



# Is selling your home so you can rent, a good idea?

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# Plan

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1. Pros and cons of selling your home
2. Some statistics on the real estate market in the region
3. Important points to consider
4. How to invest the sale proceeds
5. Alternative solutions
6. Questions

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# Pros and cons of selling your home

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## The pros of selling your home

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- Taking advantage of the rise in the real estate market in recent years
- A significant amount of money, with no tax impact
- Ability to repay debts, if applicable
- A decrease in recurring expenses (maintenance and repairs, municipal and school taxes, etc.)
- Peace of mind, less hassle when an unexpected event occurs



## The cons of selling your home

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- Up-front costs (real estate broker fees, legal fees, moving expenses and the related emotional charge...)
- Renting a new property or moving to a retirement home means getting out of the real estate market
- Purchasing a new property means finding financing and considering purchase costs, the state of the market, the move etc.
- Selling your home to rent means rental fees or retirement home fees can increase. You need to carefully read the rental or lease agreement.
- Potential changes to your social circle (health professionals, neighbours, friends, family, etc.)



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## Some statistics on the real estate market

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# The real estate market at a glance

## 2023 Highlights

Source: <https://www.quebec.ca/habitation-et-logement/information-fonciere/statistiques-marche-immobilier#:~:text=Le%20nombre%20de%20ventes%20enregistr%C3%A9es,baisse%20de%2038%2C1%20%25%3B>

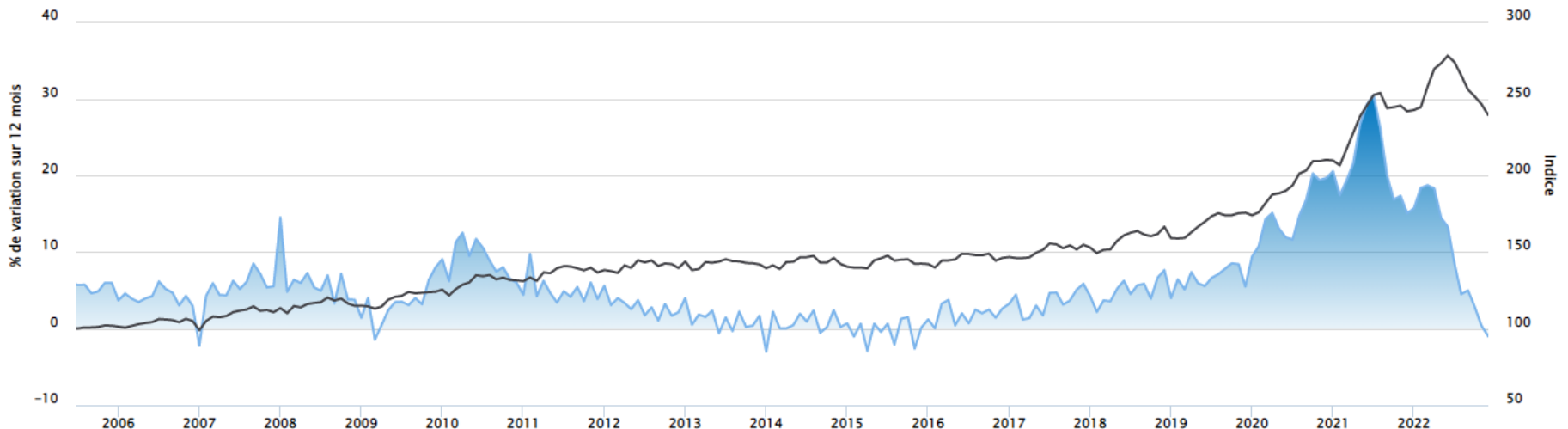
Since June 2005, according to the Teranet index, for the **Ottawa Gatineau** region, the real estate market has yielded **the equivalent of 4.95% per year** over 18 years.

▼ Ottawa-Gatineau

2022 / Indice / m/m / ytd / a/a / pondération c11  
décembre / 239,39 / -2,88% ↓ / -1% ↓ / -1% ↓ / 5,7%

Zoom 1a 2a 3a 5a tout

à juin 2005 de déc. 2022



Teranet - National Bank House Price Index: <https://housepriceindex.ca/#maps=c11>



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## Important points to consider

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## Desired lifestyle

- Do you want to travel more often? (Things you need to remember if you're leaving Canada for a while: cost of living, medical expenses, number of days out of country, etc.)
- Do you want reduce your maintenance and contingency expenses? Less hassle
- Are you looking for a change, more socializing or to enjoy leisure activities or hobbies in a group?
- Is a retirement home with services a good choice?
- Renting an apartment/condo
- What about financial considerations?



