

# Smaller communities beckon with smaller mortgages

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After falling in love 20 years ago with a man who was born and raised on Vancouver's North Shore, Montreal native Nina Watts moved to the West Coast and never looked back. Living in a neighbourhood known for its mountain-biking and hiking trails, yet not far from the beach, the couple had two boys, who are now 6 and 8, active and keen outdoorspeople like their parents.

They loved the strong sense of community they found in North Vancouver and the area's easy access to nature. There was just one nagging problem: their mortgage.

Like other parts of Metro Vancouver, the borough has the kind of staggering house prices that have been making headlines for years. For young families who have managed to get into the market in the first place, the monthly payments are stress-inducing.

An evening spent sitting around a campfire with friends this past summer proved to be a pivotal moment for Ms. Watts, who was laid off from her job at a small software company two years ago, and her husband, who works in digital marketing.

"There were five other couples, and three had moved away in the previous eight months," she recalls. "I was listening to them talking about their new lives and how they were not just surviving but thriving.

"It was that moment of realization that we don't have to be so financially tied to our mortgage," Ms. Watts says.

When the two got home, they put the children to bed, opened a bottle of wine, and got out their calculators and Excel spreadsheets. They crunched the numbers to see what it would look like if they sold their home in North Van and moved to a much smaller community.

They called their real-estate agent two days later. Seven weeks after that, they found themselves turning the key on their new home in Kelowna's Kettle Valley, about 400 kilometres east of Vancouver in the Okanagan Valley.

Ms. Watts's husband was able to hold on to his job, working from home three weeks a month and travelling to Vancouver for the other. They are close to a lake

and mountains, and they are surrounded by people just like them, young couples whose kids children tear up and down the street with a pack of neighbourhood pals.

The other bonus? The couple's mortgage payments are a sliver of what they were on the coast – about one-seventh. All of a sudden, they are able to beef up their RRSP and RESP contributions, rather than put in the bare minimum, and they will be able to go on family vacations without going into the red.

"It's a simpler version of everything we loved," Ms. Watts says. "We have more family time, more quality time together, less financial stress, and less work stress. Now we have an opportunity to put money in life-goal buckets and still have a house.

"It's really exhilarating and thrilling to be financially empowered," she adds. "I used to hate doing budgeting. Now I love doing budgeting; I really feel in control of my life and empowered with the decisions we're making. I feel grateful every single day; I'm just so happy that we did what we did."

While it's not uncommon for people seeking affordability to plant roots in the suburbs, leaving a big city for a far smaller community much further away is a tougher sell. Although making such a move may seem like a no-brainer – an enhanced quality of life, more financial freedom, and no more time spent in traffic – it still calls for careful consideration.

Edmonton certified money coach Barbara Knoblach, who is with Money Coaches Canada, says that such a jump may well be a brilliant one for many. However, she suggests people test out a new community by renting for a few months before selling their property in the city. Keep in mind, too, that the cost to re-enter a larger, more expansive market may result in being priced out if it turns out you want to get back in.

"I give this advice because the client's decision may not be easily revocable," Ms. Knoblach says. "The housing market has to this point over-proportionally appreciated in big cities, whereas it tends to be more flat in smaller towns. So, the same amount that you can sell your house for today in Toronto or Vancouver may not buy you a similar house in the same place a few years later. Plus, you will lose some money due to moving costs, legal fees, realtor commissions, et cetera."

Finding a job that pays equally well in a small town as in a larger centre may be challenging, particularly with any kind of specialized work. As Ms. Knoblach explains, reducing your cost of living may come at the expense of bringing in a significantly lower income.

Many people find creative ways of working in smaller communities while maintaining ties to large cities – telecommuting and going back to the office periodically. Less ideal is having to travel back to a major centre regularly. (Consider people who move to Victoria only to have to fly to Vancouver daily to hang on to their careers.)

“In my mind, time and not money is my most precious asset,” Ms. Knoblach says. “Any kind of move that makes my life very complicated and ends up costing a lot of time in traffic will not be a good move, even if it saves me a few dollars.”

Then there is the risk of becoming too comfortable once you get used to having breathing room in your budget – if you have a budget at all. If you make a big sum after selling your big-city home, it might feel like you have won the lottery. Reduce or eliminate your mortgage and you’ve got that much more disposable income to play with. What could go wrong?

“Disposable income for which you do not have a plan just tends to get spent,” Ms. Knoblach says. “Make sure you have a spending and savings plan – a.k.a. a budget – set up and implemented before you actually move, because wouldn’t it be rather unpleasant to realize some time later that you have not actually gained any financial advantage out of this move?”

Wade Stayzer, vice-president of sales and service at Meridian, an Ontario credit union, says deciding whether to stay in a more expensive city or to change tack and head for a smaller town with smaller expenses comes down to priorities. He recommends people contemplating such a move connect with a financial advisor well in advance to take a big-picture look at their short- and long-term goals.

“It really comes down to understanding what’s important to you and what trade-offs you’re willing to make,” Mr. Stayzer says. “Making a move out to the country may mean you need to buy a vehicle, which maybe you didn’t need before, and you may have to drive everywhere, whereas before you didn’t have to. You may get more bang for your buck outside the city, but at what cost?”

“It’s a lifestyle and priorities discussions that you’re going to need to be having,” he says. “Whether you stay in the city or move, there are lots of benefits to both, and you need to understand what’s important to you.”

He also suggests taking a closer look at your current situation before deciding that life in a smaller community is going to solve all of your financial problems. Scrutinize the root causes of money stress: Is there more to it than hefty mortgage payments? Are there steps you can take to improve your finances?

“If you’re thinking, it’s too expensive for me to live here, make sure you’re optimally financing your particular circumstances,” he says. “If you’re paying too much, are there ways for you to offset that?”

“It’s really important that you look at the entire puzzle, as opposed to just the dollar puzzle,” he adds. “If it’s strictly a financial decision, then I hope you’re working with an advisor who you can sit down with to talk about your options, someone who knows your current position and knows where you want to go.”