

Renovate and take advantage of today's great mortgage rates!

Canadians are a nation of renovators, turning the houses they have into the homes they want. Renovating is seen by some as an alternative to “moving up”, and is an excellent way to bolster the value of your principal asset. And why not? There’s never been a better time. With historically low interest rates, Canadians have an excellent opportunity to make their renovation dreams come true.

Canadian spending on home renovations accounted for about 2.6 per cent of economic activity, or \$33.8 billion in 2008. In 2009 there was a flurry of renovation work that coincided with the now expired home renovation tax credit. In fact, renovation spending outpaced new home construction spending in the third quarter of 2009, and accounted for over 40 per cent of total residential spending. Even with the lapse of the popular renovation tax credit, renovation fever is expected to continue.

If your renovation project includes some energy-saving home improvements, you may also be able to tap into grant money under the ecoENERGY retrofit and other government and local programs.

But what about the upfront financing for larger projects? If you’ve built some equity in your home, you may be able to unlock the financing you need for those projects. Assuming your current mortgage is \$150,000, here’s an example of how you can roll your renovation cost into your mortgage and have one, easy monthly payment. You can then use your prepayment privileges to pay your renovation project off faster.

Renovation Cost	Mortgage Amount	Monthly Payment*
\$20,000	\$170,000	\$917
\$40,000	\$190,000	\$1,025
\$60,000	\$210,000	\$1,133

*Assumes 4.25% 5-year rate, 25-year amortization. OAC

Want another reason to renovate now? It pays to renovate. The right improvements will boost the value of your home. So you’re building on your biggest investment – while you enjoy your improvements every day. Before you choose a renovation project, then, it’s worthwhile to consider what the impact will be on the appraised value of your home – in case you ever want to sell. The Appraisal Institute of Canada (www.aicanada.ca) has a good idea on which renovation projects can maximize the value of your home – and which ones just don’t pay, financially.

To check on the estimated payback, visit the RENOVA section of the Appraisal Institute’s website (click on Client Resources Centre), which has an interactive web-based guide to the value of home improvements. RENOVA is designed to give you a better idea of the return on investment you can expect for a variety of home improvements. You simply input the amount you plan to spend on one of the 25 listed renovation types, and you’ll receive an estimate of the effect this home improvement project may have on the value or resale of your home. Even if you are renovating for personal reasons only – to improve the livability of your home – it just makes good sense to understand how that investment might payback in the value of your home.

In today’s great interest rate environment, homeowners aren’t renovating just because they want to... but also because they can. Many are taking advantage of incredibly low mortgage rates to refinance their mortgages, potentially saving thousands of dollars, while extracting some of that equity for a renovation project or two.

If you’re interested in renovating, a great place to begin is with a call to your mortgage planner.

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