

5.3 The Cost of Owning a Home

Focus: budgeting, number sense

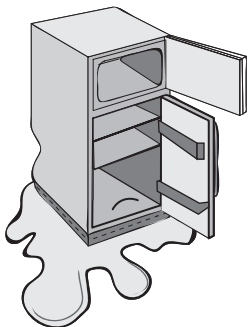
Warm Up	
<p>1. If Cal makes a monthly mortgage payment of about \$1000, he pays about \$ _____ in 1 year.</p>	<p>2. Explain the difference between bi-monthly and semi-monthly.</p> <p>_____</p> <p>_____</p> <p>_____</p>
<p>3. An employee paid bi-weekly is usually paid _____ times per year.</p>	<p>4. An investment with quarterly compounding earns interest _____ times per year.</p>
<p>5. All fixed rate mortgages in Canada have interest compounded _____ times per year.</p>	<p>6. What is the average of 100, 120, and 170?</p>

What Does It Cost to Own a Home?

Mortgage payments are not the only expense when you own a home. There are other expenses to consider.

- Some expenses are regular. Some occur only once in a while.
- Some expenses are predictable and some can catch you by surprise.

- 1.** In a small group, brainstorm expenses that you would expect from owning a home. Do not include everyday living expenses like food or clothing.



2. Talk to a homeowner. Develop a list of 10 home expenses. Find out the approximate cost of each in a typical year.

Home Expenses	Annual Cost

3. Gail is retired with a fixed income of \$1900 per month. She lives in a 1-bedroom condominium.
- Her mortgage payment is \$618 per month.
 - The condo fees are \$325 per month.
 - The hydro bill averages \$150 every 2 months.
 - The quarterly water bill averages \$180.

a) Calculate Gail's fixed monthly housing expenses.

b) Calculate Gail's average monthly expenses for **utilities**. Utilities refer to basic services such as electricity, gas, and water.

c) On average, how much of her income is left each month?

Go to pages 45–50 to write a definition for **utilities** in your own words.

4. Franca and Derek have owned their home for a year. They recorded their expenses on the spreadsheet below.

	A	B	C	D	E	F	G	H	I
1		Mortgage	Property Tax	Security	Natural Gas	Electricity	Water	Cable/Internet/Phone	Total Monthly Expense
2	January	1163.57		41.50	234.69			104.99	
3	February	1163.57	912.32	41.50	264.09	240.00		104.99	
4	March	1163.57		41.50	222.83		301.46	104.99	
5	April	1163.57		41.50	217.06	278.89		104.99	
6	May	1163.57	912.32	41.50	187.37			104.99	
7	June	1163.57		41.50	187.37	168.09	316.08	104.99	
8	July	1163.57		41.50	187.37			146.99	
9	August	1163.57	912.32	41.50		238.36		146.99	
10	September	1163.57		41.50	390.20		312.42	146.99	
11	October	1163.57		41.50	164.21	189.12		146.99	
12	November	1163.57	912.32	41.50	164.21			146.99	
13	December	1163.57		41.50	164.21	202.39	277.09	146.99	
14	Total Annual Cost Per Expense								

- a) Complete column I by adding all the values in each row.
- b) Complete row 14 by adding all the values in each column.
- c) In which month did Franca and Derek have the greatest home expenses? _____
- d) What is their average monthly cost for electricity?

- e) On average, how much do Derek and Franca spend on household expenses each month?



Check that the total of column 1 is the same as the total of row 14.

Expect the Unexpected

Sometimes, expenses are unexpected. For example:

- A city sewer can back up, flooding your basement.
- An appliance can stop working.

- 5.** Research the cost of replacing the following items, including taxes. Then, record information for 2 additional items of your choice.

a) microwave oven	b) fridge
c) garage door	d) dishwasher
e) 15 m ² of carpet	f) furnace
g)	h)

Check Your Understanding

- 1. a)** List expenses that a homeowner has that a renter may not have. _____

- b)** List responsibilities that a homeowner has that a renter may not have. _____

- c)** List freedoms that a homeowner has that a renter may not have. _____
