



 **rappport**

CREDIT UNION

*Be true to your money.™*

JANUARY - MARCH 2020

# Quarterly Newsletter

## Taking First Steps - Budgeting

One of the fundamental cornerstones of financial health is making sure you can meet your financial obligations and day-to-day needs. That simply means, you can pay your bills, set aside savings, and still have money leftover at the end of the month. Sound impossible? Well it doesn't have to be - it just takes a process - and that's setting and sticking to a budget.

Setting a budget is crucial for financial wellness. In fact, the 2019 Canadian Financial Capability survey found 39% of Canadians under age 65 feel they struggle to meet their financial commitments.

*“Those Canadians that use a budget (49%) are less likely to fall behind, borrow money to pay day-to-day expenses, or overspend. They are also more likely to be paying down personal debt or mortgages faster and have greater financial wellness.”*

The first step in budgeting is to set your goal. It doesn't really matter what the goal is, it just matters that it's achievable with a realistic plan to meet it. Budgeting goals are usually around reducing debt or expenses, increasing savings, or meeting a known financial goal like a trip or a major purchase. Once you understand where you are going, the next step is to understand where you are starting from.

To get started you need to dive deep into your expenses - **all of them.**

Take a look at your last few months' worth of receipts, bills, and statements and organize your monthly expenses into different types. The first is your regular fixed expenses, the ones you know you pay every month or quarter. This type of expense includes your rent, mortgage, insurance, or other fixed payments like a car loan.

**2019 RSP DEADLINE**  
March 2, 2020



## Taking First Steps - Budgeting *(continued from front cover)*

The next category is also fixed expenses, except the amounts may differ month to month- like your cell phone bill, utilities, groceries, gas, and credit card payments. You can take a few typical months and average them out.


The next category is your discretionary spending - and often that's the one we lose track of. It includes items like eating out, clothing, entertainment - really anything you spend money on that is not a necessity and you have the decision to spend on it or not. The remaining categories are for items that happen once in a while (i.e., taxes, licensing or registration for your car), unexpected expenses (car or house repairs), and your savings. That's right, saving for the future is an expense that must be planned for. Once you understand your expenses you can set a realistic budget for how you will spend your money going forward. Then you will take all of this information and set an annual budget with monthly objectives.

Having a budget is not enough, you need to make sure your estimates were reasonable. So, it's time to track your monthly expenses as they occur. You can use an app, a spreadsheet, paper and pencil - it doesn't matter what tool you use as long as you track your expenses to make sure you are staying within the limits you set and see where your money is going.

There are ample tools available for setting and tracking a budget. There are templates on excel, phone apps, and online budgeting tools. Really what it comes down to is personal preference on what tool you use. The FCAC has recognized the importance of setting a budget and launched an online Budget Planner at <https://itools-ioutils.fcac-acfc.gc.ca/BP-PB/budget-planner-tool>. This is an interactive tool, that along with additional calculators, helps get you started on a budget and meet your financial goals.

At Rapport, we understand how easy it is to get off track and sometimes how hard it is to face where we are financially. Setting a budget is an important first step in taking back control over your financial wellness by improving your financial capability. Afterall, information is power and when armed with the right information, we can all learn how to make smarter everyday decisions that have really big impacts on our financial wellness.

*As a member, you have access to our financial advocates no matter where you are on the journey. We are ready to help you take the first step by setting a realistic achievable goal and giving you advice along the way. Whatever you need. Afterall, helping you succeed financially is why we are here.*



*"Just a note of thanks  
for the work you did  
for me - it took away all  
my worries and put me in  
a position that I've longed  
to be in for quite some time.  
My world has truly turned  
into a "Shiny" place."*

*- Rapport Member*

## Annual General Meeting & Call for Nominations

**SAVE THE DATE!** The Annual General Meeting will be held on Tuesday, April 14, 2020.

Are you interested in serving on the Rapport Credit Union Board of Directors? Visit [rapportcu.ca](http://rapportcu.ca) to download a nomination package. Email your completed entry to [NominatingCommittee@rapportcu.ca](mailto:NominatingCommittee@rapportcu.ca) or drop it off to the address below by Friday, January 31, 2020.\*

