a good safe choice for short-term investments like your house fund. Whatever you choose, make sure you're getting a decent return on your investment and ready access to your cash, with no penalties.

With a little planning and smart investing, you'll own your first home sooner than you might have thought.

Compliments of:

Manulife Investments is the brand name identifying the personal wealth management lines of business offered by Manulife Financial and its subsidiaries in Canada. As one of Canada's largest integrated financial services providers, Manulife Investments offers a variety of products and services including: segregated funds, mutual funds, principal protected notes, annuities and guaranteed interest contracts. WealthStyles, Manulife and the block design are registered service marks and trademarks of The Manufacturers Life Insurance Company and are used by it and its affiliates including Manulife Financial Corporation.

www.manulife.ca/investments

 **Manulife Investments**
With you every step of the way®