# Needs

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- The current house no longer fits the needs of the family (children are independent and live elsewhere for example)
- If you stay, you may need to make changes to improve access (potential renovations)
- Do you need cash to eliminate debt at retirement or to maintain or increase your standard of living?



# Family

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- Do you want to be closer to family, children and grandchildren (are you moving to follow them?)
- Do you want to keep the family home for your estate?
- Multigenerational house?



# Budget

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- What is your current and projected budget?
- How much of your budget goes to the fixed costs associated with your home: maintenance and repairs (between 1 and 3% of the value), property and school taxes (about 1% of the value).
- How much is your house worth?
- What amount rent can you afford?



## An example

Proceeds of sale = \$500,000

**Balanced** investor profile

Addition to the annual budget = **\$25,200\***

For = **25 years.**

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Savings on current fixed costs... (1% tax plus at least 1.15% maintenance and repair costs)

Potential total = **\$36,000 per year** added to your budget, so approximately **\$3,000 per month\*\***

\*\*Investment Return taxes has to be considered and will differ base on your investor profile, your marginal tax rate and the chosen investment vehicle. Some investment options can differ taxes for many year and generate capital gains only at the end. – see next slides

**\*Assumptions according to FP Canada standards:**

- \$500,000
- Net-of-fees return used: 4% (balanced profile),
- Inflation of 2.1%
- Duration : 25 years...
- Result = \$2,100 per month



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## How to invest the available amount

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# Know your investor profile



Income

Conservative

Balanced

Growth

Maximum Growth

## Balanced



Asset Class	Min (%)	Target (%)	Max (%)
Cash	0	5	20
Fixed Income	30	40	65
Equity	30	45	65
Alternative	0	10	25

You give equal importance to income and capital growth. You can tolerate moderate volatility to ensure the growth of your capital, but you prefer having a portfolio with a significant exposure to fixed-income securities for reasons of stability. Your tolerance for risk is average.

# Tax-effective investment strategy

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## One Example: Corporate Class Funds

- Class funds are held in a mutual fund company and provide additional tax benefits because they are treated as single entities for tax purposes.
- Because Corporate Class funds cannot distribute interest or higher-tax foreign income, taxes are minimized or deferred, so funds accumulate through compound growth.

## Who are Corporate Class funds for?

- **Individual investors** with non-registered investments
- **Retirees** who want a tax-efficient source of income that can reduce Old Age Security (OAS) clawback.
- **Owner-managed corporations** on the lookout for tax-efficient options for after-tax profits.

## Corporate class funds in distribution series

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- Receive tax-efficient monthly cash payments and customize the rate or amount of cash (up to 8%) **without** triggering capital gains taxes
- Adjust, stop or resume payments according to your needs
- Reinvest cash, modify the asset allocation over time without triggering capital gains taxes.

<https://www.fidelity.ca/en/products/taxsmartsolutions/?language=en>



# What kind of return is possible for a Balanced portfolio?



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# Alternative solutions

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## Alternatives

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- Status quo: Maybe doing nothing is the best option for you...
- Access to equity on the property and using those funds... A word about the *CHIP* program or home equity lines of credit.



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# Questions

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## Useful links

### Ontario Residential rent increases

<https://www.ontario.ca/page/residential-rent-increases>

### Can you claim moving expenses?

<https://www.canada.ca/en/revenue-agency/services/tax/individuals/topics/about-your-tax-return/tax-return/completing-a-tax-return/deductions-credits-expenses/line-21900-moving-expenses/you-claim-moving-expenses-11.html>

### Fidelity Tax Smart Solutions

<https://www.fidelity.ca/en/products/taxsmartsolutions/?language=en>

### Senior's Home Safety Tax Credit

<https://www.ontario.ca/page/seniors-home-safety-tax-credit>

### Home Accessibility Tax Credit (HATC)

<https://www.canada.ca/en/revenue-agency/programs/about-canada-revenue-agency-cra/federal-government-budgets/budget-2022-plan-grow-economy-make-life-more-affordable/home-accessibility-tax-credit.html>

**Our website :** <https://www.nbfwm.ca/advisor/bertrand-dubreuil-wealth-management-team.html>

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