

Preparing for Homeownership

Becoming a homeowner is a huge accomplishment – and an equally large responsibility. Know what to expect before you begin home hunting. Here is how you can prepare for homeownership:

Build a Budget and Stick to it

A common mistake that first-time buyers make is opting for a home that stretches them beyond their financial comfort zone. Ensure that you can afford your mortgage payments and other monthly expenses that go together with homeownership. Start by creating a realistic budget based on your goals.

Track your household income and expenses and identify your spending habits. Record your expenses in a spreadsheet or app to ensure you can revisit and update your plan to suit your needs. Practicing better spending habits ensures that you will be better prepared to purchase your first home.

Save For Your Down Payment

The first step of homeownership is saving for your down payment. The more money you put down, the less interest you will pay over the life of your mortgage.

If your downpayment is less than 20%, you will need mortgage default insurance. Mortgage insurance premiums are paid once and can be added to the principal of the mortgage. The only upfront cost that is due at closing time is the tax on your mortgage insurance.

As a first-time buyer, you can also take advantage of the federal government's Home Buyers' Plan, which enables you to borrow up to \$35,000 – or \$70,000 as a couple – from your registered retirement savings plan (RRSP) tax- and interest-free to use towards your home purchase. You must pay the full amount back in annual installments over a maximum of 15 years.

Consider Your Ongoing Homeownership Expenses

Depending on the type of home you buy, you may need to repair, renovate, or buy and install appliances, furnace, or plumbing. You must also take into consideration utilities like gas and electric, phone services, internet and any other options you need in your home.

Get Prequalified

Your income, expenses and debts will determine what you can comfortably afford to spend on a home. So, if you have budgeted ahead of time, you will be in a much sound financial state when you are ready for prequalification. Once you are prequalified, you will have the comfort in knowing the right price range of homes to view.

