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Welcome to the July issue of the *Real Estate Journal*, which is designed to help keep you in the know regarding Real Estate and Mortgage related matters!

Summer vacation is finally here. A huge shout-out to all the parents of those adorable preschoolers with their grad photos circulating on Facebook. And to all students who made it through the last year—enjoy your next two months in the sun!

In this month's edition we are going to take a look at a couple of the motivations behind buying a home, and discuss three things you can do today to pay down your mortgage quicker. If you have any questions or you would like to talk about financing your own home, please contact me anytime! I'd love to hear from you!

Thanks again for your continued support and referrals!

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**DID YOU KNOW...**

Lenders make more money when they renew your mortgage than on your initial term. This is partly because everything is already set up and there are fewer administrative costs for them upon renewal, but also because many people simply sign the first offer sent in the mail.

In fact, it's estimated that four out of ten homeowners took the first rate their bank or lender offered. That's a scary statistic considering lenders rarely, if ever, offer their lowest rate up front regardless of how long you've been a customer!

So here's what you do: the best way to handle every single mortgage renewal is to give



**"Why" People Buy Residential Real Estate**

your mortgage broker a call. We will make sure you are getting the best available mortgage product every time!

**Y**oda may have said, "...do or do not; there is no try", but if you're going to "do"—buy a home, for instance—for the love of Star Wars, know why you're doing it.

Savvy business practice dictates that before making a decision you should know the "why?" Simon Sinek writes on this at length within his book [Start with Why](#)—certainly worth a look! This tool will serve to protect you from all kinds of pitfalls. It will allow you to objectively take stock of the situation, and it will (more often than not) keep you from entering into a scenario where you don't have a clearly defined strategy/desired outcome.

Interestingly, the "why" in residential real estate has generally led buyers in one of two directions: either investment or lifestyle.

### **Investment**

In a world where investing can be a tricky proposition at the best of times, real estate, especially your primary residence, seems to be as close to a sure thing as you can get. Property in Canada has pretty much always appreciated in value and depending where you live, it seems new records for house prices are being announced each quarter. It's no wonder we feel home ownership is one of our fundamental rights as Canadians.

However, as any good investor knows, past performance doesn't indicate future results. People are starting to ask how long can this market last, as the media starts to circle back to the old "housing bubble" dialogue again. So is buying property solely as an investment a good idea today? Well, that really depends on your personal situation and is certainly worth a conversation. One we could have over a coffee!

If you are in a position to buy, and you have compared the cost of renting vs cost of the mortgage payment on a similar property, chances are you will find that buying is a good investment. The real kicker is that when (unlike traditional investments) you sell your home, the appreciation is tax-free money in your pocket.

### **Lifestyle**

While the idea of buying in order to sell and earn a big profit is a fairly recent phenomenon, buying in order to achieve your lifestyle dreams is as old as the idea of home itself. This is what drove the entrepreneurial spirit of the Wild West, and built the vast subdivisions of post-Second World War North America.

For most individuals, their home is their castle. It's where they find privacy, solitude, relaxation, freedom, joy, pride, community, and the space to be themselves. It's a pretty simple concept: people like to own their home.

### **When Worlds Collide**

When considering your "why" of home buying, a lot of times it's going to be a mixture of both investment and lifestyle. Obviously the house with the greatest potential for a large monetary return is the prudent, responsible choice. Location matters, neighbourhood matters, build matters, and potential renovations matter. You want to keep your property in great shape, as you would any investment!

But while you live there, pay down your mortgage, build equity, and see some long-term appreciation, you get to nap in your own comfy chair, in a room where you chose the paint colours.

## 3 Ways to Pay Down Your Mortgage Today!



**M**ortgages are funny things. When you're buying a house, you can't wait to hear these words: "Your mortgage has been approved". But what that really means is that you are going to be a homeowner. And as discussed in the previous article, there is a lifestyle element of homeownership that is very attractive. But let's not fool ourselves, a mortgage is debt; it's money owed. When you sign mortgage documents, you are most likely taking on the most debt you will ever be responsible for.

The best kind of mortgage is one that is paid off as quickly as possible. So let's go over three ways you can pay down your mortgage as quickly as possible. Because the very best mortgage is no mortgage at all!

### **Accelerate Your Payment Frequency**

Sounds simple enough, but making the change from a monthly payment to an accelerated bi-weekly payment is one of the easiest ways to turbo-charge the repayment of your mortgage over a long period of time. Chances are you won't even notice a difference.

Typically, on monthly payments, your mortgage is split into 12 equal payments. Accelerated bi-weekly payments divide your payments in half, but rather than 24 payments, you make 26. It's the extra 2 payments that accelerate the repayment of your mortgage.

### **Increase Your Mortgage Payment**

Unless you have a no-frills mortgage, which are popular with some banks, you should be able to increase your payment amount

Increasing your regular payment is a lot like signing up for a forced long-term savings plan. The extra money you put on your mortgage isn't a prepayment of interest, but actually goes directly to the principal and lowers the amount of interest you pay over time.

The good thing about increasing your payment voluntarily is that if money gets tight in the future, you can always have your payment reduced to the original amount!

### **Making a Lump-sum Payment**

As with the regular payment increase, when you make a lump-sum payment to your mortgage everything goes directly towards the principal balance. Most mortgage products allow you to put anywhere from 10–25% of the original mortgage amount as a lump-sum payment once per year.

The lump-sum payment option is perfect for any time you receive an unexpected amount of money and you aren't exactly sure what to do with it, like an inheritance. If you receive a year-end bonus, make a habit of applying it to your mortgage. You could take years off your amortization!

Not sure where to spend your tax return? Well, you should probably consider taking a nice warm vacation this winter. We live in Canada, and it's cold here, although you might not remember that right now, because it's July and it's gorgeous outside. (You thought I was going to suggest you make a lump-sum payment on your mortgage? Well, you can do that too if you like, but a warm vacation is a lot more fun!)

by 10–25% per payment! So if you get a raise at work, or happen to pay off a debt, consider rolling this newfound money directly into the prepayment of your mortgage.

There you have it, a collection of the small things you can do today that will help you be mortgage free tomorrow.

## About

**ROYAL LEPAGE**

Royal LePage is Canada's oldest and largest Canadian owned real estate company. Founded in 1913 by Albert LePage when he was just 26 years old, Royal LePage is now Canada's largest real estate company with more than 14,000 agents in more than 600 locations across the country. And we firmly believe that you can only become the oldest and largest company by being the best.

Over the years, we've learned a lot about real estate – and how to provide the best possible service for our clients. Since the mid-1990s, Royal LePage has more than tripled the size of its sales force and almost doubled its market share.

Throughout our successes, we remain dedicated to helping you through the real estate process. Our commitment to innovation and customer service is as strong as ever.

We offer all of our REALTORS® – from those serving tiny communities to those in major urban centres – strong support from our national pool of knowledge, skill and technical expertise. We regularly invest time, money and resources to develop and provide the knowledge and tools they need to best market your home, including:

- Up-to-date information about local market conditions
- Quarterly housing reports
- Creative brochures and newspaper ads to showcase your home
- Ongoing negotiation, marketing and technical training

This communication is not intended to cause or induce breach of an existing agency agreement.

\*\*Not intended to solicit Buyers/Sellers currently under contract.