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Financial tips for buying recreational property



by Graham Barber
The Vault

According to a recent Royal LePage poll, four Canadians will be seeking recreational properties this year for every one owner who plans to sell.

The scarcity of supply, low interest rates, increasing interest from U.S. buyers, and the perception that property is a "safe haven" from volatile stock markets have combined to put upward pressure on prices. For many potential buyers, creative solutions are called for.

Financing your vacation retreat

Whether you're interested in purchasing a lakefront property or ski chalet, coming up with the funds could be tricky. Lenders typically view loans on recreational properties to be riskier than home mortgages, and may

insist on a larger down payment or charge higher interest rates. Here are some strategies you can employ to help make your dream a reality.

Remortgage your home

Your primary residence is a good place to look for financing. If your home is worth more than your outstanding mortgage, you may be able to tap into some of its equity and raise extra cash – up to 90% of the present value.

You could also consider taking out a second mortgage on your home; however, rates will probably be higher than your first mortgage.

Resourceful financing solutions

Along with raising prices, potential owners of recreational properties will have to budget for renovations, maintenance and property taxes.

Renting your property

If you anticipate that you won't be using your vacation property for all the summer months (of if you intend to purchase a winterized chalet near the ski slopes that won't be in use during parts of the season), you might consider renting out your property to help with carrying the costs.

The Royal LePage poll also

revealed that 40% of potential buyers plan on renting out part of their property for part of the year. Having occupants when you are not there may also help discourage thieves and vandals.

Tip: Be sure to save all receipts associated with maintenance, utilities, and insurance, as you may be able to claim tax deductions if you are drawing income from your property. Renovations also increase your capital base and can lower potential capital gains when and if you decide to sell.

To determine a fair rental price, ask around or check into classified and Internet listings and community bulletin boards to get a sense of what others are charging for similar properties. Listing your property with a rental agency can help you market it.

Don't forget that if you decide to rent out your home away from home for parts of the year, you will be responsible for ensuring that it is clean and habitable.

Tip: If you anticipate being out of the country when renters occupy the property, you might consider hiring a manager who can take care of the maintenance and repairs.

Family ownership

Another way to reduce your financial outlay is to consider a joint purchase with family or friends. A parent may consider buying property with an adult child who does not have a principal residence.

If the property is in the adult child's name, this can help save on capital gain taxes if you intend to sell during your lifetimes.

Siblings may also consider purchasing a property together. On the face of it, this may seem like an easy way to make a recreational property affordable, but potential problems can easily arise.

The most obvious is the use of the property – particularly as Canadian summers are short. Other things that should be worked out well in advance – and preferably out in writing – are who will be responsible for maintaining the property (work and costs) and succession planning.

Tap into local knowledge

Local real estate brokers are a valuable resource who can help you in your planning and budgeting. They will understand the market and renting conditions and can give you good estimates on property taxes and annual upkeep.

If you are planning to buy

vacant land on which to build a dwelling, they can also help you check into any building restrictions and local zoning regulation.

Ask yourself tough questions

With the recreational property market so tight, it pays to be honest with yourself and your family about what you really want. How often do you plan to use the property?

Can you afford the purchase price and maintenance costs without having to compromise on the other things you want out of life?

In your planning and budgeting, you may find it makes much more sense to rent for a month during the summer season, and still have enough left over for travel and other leisure activities.

But if your dream of owning a recreational property is still burning bright, sit down with your mortgage lender and find a way to make it happen.

The preceding information was provided by Graham Barber, Branch Manager of Scotiabank, Alcona Branch.

The Scotiabank, Alcona Branch, is located at 1161 Innisfil Beach Road, (705) 431-6116.

Insurance Corner: Tips to reduce your business insurance premium



by Martha Marton

How can you reduce your business insurance premium? An insurance

company bases insurance premiums on the risks involved. They evaluate each situation to determine the risks, or potential for losses and your rates are based on their evaluation of those risks.

To help insurance companies see your company in the best possible light, consider these tips. Your company will benefit by reducing the chances of a loss and your insurance company should reward your lack of claims and good safety practices with

better rates.

Install a sprinkler system, smoke and fire alarms.

Install burglar alarms, dead bolt locks, security lighting and other security devices. In high-risk areas or with high-risk inventory you may consider 24 hour security.

Keep electrical wiring, stairways, carpeting, flooring, elevators and escalators in good repair. Hallways and entrance areas should kept clear of debris. Have elevators and escalators inspected regularly.

Keep only a small amount of cash in the cash register.

Keep good records of inventory, accounts receivable and equipment purchases. Notify your insurer of any major changes and purchases.

Consider keeping a second set of records off-site, such as with your accountant or at home.

Make sure your employees have good driving records. Re-check those records at least annually. If they drive your vehicles, check more frequently and have a good safety manual.

Maintain adequate lighting throughout your business premises.

Make sure your

employees know how to lift properly and use all necessary safety equipment, such as goggles, gloves and respirators.

Talk to your employees about safety practices. Maintain a safety manual and refer to it often. Safety meetings area great way to maintain employee's awareness of safety practices.

You may consider using the services of a risk manager. An outside consultant can advise you of any safety or environmental regulations you may have overlooked.

You may also want to raise your deductible where

appropriate to lower your premiums. How high to raise the deductible should be governed by how much you can afford to pay out of pocket. Be careful not to raise it so high that you cannot cover it should a loss occur.

For more information on how to protect your business, contact Martha Marton at Tupling Insurance Brokers Limited. Direct Line 705.458.8111 marthamarton@tuplinginsurance.com

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Public comments invited on Library Master Plan at Cookstown Branch

The Innisfil Public Library Board invites all residents to comment on the recently released draft Library Master Plan. The Plan will be used to determine the library's hours of operation, space requirements, materials and staffing levels for the next twenty years.

The responses collected from the public during the month of July will be incorporated into the final document and will affect the direction of Innisfil's library service in the years to come.

Display boards highlighting various components of the Plan are available at the Cookstown Branch for the week of July 24 to 28. A complete copy of the draft Master Plan is available at any branch or online at www.innisfil.library.on.ca.