### Nominating Committee

Rapport Credit Union, 18 Grenville Street, Suite One, Toronto, ON M4Y 3B3

*\*Open only to Rapport Credit Union Members*

# Is The First Time Home Buyer Incentive Right For You?

If you really want to purchase your first home and are daunted by the cost, you may be interested in a \$1.25-billion dollar program recently introduced by the Government of Canada. The First-Time Home Buyers Incentive (FTHBI) was unveiled in September 2019 to make homeownership more affordable by making it possible for first-time buyers to lower the interest paid over the long term and make lower monthly payments by decreasing the size of the mortgage. The FTHBI will be administered by Canada Mortgage and Housing Corporation (CMHC). The agency will pay 5% of the purchase price for an existing home and up to 10% for the value of a new home in exchange for an equity stake that will eventually need to be paid back.

The good news: it will definitely help people get into a home and achieve lower monthly payments, but it's a little more complicated than it seems on the surface. To help you better understand this, we've outlined the details of the program below.

## Qualifying Income

Your annual household income has to be less than \$120,000, which includes money you earn from investments and rental income.

## Definition of a First-Time Home Buyer

In this program, you're a first-time home buyer if you:

- Have never purchased a home before
- Did not occupy a home that you or your current spouse or common-law partner owned within the past four years
- Recently experienced a breakdown of a marriage or common-law partnership

## Required Down Payment

Minimum down payment is 5% of the first \$500,000 of the lending value and 10% of the lending value above \$500,000. The minimum down payment must come from traditional down payment sources.

