

Buntain Wealth Management  
Purchasing a Vacation Home

## Is life really better at the lake?

The questions you need to consider before purchasing a vacation home



*Of course life is better at the lake. Even when you're the daily special for every black fly around, you're likely at your most relaxed sitting on a dock, drink in hand, surrounded by friends and family. But does that mean purchasing a vacation property is in your best interests?*

Whether you call it a cottage or a cabin, a chalet or the summer house, there's no doubt that once those temperatures start rising in July and August, the dream of a summer spot that you can call your own beckons. It's hard to know whether the pull is toward nature, or away from everyday life — likely, it's a combination of both. Either way, the real question (at least for those not lucky enough to already have unlimited access to a vacation spot) is this: are 6-8 weeks of blissed-out wilderness worth the year-round cost of a second home?

The answer, as you probably guessed, depends on how you define "worth it." For some, a vacation home represents family togetherness, and owning one is a legacy they want to leave for their loved ones for generations of enjoyment. For others, it is the sum total of their retirement plan. In both of these cases, it would be hard to argue that the purchase is not worth it, unless it

causes undue financial hardship — and the legacy is one of debt or financial insecurity, not fond memories.

But if your definition of “worth it” is purely from an investment perspective, the answer is more complicated. And it’s not just because of the “hidden costs” an honest realtor should warn you about. As anyone who has owned a second property will tell you, the real costs of ownership don’t begin and end with mortgage and taxes. There’s maintenance, insurance, repairs, landscaping, association fees — not to mention all those toys. Once you factor in all these costs, a second home can have a significant impact on your overall wealth strategy, particularly as vacation home prices do not tend to rise as quickly or as dramatically as city homes. Indeed, depending on the location and market conditions, even selling a vacation home can be challenging. In a downturn, one of the first things to go is a highly discretionary expense, like a second home. Plus, there are tax and estate implications. Leaving your vacation home to the next generation may not be as easy as you imagine, particularly as your family grows.

Even if you take all these factors into consideration, however, you still need to make yet another calculation: what you could have earned had you invested this same amount of money elsewhere in your portfolio over the same length of time.

And once you’ve made that calculation — you need to weigh it against the enjoyment you might have gained from a summer home, keeping your own family’s lifestyle, needs and preferences in mind.

Would renting a cottage provide you with the same satisfaction? Would you resent having to spend most of your time in one place — perhaps at the expense of other travel? Or do you look at your friend’s cottage, which has been in their family for 70 years, and is now surrounded by multi-million dollar properties, and think the long-term potential more than makes up for the short-term costs?

It’s a weighty decision, one we wouldn’t recommend anyone make alone. That’s why a goals-based investment advisor can be so useful. A wealth management professional is trained to help you look at big financial decisions from all angles — helping you see past your blind spots and achieve your long-term goals. It’s not hard to find someone to crunch numbers — but providing advice that is truly in your best interests requires someone who has both investment knowledge and experience — and who has invested the time in discovering who you are, what you want to achieve and what your current financial situation looks like.

So go ahead — take the plunge, or don’t. Our job isn’t to tell you whether you should or you shouldn’t. It’s to make sure you are making decisions with your eyes wide open.

*Have we made you re-think your cottage dreams, or are you more certain than ever that it’s time to jump into the market? Hopefully, we’ve convinced you to talk it over with your investment advisor! Up next — a column about taking care of your health that has nothing to do with improving your diet, exercising, or scheduling regular check-ups (though we hope you’re doing all three!).*



---

The information contained herein has been provided by Buntain Wealth Management and is for information purposes only. The information has been drawn from sources believed to be reliable. The information does not provide financial, legal, tax or investment advice. Particular investment, tax, or trading strategies should be evaluated relative to each individual's objectives and risk tolerance.

Buntain Wealth Management is a part of TD Wealth Private Investment Advice, a division of TD Waterhouse Canada Inc. which is a subsidiary of The Toronto-Dominion Bank © The TD logo and other trade-marks are the property of The Toronto-Dominion Bank.

Revised 07/06/2018