

MONEYWISE

A Quarterly Publication by Seville Mortgage Corporation www.yourmortgage.ca

Welcome to MONEYWISE

There is still some confusion in the marketplace as to the role of a mortgage broker, therefore let me explain how we can arrange a mortgage suited specifically for you, with no fees payable by you, at below posted rates!

How can a mortgage broker arrange a mortgage for me at a better rate than my own bank can offer? Simple. On average, you may arrange your mortgage once every 3 - 5 years, whereas your broker will arrange hundreds in this time. Due to the large volume we bring to the lenders, they offer us discounted rates and are more willing to negotiate than they may be with you.

We offer flexibility. The interest rate is always an issue, but what about pre-payment options? Want to increase your payments or pay down your mortgage? Some lenders may allow you to pay up to 20% per year. Just listed your

home or new to the housing market and need an interest rate guarantee? We have lenders who will hold your rate for extended periods of up to 120 days!

Lets clear up the myth about brokers charging large fees. Mortgage brokers have access to Canada's top banks, credit unions and trust companies who are all looking for your business. Should we arrange a mortgage for you through one of these lenders, you pay no fees. The lender pays us a fee for arranging the mortgage on their behalf. This fee is NOT tacked on to your mortgage OR reflected in your interest rate in any way!

Maybe you have had some credit problems or are self employed and cannot prove your income. We have lenders who will extend mortgages based on the equity in your home. There may be fees payable to the lender and/or broker in such situations.

With so many options, you may be unsure of which mortgage is right for you. This is why you should choose a broker. We will explore all of your possibilities and explain your choices so that you can make a fully informed choice that suite your lifestyle and financial needs

Donna Telep *President & CEO*
Seville Mortgage Corporation



Avoiding Credit Card Fraud

Avoiding credit fraud takes more vigilance than it ever did. Most of us do take precautions, but here are a few ways to help reduce the risk.

1. Know when to expect your credit card bills. Perpetrators sometimes divert bills for a stolen account to a new address. If a bill is late call the credit card company immediately to verify that no address change has been filed.
2. Routinely verify that you have all your cards. You might have inadvertently left a credit card behind somewhere, so its important to check periodically.
3. Never allow a merchant to write your address or Social Insurance number on a credit card slip.
4. One way to keep track of your credit cards: keep them in a see-through tiered card holder, so you can immediately see if one is missing.
5. Beware of 900-number card or product offers. You may be offered a low rate credit card or a special prize but to claim it you have to call a 900-number If you check the small print you will discover that you will be charged per minute for

the call and promises for generous prizes will most likely be false.

6. Beware of phone calls claiming you are a prize winner, but require you to pay the tax or delivery fee prior to receiving your prize. These are frauds and should be reported to the Better Business Bureau.
7. Keep credit card numbers off personal cheques. If a merchant requests a credit card as ID when cashing a cheque allow him to write the name of the issuer of the card but never the number.
8. Don't leave room for extra charges. When you sign a credit slip, draw a line through any blank areas above the total. This prevents any fraudulent charges from being added after you sign.

Common sense is your best defense. If any offer for a credit card, a sweep-stake prize, a great deal on valuable merchandise sounds too good to be true, it is.





FINANCIAL ORGANIZATION

Get organized to reduce stress, improve productivity and save yourself valuable time.

- Define your home office space and keep all your bills and cheques as well as other office related papers in this area. Purchase two file boxes and set up one as an in box for bills and cancelled cheques until they are dealt with. It is a good idea to file your bills by due date as this will help prevent late payments. Once bills are paid and your bank statement balanced they should be transferred to your permanent file.
- Consider using a computer for money management. Quicken or Microsoft Money are two of the most popular. If you bank on-line check which program is recommended by your financial institution.
- Be practical. Throw out all records that you do not need. Old credit card statements, ATM receipts that are more than a year old, loan and mortgage documents for loans that have been paid off and most mutual fund statements once you have received a consolidated annual report which has a record of all your yearly transactions. Be sure to shred all documents as they are a gold mine of information for thieves.

