

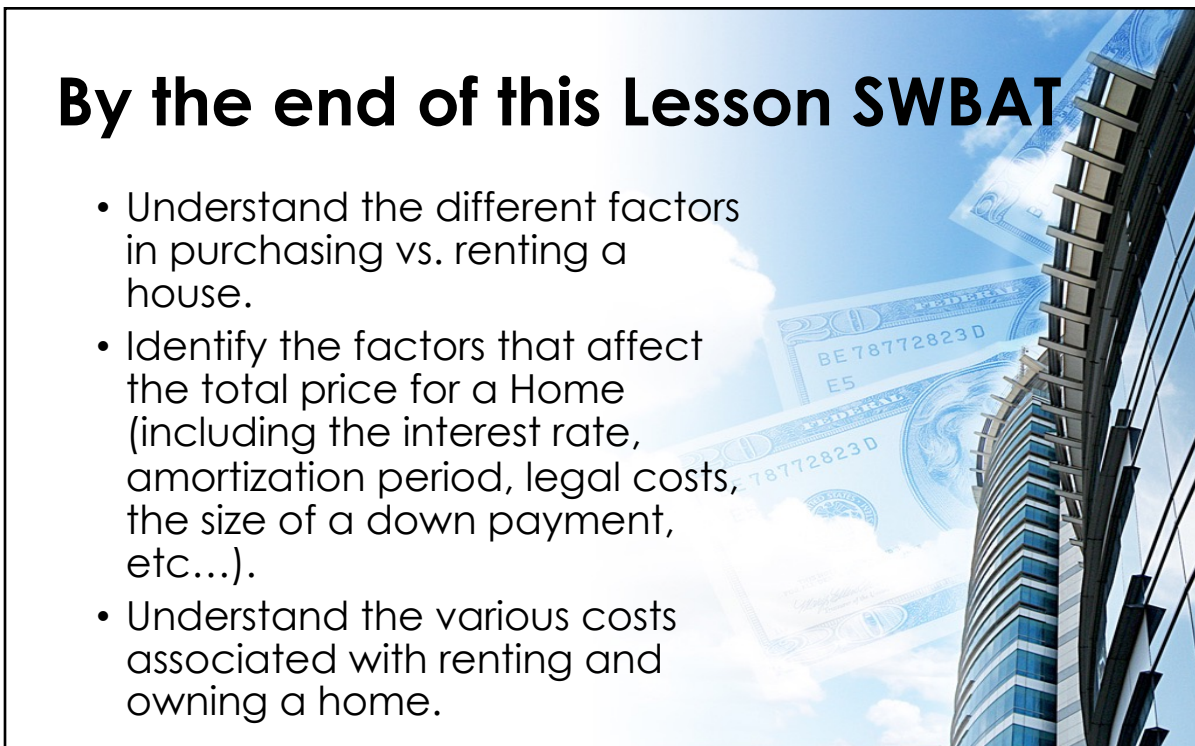


# Financial Literacy

## Lesson 5

### Renting vs. Buying

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## By the end of this Lesson SWBAT

- Understand the different factors in purchasing vs. renting a house.
- Identify the factors that affect the total price for a Home (including the interest rate, amortization period, legal costs, the size of a down payment, etc...).
- Understand the various costs associated with renting and owning a home.

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# Student Activity

## Researching Your Accommodations

For this section you are research housing for **each** of your career paths. Your accommodations can be anything you want...again, **as long as your budget can afford it**. Don't forget your housing **location** should reflect your desired lifestyle and city in which you want/plan to live.

- If you want to **rent** accommodations you can use online newspapers, castanet, Kijiji, etc...
- If you want to **purchase** a house only use MLS website:  
<https://www.realtor.ca>

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# Renting

## High School

After graduating high school there will be no chance you will be able to purchase a house due to lack of credit, lack of savings, insufficient employment, etc...

For this career path your only option is to rent accommodations.

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# Buying

## Career A & Career B

Once you have established yourself in your career and have had chance to build up some savings you are now in a position to purchase your first home.

You need to find at least one home to buy, but you can find one for each career path depending on your budget constraints.

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# Buying Details

## Down Payment

- Assume you just received an inheritance of \$20,000
- You can also add 2 years of savings to this amount as your down payment.

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# Buying Details

## Down Payment

### Canada Mortgage and Housing Corporation (CMHC)

- \$500,000 or less → Min. 5% Down on a house
- \$500,000 - \$1,000,000 → Min. 5% Down on the first \$500,000 then 10% for anything above
- \$1,000,000+ → Min 20% Down

**Note:** if you are unable to make a 20% Down Payment (at any price point) you are **required** to purchase Loan Insurance with rates ranging from range from 0.6% to 4.5%. **We will use a standard 3%.**

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# Buying Details

## Taxes

- **New Home/Property** – you must pay 5% GST. No PST
- **Used Home/Property** – property transfer tax in BC is as follows:
  - 1% of the fair market value up to and including \$200,000
  - 2% of the fair market value greater than \$200,000 and up to and including \$2,000,000
  - 3% of the fair market value greater than \$2,000,000.

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# Online Mortgage Calculator

## Royal Bank

Google "RBC Mortgage Calculator"

<http://www.rbcroyalbank.com/mortgages/mpcrds/start.html>



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# Expenses

## Property Taxes

When owning a home you need to pay municipal taxes to help fund community operations.

To estimate this cost you will take 0.5% of the cost of your home. This will give you your annual property tax, so you will need to divide this result by 12 to get your monthly expense.

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# Expenses

## Utilities

When owning a home you need to consider the operational costs:

- Electricity ( $\$0.07 * \text{sq. ft.}$ )
- Water & Sewer ( $\$0.06 * \text{sq. ft.}$ )
- Gas ( $\$0.05 * \text{sq. ft.}$ )

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# Expenses

## Insurance

Use BCAA to get a quote

## Maintenance & Repairs

- New Home = 0.5% home value
- 0 – 5 years old = 0.7% home value
- 5 – 10 years old = 1% home value
- 10+ Years old = 2% home value

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## Budgeting Your New Expense

Once you have selected the accommodations for your different career paths, you will need to enter this new cost into your budget spreadsheet.

On the Buy vs. Rent page enter your new expenses into the appropriate fields. After you enter this information you may need to go back and revise your expenses to make sure you have a balanced budget (i.e. monthly savings is positive).

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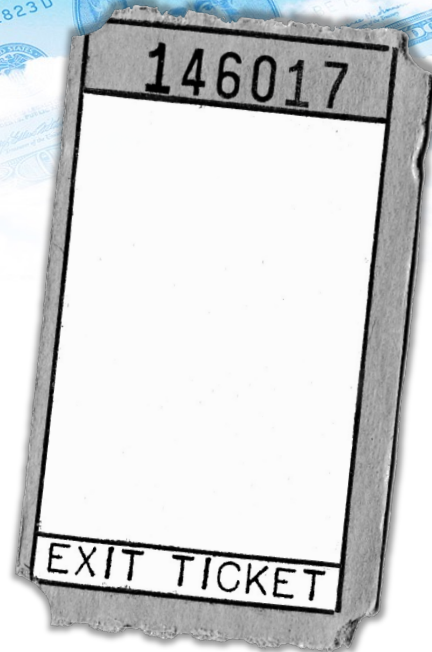
## Exit Ticket

### Front

In what situations would you consider **Renting** a home? Provide at least one fully developed response.

### Back

In what situations would you consider **Financing** a home? Provide at least one fully developed response.



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