

## Welcome to 2009!

We start this year on a very positive note; mortgage interest rates have recently fallen to the lowest level in nearly 5 years, opening the door for homeowner and investor opportunities alike. That spells a general increase in consumer confidence when it is most needed. Combine lower rates with the positive news that, while we saw stock markets crumble and mutual funds lose nearly 40% of their value, real estate held very steady in our province. Despite misleading media reports of a dramatic market decrease in housing prices, we enter 2009 with the average home price in Calgary at about 97% of the value in January 2008. In a world where expectation of return *on* investment has been replaced by hopes of return *of* investment, real estate has turned out to be the real bright spot in the average homeowner's portfolio.

The fall in interest rates has given a big lift to our consumer buying power; today's average home price of \$460,000 requires a qualifying family income of about \$72,000 per year. A year ago with much higher interest rates in play, it would take an income of \$81,000 per year to purchase that same home, more than 11% higher qualifying income than today's interest rates allow.

Many homeowners who bought within the last 3-to-5 years or longer have experienced dramatic growth in equity since the purchase closed. Many of those were young, first-time buyers who scraped together minimum downpayments, often doing so in the early stages of their careers. Jump ahead to today; careers are more established, incomes have risen, and home equity has grown dramatically. In many of those cases the focus until now has been on getting family, careers and finances settled. Planning for long-term investing is just starting to come into the picture, with perfect timing given today's low interest rates combined with the many strategic investment opportunities at hand!

I have been approached many times by such homeowners, wondering if they can access the equity in their home in order to make investments; the simple answer is "yes". Refinancing a home to increase the existing mortgage or to add a home equity line of credit (HELOC) allows the homeowner to make discretionary investments using the accessible equity in their home. One of the most popular reasons behind those requests is so that the homeowner can make a lump-sum RRSP top-up investment, catching up on the unused RRSP contribution allowance from the previous tax years. The top-up can trigger a large tax savings, and at the same time it allows for strategic planning associated with the security of long-term tax sheltered investing. While banks and financial planners can often arrange

loans for those top-up investments, the consumer often opts for the more attractive lower cost of borrowing and smaller payments afforded by incorporating those borrowings into a mortgage or HELOC.

Some investment companies and financial planners even offer the ability to incorporate real estate investments within an RRSP, allowing access to some of the best rates of return in the marketplace combined with tax-sheltered growth! It is interesting that over the years I have seen fortunes made and lost in the stock market, but the return that I hear most consistently raved about is the money made in real estate.

Make 2009 the year to take control of your finances and investments. Inquire about putting today's low interest rates to work for you. Good Luck and Good Fortune in 2009 and onwards.



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