

Making the dream of home ownership a reality – Published May 2012

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For many people the idea of owning their own home can be quite scary. Finding the house you want at an affordable price can be the first big challenge and then there's getting to grips with a mortgage, maintenance costs and being responsible for everything that can possibly go wrong and usually does at the worst time imaginable. This whole process is even harder if you only have a small down payment and a bad credit rating and I know this from personal experience. After having my first house repossessed when I was in my early 20's, I thought I'd blown my chances and it took 5 years of hard work to improve my credit rating enough so that lenders would even talk to me again. It took a few years more, before I was in a position to shop around or negotiate a better deal. So here's my guide for turning wasted dollars into your future security:

WASTE - Switching from the daily latte to the once a week latte, SAVE - \$5 a day or \$20 each week, **\$960** every year, INVEST - Pay off a credit card.

WASTE - No more ATM fees, SAVE - \$2 each withdrawal, let's say 10 each month, that's **\$240** a year, INVEST - Take a course and invest in your education.

WASTE - Banking without charges, SAVE - \$20 a month, that's another **\$240** each year, INVEST – Start saving.

WASTE - Giving up cable TV/internet, SAVE - Costs up to \$100 a month, that's **\$1200** a year, **\$960** every year, INVEST - Buy a car.

WASTE - Reducing your cell phone charges (roaming, apps etc), SAVE - Costs up to \$50 a month, another **\$600** each year, **\$960** every year, INVEST - Pay off your mortgage faster.

WASTE - Reduce or stop your bad habits: Smoking, drinking, gambling, substance abuse or leaving your vehicle running, SAVE - This is hard to put a figure on and my conservative estimate is around **\$2000**, but it could be much higher, INVEST - Take a family vacation that doesn't end with a credit card bill.

By making a few changes to your spending habits, you could save \$3000 to \$5000 in a single year. Now you can start to work towards your longer term goals. In year 1, you use the \$3240 you saved to pay off your credit card that was costing you \$150 a month and keep your bank account in credit to avoid fees. In year 2, save \$3600 by spending wisely and avoiding fees, now add the \$1800 from not having a credit card, that's **\$5400** this year. Year 3, invest \$2000 in a savings account, so you can pay big or unexpected bills in full and on time. Invest \$3400 in a Tax Free Savings Account (TFSA). By paying bills in full and on time, you save **\$5600** this year. Year 4, invest another \$2000 in your 'slush fund' savings and now you never need to worry about paying bills ever again. Invest \$3600 in your TFSA. Year 5, invest all your annual savings in your TFSA: **\$5600**. At the end of year 5, your TFSA has made \$345 interest over 3 years and now have a whopping **\$12945.00** in savings. That's a lot of buying power compared to 5 short years ago and in the mean time you've invested some time and effort to clean up your credit record and greatly improve your credit rating. If you do decide to take on a mortgage, it should become your priority to pay it off as fast as you can. You are investing in your future security, but it only becomes your asset when it's been paid for in full! When the time comes, you might decide that home ownership is not for you, but at least you have a nice stack of cash to do something else with.

The next free community workshop in our series is all about Home Financing at 6pm on May 8th at the Women's Contact Society. To register, contact kirsten@caribooliteracy.com or phone 250-392-8161, option 3, just leave your name and phone number.