

GOOD LIVING: FINANCIAL PLANNING FOR THE HEALTHY, WEALTHY AND WISE.

When the cottage becomes home

Think about lifestyle, financial plans before rushing into midlife moves, renovations

Dee and Patrick McGee have a long history of embracing life's transitions with style: when their youngest daughter left home, for example, they sold their house along with most of their furniture and tried condo living. That shift was such a great success that Dee, now a realtor with Chestnut Park Realty, made downsizing a specialty and even launched a website on the subject for other boomers.

But after loving their condo life in Toronto for many years, the McGees decided that they wanted to spend more time in the quaint community of Port Hope, where they'd bought and renovated a 150-year-old home a few years before. "We thought we'd just paint, put a few pieces of furniture in and have some fun – but we ended up gutting and redoing the entire place. When it was complete, we looked at it and thought, 'Wow. Well, we do have a lot of friends who live down this way.'"

The McGees have since sold their luxurious Toronto condo. With a flourishing real estate business in Toronto, in partnership with her daughter Ryanne, Dee maintains an apartment there, but the couple now considers Port Hope home.

They're part of a growing trend – boomers who are cashing in on urban real estate gains to embrace a simpler lifestyle in small centres or cottage country. "It's amazing how many people we know who have moved here from Toronto. Like us, they got tired of the noise and traffic. The cost of living is more reasonable in the country, and there's no question that housing is more affordable," she says.

As illustrated by the McGees' experience, however, updating the cottage or rural home to city standards can turn into an extensive and perhaps expensive renovation, with the potential to take a large bite out of retirement savings.

Eric Hamamdjian, an investment advisor based in Montreal, says, "Many people now want a cottage that feels like home, similar to their primary residence, so they're investing a lot of money in order to spend more time there during their transition years or in retirement. The question many of my clients have is, 'how can we most efficiently access the cash for renovations?'"

Making the transition with the benefit of professional advice and an overall financial plan in mind can help lower costs and ensure against future anxiety.

"There are a number of strategies that can make the process more tax efficient," says Hamamdjian. "If you're not planning on living in your



PHOTO: CHRISTINNE MUSCHI

Montreal-based investment advisor Eric Hamamdjian says as retirees spend more time at their cottage, many want to invest in it to make the dwelling feel more like their primary residence. With thoughtful planning, Hamamdjian says it is possible to access cash for renovations in a tax efficient way.

cottage immediately, for example, renting it out for all or part of the year will make some expenses tax deductible as well as creating a nice income."

For Canadians with a primary residence and a cottage, estate planning strategies become important. Effective planning can help ensure that heirs aren't forced to sell a cherished family cottage in order to pay the capital gain that would otherwise become taxable.

A common pitfall for the cottage-bound is drawing down so much capital from the retirement portfolio that it threatens income ability for later retirement. "It's not always a good idea to borrow from your portfolio. In some cases, it can make more sense to borrow from the bank, particularly if the home will be rented, making all or part of the mortgage interest deductible in those years," says Hamamdjian.

Just as important as strategic financial planning, however, is trying on the new lifestyle before jumping in with both feet. "It may be necessary to keep something in the city, at least for a while," says Dee McGee. "Many people want to continue working in the city, and for them, this lifestyle may not be the answer – we do know people who have ended up moving back."

For the McGees, Port Hope provides everything required for pleasant midlife living. Both are active as realtors in the area, and the local golf course is seven minutes

away. "Like a lot of our friends here, we're in the process of reducing our cost of

living, and that's impossible in Toronto," she says. "Out here, we love to barbecue on the

deck, and in general, a great lifestyle is just so much more reasonable." ■

Renovating? Do it right.

To ensure you're adding resale value to your home and minimizing costs when you renovate, says Vancouver kitchen and bathroom designer Laura Payne, "Do it once, and do it properly. Don't just replace the countertops: those old cabinets will look even older. Have a qualified designer look at the space – the existing layout may not be the best option. Live with things as they are until you can afford to do the entire project."

In the kitchen, advises Payne, invest in quality cabinets and installation. "If the cabinet boxes are not pinned and glued properly, the doors may not close properly and the drawers won't run smoothly on their glides in as little as a couple of years."

In rural as well as urban homes, the trend is still toward open spaces that allow the entire family to socialize while cooking. "An island with an eating bar area is on just about everyone's wish list," she says.

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Downsize one step at a time

For a successful midlife move, says realtor Dee McGee, begin by letting go. "We gave all of our furniture to our daughter," she says. "You don't want your city furniture in your country life anyway, and you certainly don't want to try to cram everything from a larger home into a smaller one."

Begin shedding superfluous stuff as soon as you begin thinking about making a move. Creating space in your current home will provide a sense of what you can and can't live without, and help shape your wish list for a new home.

Of each item in your current environment, ask: Is it beautiful? Functional? Do I love it? Will it work in the new space? If not, pass it on to someone else in your family or donate to a local thrift store. If it's valuable, consider selling it on Craigslist.org or through an auction house or consignment store. The money will come in handy for decorating your new home.

For more tips, visit downsizing.ca.