

Your RRSP Can Finance Your Mortgage

By Rick Bates, CA

(NC) Did you know that you can put your own mortgage into your self-directed RRSP (registered retirement savings plan)?

The concept is intriguing because it means, in effect, that you are both the borrower and the lender. Revenue Canada insists that the transaction be at arm's length.

It must be a first mortgage, the interest rate must be what a third party would charge and the mortgage has to be insured. You also need an RRSP large enough and

liquid enough to provide the needed funds.

One advantage is that with your RRSP you can get a higher return from the mortgage than from term deposits or guaranteed investment certificates, yet there is no risk if you have any faith in your own financial acumen.

For another, you will have the satisfaction of putting your RRSP to work without the usual requirement that you cash it (and pay tax on the proceeds) first.

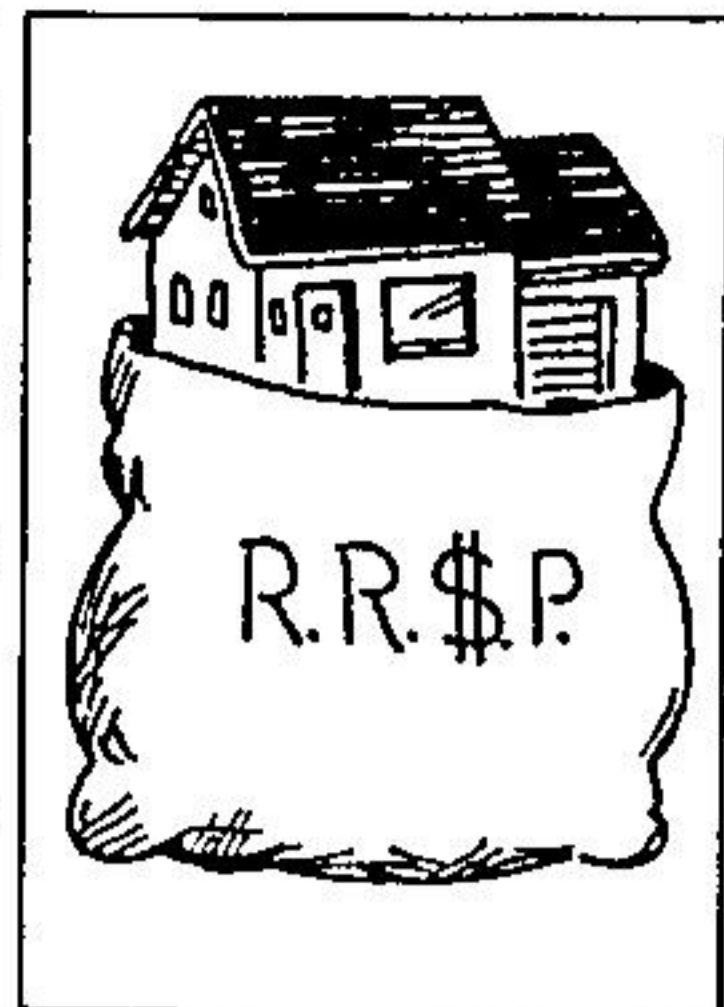
Another benefit: the interest paid into your RRSP is tax-deferred. As with other RRSP investments, you pay no tax until ultimately the RRSP is converted into monthly retirement income.

On the downside, there is the expense of arranging a new mortgage rather than simply renewing with the same lender. These costs include legal fees, often an appraisal fee and an administration fee. You must also have a self-directed RRSP, though there is no added expense if you already have one.

Another considerably larger expense is insuring the mortgage.

Because of this cost, a mortgage of less than about \$25,000 would be prohibitively expensive. However, if you have a high-ratio mortgage that is, one for more than 75 per cent of the value of your house, in which case it must be insured anyway you are already paying the insurance premium.

You should not regard the RRSP-funded mortgage as either a boon or a boondoggle. It can be either,



depending on your circumstances.

From your own viewpoint, would it be cheaper to get a mortgage from your RRSP or elsewhere? From your RRSP's viewpoint, would your mortgage offer a better return than other low-risk investments?

The deciding factor should be whether it makes financial sense.

Work out the numbers or have your chartered accountant do the calculation for you.

For CA's advice on TV see Your Wealth, available on broadcast channels in Ontario and on satellite across Canada, or see Money in the Bank, on your community channel. Moneycare is general interest financial advice by Canada's chartered accountants. Rick Bates is with the University of Guelph.

A Pictorial Quiz

Test your skill and improve your knowledge of Canadian facts, faces and places...