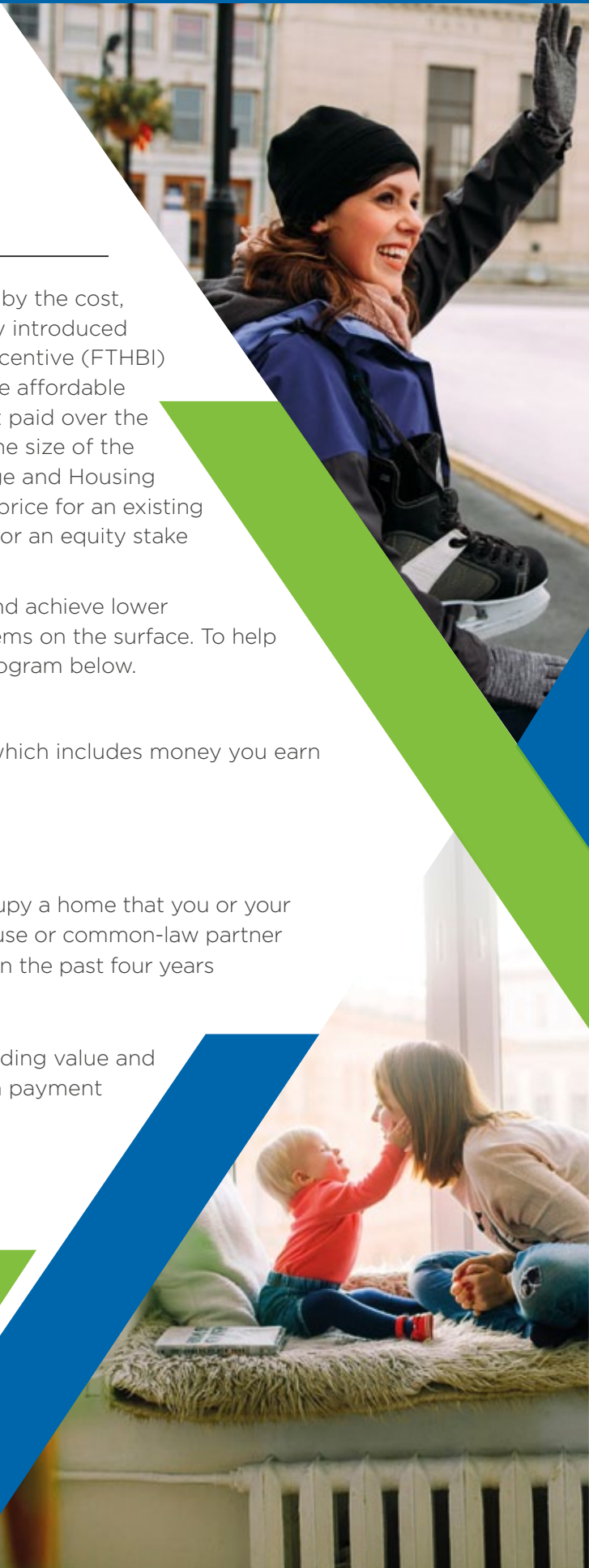
## Mortgage Limit

The combined mortgage and incentive amount cannot exceed 4x your annual household income.

To determine your eligibility, explore the FTHBI self-assessment tool. <https://www.placetocalhome.ca/fthbi/eligibility-savings-calculator>

## Repayment: Upsides and Downsides of a Shared Equity Mortgage

You can pay back the incentive in full at any time without penalty if you'd like to, but you aren't required to repay it until you sell your house or after 25 years, whichever comes first. The upside is that the incentive is interest-free.



# Is The First Time Home Buyer Incentive Right For You? (continued from page 3)

Hailey Fletcher, Personal & Small Business Account Manager at our Kingston branch, estimates the average monthly savings on a \$500,000 home purchased using the FTHBI at our current 5-year mortgage rate of 2.84% would be between \$139 to \$264 per month depending on the property type. Annually it would be up to \$3,179 and savings over 25 years could be as high as \$79,494.

This sounds great, but there's a downside. You have to repay the 5% or 10% share you received from CMHC when you bought it, calculated as a percentage of your home's fair market value at the 25-year mark or when it's sold. In dollars and cents language:

## Incentive Amounts

- 5% or 10% newly constructed home
- 5% resale home
- 5% new or resale mobile or manufactured home

<p>10% Incentive → \$500,000 Home mortgage</p> <p><b>= \$50,000</b> Towards mortgage</p>	<p>Home value ↑ \$700,000</p> <p><b>= \$70,000</b> To pay back</p>	<p>Home value ↓ \$300,000</p> <p><b>= \$30,000</b> To pay back</p>
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With the FTHBI, both you and CHMC benefit when your home increases in equity and you share the loss if equity goes down. This makes sense on one level, but it's critical to factor in how a home can appreciate in value over time.

It would be wise to speak with your Rapport financial advocate to determine the total amount (including interest) you can save, less what you will need to pay back when you sell the home.

## Is FTHBI Right for You?


For some, the FTHBI may be the difference between being able to afford a home or not. Rapport Thunder Bay Personal Account Manager, Will Langlois explains it's important to really think about what it will cost you in the long run. "Ideally, if you do make use of the incentive to get into homeownership and lower your monthly expenses, the best thing you can do is pay it back as quickly as possible and before making significant renovations that would increase the value of your home." He adds that ultimately, the decision to take advantage of the FTHBI is about protecting your financial health now and into the future.

That means something a little different for everyone, however it will mean making sure you are able to cover additional expenses should your home value increase, and if moving, all expenses associated with selling your home. Maintaining or improving your financial wellness is the goal.

If you'd like to explore whether or not the FTHBI is right for you and your immediate and long-term homeownership plans, one of our Financial Advocates would be happy to chat with you about it. Let us show you how.




THIS YEAR'S RRSP DEADLINE IS MARCH 2



## #RetirementGoals

## #LifeGoals




RRSP LOAN OR LINE OF CREDIT

3.95%

Building your RRSP can be an important part of your long-term financial plan. We're here to help you make your RRSP decisions. Let us show you how.

\* Upon approved credit. Some conditions apply. Rates can change at any time.



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## Member Assistance

416.314.6772 | 1.888.516.6664 | help@rapportcu.ca | rapportcu.ca

