

## Got A Hole In Your Bucket?

By Tracy Broeze, CFP

When advising people on how to structure their finances, we often ask people to visualize their accounts as buckets. So you may have a vacation bucket, a kids' education bucket, a retirement bucket... you get the idea. What we really mean, of course, are accounts.

Included in this inventory list of buckets are the everyday chequing accounts and the mortgage accounts. With the low interest rates over the past 2 years or so, mortgages have been top of mind. Some people have even found it to their benefit to break an existing mortgage to get a better long term rate. And every so often someone mentions their chequing account, usually to complain about fees and low interest rates.

If you have a chequing account, a savings account and any type of loan, whether it's a mortgage, car, or renovation loan, you most likely have a hole in your bucket. Money is leaking from your hard-earned cash to cover fees and high loan rates. Even if you have a reasonable mortgage rate, haven't you ever wished your line of credit or car loan could be as low? You're also losing out on interest your money could be earning. Most of us realize we have a leaky bucket but don't see any way to fix it.

Before you start working through the bucket fix list (they never really reach a solution in the song, if you remember), let us save you some time. There is a type of account that can be set up for virtually any situation, giving the same loan rate on all types of loans, with no account fees. (This is not a 'typo.' Really, no account fees.) In addition, the current rate of interest is 2.4% on values above \$5,000. So no need to transfer cash from your chequing to your high yield and back again!

So where do you find this industrial grade, no-leak bucket? We have researched a number of providers and found several that give you the ability to link different accounts to give you the most flexibility. The best earning rate and choice of repayment options aren't so common but they are out there. You can choose to carry a balance in your everyday account to take advantage of the good interest rate and still write cheques, use ATM's, and continue with your day-to-day banking just as you do now.

You can set up financing accounts to include fixed and/or variable rate portions, fixed or variable repayment options, enjoy maximum borrowing capacity set to your house value, and if you don't like having large amounts of credit at the swipe of a bank card, you can set limits on the amount available through your credit line. How's that for calling your own shots? The lending rates are good as well. A variable rate mortgage is prime + 1%, but you can save even more if you pay your own legal fees (usually about \$600 dollars), giving a discount to prime + .6%.

This type of flexibility is particularly attractive for those who are self-employed and have income that is irregular. No more need to worry about late account receivables. It also works very well for people who would like to accelerate their mortgage pay-down. Another application is for those who have already paid off the house but may need to do some renovations or buy a car. Finally, we love the idea for seniors who need access to capital but don't want to sell their homes. You are able draw up to 80% of the value of your home, a much higher amount than a traditional reverse mortgage. Interestingly, this will also protect you against identity theft and fraud since your house is listed with the account and can't be used to take out a scam mortgage.

So if you have a hole in your bucket....then fix it! Let us find you the best solution for your family. Call us -- we can help.