- Set up a monthly budget and schedule for bill paying.
- Balance your cheque book and charge statements each month. You must notify the banks and credit card companies immediately if there are any errors as most will have a 60 day limitation on notification. Always check cancelled cheques and ATM receipts against your bank statement and compare your receipts with your credit card statement.
- Develop a plan to pay off credit cards and other loans. Pay off the highest-rate cards first, rather than making equal payments on several bills with varying interest rates.
- Cut down to one charge card per adult, two if you use one for home and one for work. This reduces statements and bill paying time.
- Consolidate your bank accounts if you have several.
- Pay bills by automatic deduction if possible.

Your financial management includes day-to-day living, estate planning and tax strategies. This means a budget, a will, an RRSP and tax advice. If you don't know where to start, consider a consultation with a financial planner to get you started.



Powers of Attorney *the Pros and Cons*



D. Sharon Manthey
Notary Public
Practicing in Maple Ridge since 1975

Discussion of whether or not a Power of Attorney is necessary or desirable has been a prominent issue in recent years.

The purpose of a Power of Attorney is to give authority to another person(s) to sign on your behalf. The principal being, should a person be unable to sign for themselves, the chosen "Attorney" may sign. You should be aware, from time to time the document is executed, the "power" exists. Because a General Power of Attorney gives wide latitude, you must have complete "trust" in the person(s) you select. You may grant authority to one or more persons who may either sign separately or together, as you direct. Frequently couples will grant this Power to each other and perhaps to one or more of their children. Should you become incapacitated, or just away on vacation, the authorized party(ies) could sign items such as renewals for car insurance, Home Owner's Grant, or write cheques, etc. on your behalf.

Consider how you would feel if your car is in your spouse's name and that person has a stroke or is in an accident.

You would be unable to renew the car insurance or drive the vehicle if the insurance expires. Further, you would not be able to sell the vehicle. If you have a mortgage to be renewed or altered, even if you own the property jointly, the other owner cannot sign on your behalf without Power of Attorney. In the event of an extended medical situation this could spell disaster. Numerous horror stories are told of unexpected problems that can arise by not having a Power of Attorney.

If you do NOT have a Power of Attorney and an incident occurs rendering you unable to sign, the alternative is complicated. A family member or other person must make an application to the Court to be appointed "Committee". This involves Doctors Affidavits stating you are unable to handle your own affairs. A Solicitor and the Public Trustee for the Province becomes the party that will look after the affairs of the incapable person. It is costly and often stressful for the spouse and/or family member(s).

There are also horror stories about misuse of Powers of Attorney. However, my advice is, have a Power of Attorney but select the person(s) appointed to sign on your behalf carefully. You do not want to have to revoke it at a later date.

A Notary Public is able to discuss the options with you.

TRIVIA *corner*

As Maple Ridge celebrates the 125th anniversary of its incorporation in 1874 we thought we would test your knowledge of the community:

1. When did Maple Ridge get its first stop light?
2. Two families in Maple Ridge have farmed the same piece of land for over 100 years. What are their names?
3. What was the original use of the Billy Miner Pub building?
4. When did the first train come through Maple Ridge?
5. What was the primary method of transportation in Maple Ridge's early days?

Answers on back page >



Financial Independence

Bob Thompson
RBC Dominion Securities Investment Advisor

Financial independence is a goal that most people share. The only question is: how do you get there? What you need is a plan - a "map" that puts you on the road to financial independence.

The foundation of any financial plan should begin with a thorough analysis of your current financial situation. The first step is the preparation of a net worth statement and current family cash flow. With this information, you can perform several evaluations, including:

- liquidity/emergency fund analysis: strike a balance between maintaining sufficient investment liquidity to provide financial flexibility and maximizing long-term investment returns.
- debt management review: explore potential opportunities to better manage current debt and enhance your net worth.
- leverage strategy analysis: if you can tolerate the risks of the stock market, you can accelerate your retirement savings by borrowing to invest.

The second step is to prepare a long-term projection of your cash flow. Based on your objectives, current savings and investment strategies, you can create a graphic illustration of where you will be if you continue on the road you're on. With this information, you can determine whether any changes are needed to your current "road map."