A pioneer of the women's rights movement
Thelma Casgrain



He saved the Bill of Rights
The Rt. Hon. John Diefenbaker



He raised millions for charity
Terry Fox



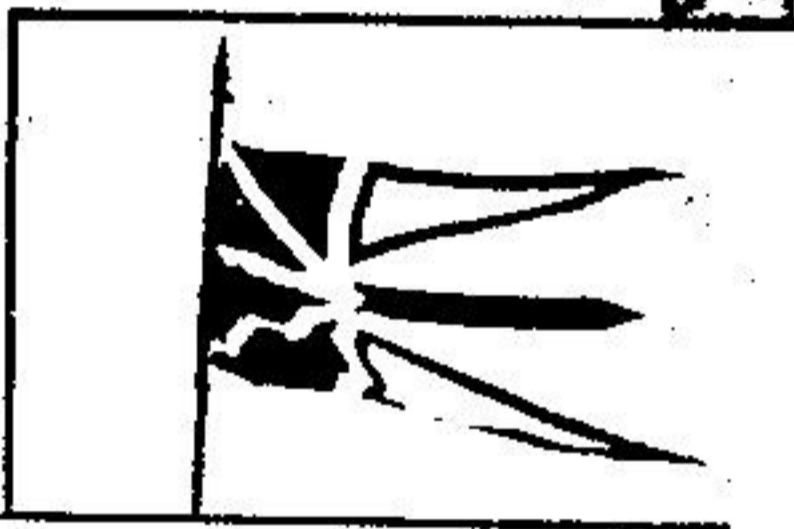
A symbol of this western city
Calgary



Old-time landmark in...?
Halifax



A northern coat of arms
Yukon



Canada's newest provincial flag
Newfoundland



A famous hotel in...?
Quebec City



"Fastest Ship in the World" in its day
New Brunswick clipper, Marco Polo



They met in...?
1864 in Charlottetown



He gave his estate to the nation
Mackenzie King
William Lyon
Rt. Hon.



It has burned for twenty-one years
The Centennial Flame



Where Golden Boy stands
Manitoba Legislature Building



Canada's most northerly citizens
Inuit

Sunspace Designs For Your Home

(NC) Q. I'm thinking of adding a sunspace to my home. What designs should I consider?

A. Three special purpose sunspaces are in common use today: the solar collection space, the greenhouse and the more popular sunroom.

Solar collection space

Used principally as a source of heat during cold weather, solar collection spaces are designed to gather energy from the sun during the day and transfer it to the rest of the building by fans and ducts.

Solar collection spaces have no auxiliary heating and are insulated from the rest of the building. During the winter, temperatures can vary widely between day and night. Despite its cold evening temperatures, however, a solar collection space can contribute to reduced energy bills.

Greenhouses: summer bounty in winter

Greenhouses are designed to provide optimum conditions for growing plants over an extended season. Auxiliary heating is required to maintain temperatures when insufficient solar energy is available. In addition, humidity and condensation must be carefully controlled to avoid moisture problems.

Greenhouses often consume more auxiliary energy than they collect from the sun and therefore can be a net energy liability. However, the benefits of having an area dedicated

to growing plants and vegetables can outweigh the energy costs.

Sunrooms: living space

Sunrooms are designed to be lived in the year round, especially during the winter. On sunny days, this design can provide some heat to the main building but at night or on heavily overcast days auxiliary heating is required to maintain temperatures.

Like all attached sunspaces, sunrooms should be oriented within 30 degrees of south for optimum performance. They should have a solid, insulated roof with an overhang to reduce overheating in the summer and heat loss in the winter. Skylights can be added to allow light into the back of the sunroom.

These sunspaces typically have a large south wall of vertical, double-glazed glass and solid, well-insulated east and west walls. Sunroom floors and wall surfaces should be made of heavy energy absorbing materials such as tile, brick or masonry.

Windows should open at the floor and ceiling levels to improve cross ventilation and reduce overheating in the summer.

Before beginning construction of any type of sunspace, check with local authorities for building regulations and permits.

For more information, write to the Renewable Energy Branch of Energy, Mines and Resources Canada, Ottawa K1A 0E4.

Understanding Your House

by N.P. JONES

In coming to grips with your house, as you face renovation projects or the aging of the structure itself, several questions will arise. The Ontario Ministry of Housing has produced two new booklets of useful tips and diagrams to assist in these areas.

Understanding Your House describes the structure of wood frame houses and the typical problems related to them. Tips are offered on how to inspect your home from the foundation to the roof for cracks, crumbling, spalling, insect damage, wood rot, and sagging floors or supports and how to correct these problems. The concluding section explains how adding a skylight or sunroom and removing or adding interior

partitions, are projects related to the structure of your house.

The Water Resistant House describes how to inspect your roof, eaves, flashings, attic, walls and basement for signs of water damage. Tips are offered on how to identify the causes and make corrections in keeping moisture out, reducing condensation in the structure and dealing with water emergencies.

Free copies of these booklets are available by writing to:

Housing Conservation Unit
Ministry of Housing
777 Bay Street
2nd floor
Toronto, Ontario
M5G 2E5

Please mention that you read about these booklets in HOMES.