

RRSP SEASON 2007

SIZZLING HOUSING MARKET A BOON TO RETIREMENT PORTFOLIO

By Wayne Proctor

Consider this as RRSP season looms: Your home is not just the biggest investment you will ever make; it's also likely to be the most valuable asset in your retirement portfolio.

The Survey of Financial Security, conducted by Statistics Canada last December, provides evidence that, like it or not, Canadians are far more dependent on their homes for retirement security than on any disciplined RRSP regimen. According to the survey, there's a striking equity gap between Canadians' investments in their homes versus RRSPs and the financial markets. The average Canadian has as much as \$180,000 invested in their principal residence, versus an average of \$30,000 in RRSPs or mutual funds.

According to the survey, the proportion of Canadians owning their own home increased to 62 per cent in 2005, an all-time record. This makes sense when you consider where our collective ambitions lie. According to a 2006 poll conducted by Ipsos Reid for RBC, 61 per cent of Canadians count home ownership as their most important financial goal. The poll found that saving for retirement came a close second, at 57 per cent.

Because of market fluctuation and unpredictability, most financial planners will tell you to avoid thinking of your home as a form of wealth accumulation. But a hot real estate market that propels the value of your home to levels you never imagined possible is hard to ignore.

A report by ReMax Ontario Atlantic Canada found that if you bought a Toronto home 25 years ago, the average price of an existing home rose by a compounded annual rate of return of 5.6 per cent a year over that time frame, or 290 per cent.

In booming Alberta, housing prices skyrocketed in 2006, with the cost of an average residential property jumping 49 per cent in Edmonton and 38 per cent in Calgary. The average price of a single-family home at the end of the year was \$341,933 in Edmonton. In Calgary, the average for the same type of dwelling was \$396,870. Prices in British Columbia have also soared with an average sale price of \$530,695 in the Greater Vancouver area and \$446,115 in Greater Victoria.

Of course, counting your home as retirement income requires that you sell your home to cash in on the proceeds. If that is the route you take, keep in mind that, just like RRSPs, your home is a tax-free investment. The government does not tax the capital gains you make on selling your primary residence.

So if it's true that our homes are to remain at the core of retirement planning, it has never been more important to protect this investment. Insuring a home and its contents against mishaps or theft is one thing, but Canadians also need to ensure that their home's title is protected.

Remember all those stories about real estate title fraud in the past year? It's quite simple: a fraudster targets a house, forges a transfer deed, registers in his own name, forges a discharge of the existing mortgage and borrows against the clear title. And unlike credit card fraud, where banks allow victims to suspend payment until an investigation takes place, restoring your title and your credit can be complex and time consuming.

Despite the fact that the Government of Ontario introduced legislation to protect consumers, the onus is still on the homeowner to prove a crime has been committed and this process can be emotionally devastating and the fraud victim is unlikely to recover all legal and other related costs. For a one-time premium, title insurance is an effective and inexpensive way to ensure your property is protected for as long as you own your home. It covers all legal expenses, manages the process related to restoring a title, and is available to existing homeowners long after they have purchased their properties.

There are other examples of potential detriment in title fraud. For example, in British Columbia, a recent ruling has relinquished a substantial amount of responsibility from the Law Society. In a situation of fraud committed by a homeowner's lawyer, the homeowner will be reimbursed to a maximum of \$300,000. This amount doesn't cover the average value of a home in Vancouver, so the homeowner will be at a loss for the balance of what their home is worth.

Purchasing title insurance is a simple process that can safeguard your property against title fraud and other issues, including liens, past renovations completed without a permit that lead to code violations or encroachments.

Despite the media and government attention to the issue of real estate title fraud, many Canadian consumers still know little about title insurance. An Environics survey conducted in 2006 showed that 66 per cent of homeowners over the age of 60 who did not have title insurance on their homes had no understanding of what it is. Additionally, 49 per cent of homeowners over 60 stated they either had no coverage or did not know if they were covered by title insurance.

First Canadian Title, Canada's leading title insurer, hosts www.ProtectYourTitle.com, a website launched recently to educate consumers on the issue of real estate title fraud. The website provides fraud prevention tips, case studies, Q&As with industry experts, and links to partners such as the RCMP, Ontario Provincial Police, and PhoneBusters, an anti-fraud call centre operated by the Canada Competition Bureau. Visit www.ProtectYourTitle.com or call 1-877-888-1153 for more information.

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