Next, you need to examine your tax situation to ensure that you're not paying more than you should to Revenue Canada. Effective use of registered products like retirement savings plans (RSPs) is essential to keeping your tax bill down. Tax savings can also be realized through the use of strategies like income splitting with spousal RSPs.

The fourth step to creating a financial plan is to analyze your current investments to ensure that you're getting the best returns, while taking into account your risk tolerance and time horizon. Making changes to your asset allocation (the balance between cash, bonds and stocks) can help you reach your financial goals sooner.

Following this, an analysis of your current retirement plan is needed. Among other things, the impact of inflation and your lifestyle expectations must be taken into account in order to ensure that you will have enough money when you retire.

Finally, the sixth step to creating a financial plan is to review your estate plan and make any necessary changes. Having an up-to-date Will and adequate insurance are two components of proper estate planning. Other considerations include the establishment of trusts and giving assets to intended heirs prior to death.

By following these six steps, in consultation with a professional financial advisor, you can get into the "fast lane" to financial independence.

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YOUR TAXES

Jim Maroney

If you sell your house for more than you paid for it do you have to pay income tax on the capital gain? The answer, as with most income tax problems, depends on the facts in each particular situation.

One of the tenets of Canadian income tax is that, in general, a taxpayer does not have to pay income tax on any gain realized on the sale of his or her home. Although this is most often true, it is dangerous to assume that a gain realized on the resale of your home is automatically tax free.

In order to avoid income tax on a gain on the sale of your residence, your property must meet the definition of a principal residence in each year in which you owned it. Fortunately, the definition is found in a single sentence in the Income Tax Act. The only problem is that the sentence is over 900 words long and contains over 50 commas.

A detailed review of the principal residence exemption is a certain cure for insomnia.

Rather than slogging on through the definition I'll focus, instead, on one key area in which taxpayers often run afoul of the principal residence rules.

The most frequent difficulty arises where the principal residence is located on land in excess of 1/2 hectare. For the metrically challenged among us this represents approximately 1.24 acres which is almost a quarter acre larger than the amount which was allowed in the pre-metric era. Where the property on which your house sits exceeds 1/2 hectare, the excess land cannot be sheltered from tax by the principal residence exemption unless it is necessary for your "use and enjoyment".

Of course all taxpayers will want to argue that they require their 100 acre spread for their "use and enjoyment" and, therefore, the entire gain should be tax free. Unfortunately, Revenue Canada interprets this term somewhat differently than its literal meaning.

From Revenue Canada's perspective, the land in excess of 1/2 hectare must clearly be necessary for the housing unit to fulfill its function as a principal residence and not simply be desirable (for example, for privacy reasons).

Situations in which Revenue Canada might consider the land in excess of 1/2 hectare to be treated as part of your principal residence include the following:

- (a) where government laws impose a minimum residential lot size restriction in excess of 1/2 hectare. This would be the case where your home is located in an area of two acre zoning for example. Revenue Canada considers zoning in effect on the date of acquisition to be the key factor here, however, consideration must also be given to severability at the time of sale;
- (b) where the size or character of the house including its location on the property makes the excess land essential to its use and enjoyment as a principal

residence. Few people own homes which cover 1/2 hectare (although Bill Gates would fall into this category if he lived in Canada), however, the need for a large septic field or well might be a factor to consider here, and

(c) where the home is located on the property in such a way that the excess land is necessary to provide access to and from a public roadway.

Many taxpayers may unknowingly find themselves sitting on rather large tax bills much to their surprise. Make sure you understand the rules before you decide to cash in.



ANDREWS BROWN MARONEY
Chartered Accountants

Jim Maroney is a chartered accountant with Andrews Brown Maroney in Maple Ridge.

TRIVIA *corner answers*

1. Maple Ridge got its first stoptlight in December, 1953
2. Both the Hamptons and Laitys have farmed the same piece of land for over 100 years.
3. The Billy Miner Pub building was originally a Bank of Montreal.
4. The first train came through Maple Ridge in 1885.
5. The primary method of transportation in Maple Ridge's early days was the Paddlewheeler.



Your Canadian Mortgage Source



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