

Tips for first-time homebuyers

CREDIT COUNSELLING SOCIETY OF B.C. FEBRUARY 5, 2012

1. Prioritize your spending; if saving for a home is an important goal it will help to identify areas in your budget that you can reduce and set aside in savings. The best way to accomplish this is by setting and following a spending plan (budget).
2. Pay off your credit card debt. It is very hard to get ahead and save for a down payment on a home if you are paying a lot of interest each month.
3. Consider getting rid of your car or if you are a two-car family, selling one of your cars. This is not an easy thing to do but you could save thousands of dollars each year by making use of public transit. If this seems like too drastic a step, consider parking your car for a couple of months to see if you can manage.
4. Look for cheaper ways to do things. If you tend to buy books and magazines, consider borrowing from your library instead. Are you paying for more features on your cable or telephone service than you actually use that you could eliminate to reduce your costs?
5. Save more from work. When you get a raise or cost-of-living increase, set the money aside in savings; every little bit helps.
6. Use a tax-free savings account to accumulate savings for your down payment. The interest or investment income grows tax-free and will not be taxed when you make a withdrawal.
7. Saving up the required down payment is the hardest part of buying a home for most first-time homeowners. Obtaining mortgage loan insurance through CMHC or Genworth can help you purchase a home with as little a down payment as low as five per cent of the purchase price.
8. There are also home ownership programs for low-income families available through the non-profit organization Habitat for Humanity, where future homeowners participate in the building of a home and build up sweat equity as part of their down payment.
9. Home ownership is a big step; make sure you are ready for this. One way to find out is by test driving home ownership first. Try living for three to six months within a budget as if you had purchased the home. Can you manage and adjust your lifestyle to make this work? While it may extend the time it takes to own a home, you will have more money saved up and won't have buyer's remorse and be house rich but cash poor. The Credit Counselling Society has lots of helpful tips, tools and resources for consumers on its educational website at

www.mymoneycoach.ca

Source: Credit Counselling Society of B.C.