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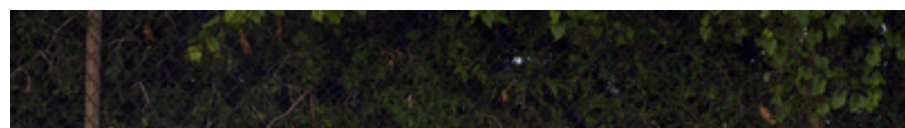
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## Couple's rent-free in-law plan gives savings a boost

By James Daw | Mon Jul 02 2012

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What's old is new again for a Toronto family aiming to enjoy a home, an educated family and travel vacations despite inflated mid-town prices.

June, 30, volunteered for a traditional approach to accumulating wealth and rearing children when she married Clark, 36, last year. She moved into his parents' home, near where they hope to buy a house.

The deal was they would get free room and board, live relatively close to their public-sector jobs, and have the potential to save for a home large enough for themselves, one or two children — and for Clark's parents, too.

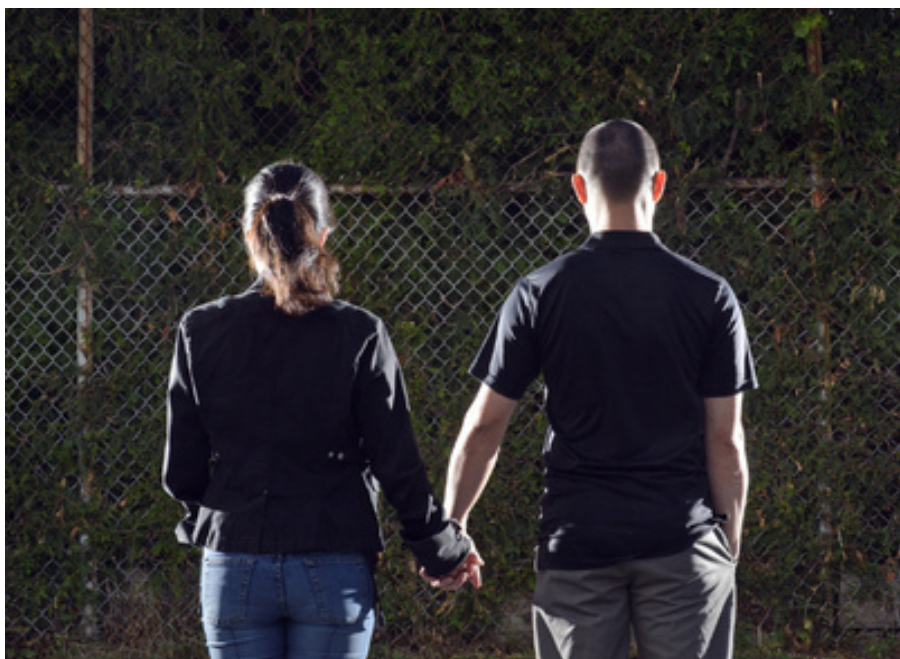
It's a tried and true strategy for securing comfortable lives for three generations, made more enticing by the potential to continue enjoying travel vacations on a family income of about \$102,000.

"It was a sacrifice we chose to make, so can afford to buy a home of our own," says June.

Even so, she wanted an expert's advice on their financial plan. "We have all these goals that we want to achieve but don't know how to start and how much to put in," she wrote to Moneyville Makeover.

The verdict from Scott Plaskett, a Certified Financial Planner with Ironshield Financial Planning, was encouraging, but came with advice June did not expect and one bit Clark could not accept. "He wants a new car," says June. "Not a used car."

"In essence, you are in great financial shape," Plaskett summed up in a letter.



Couple will live with husband's parents to help home savings plan.

Aaron Harris/For the Toronto Star

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Budgeting



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“ . . . We have no idea how reality will play out, but stating your goals is a great first step to give us some initial direction.”

The couple could add nearly \$240,000 to their \$173,000 in savings — more if their salaries rise — plus spend about \$25,000 on a new car and have a child by the end of 2016, based on their expected income, spending and savings.

But Plaskett urges them to scale back their \$6,000-per-year travel budget, finance or lease a car that’s one to three years old and aim for a larger down-payment fund than their \$150,000 goal.

“Put every extra cent you have into your home down-payment fund,” he advises. “There may be some benefit to putting a little more into your registered retirement savings plans — only enough to put the balance of each account to \$25,000 — so you could utilise these funds by using the (per-person limit for the) Home Buyer’s Plan.

“I would prefer to see you buy your home with more cash to help protect from the threat of rising interest rates during the duration of time you would expect to have your mortgage,” Plaskett adds.

He also urged the couple to buy life insurance — at least \$500,000 each and later up to \$2 million — and to back up their employers’ group disability coverage with a few years of critical illness and long-term care insurance while they are young and premiums are lower.

“This (life insurance) calculation is based on what is known as your ‘human capital’ . . . what you are worth financially to the family,” he explained. “Put term insurance in place (ideally for a 20-year term) and then consider converting a portion of your term coverage to permanent when cash flow allows.”

June is uncertain. “We get insurance through work and I don’t know whether (extra coverage) is necessary. . . . We don’t even have kids yet.”

(It will be up to June and Clark to decide how much risk they are prepared to live with, or without. But ample insurance coverage is standard advice.)

After providing long-term income and savings projections, Plaskett warned the couple to reassess their

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After providing long term income and savings projections, I asked them to reassess their retirement, education and other savings goals once they have their home, first child and car. (They each have pension plans with a defined or guaranteed benefit.)

Where they hope to buy does not have a large selection of homes that could be bought for \$150,000 down and a \$450,000 mortgage, which would cost \$34,500 a year over 25 years at 6 per cent interest. They may find a suitable home eventually, but could be living in Clark's parents' place longer than expected.

#### The clients

June, 30, Clark, 36, public-sector workers.

#### Their situation

Living with Clark's parents, and saving like mad to buy a new car and Toronto home for their three generations.

#### The strategy

Save for four years, including inside their RRSPs, to get largest-possible down payment. Start a family. Then focus on kids' education and their own retirement savings.

#### Assets


Non-registered savings, \$106,500, registered retirement savings, \$31,000, tax-free savings \$35,000, car \$2,000, Total: \$175,000

#### Liabilities

Zero

#### Annual income


\$102,000

 Thanks for the shout out for my book, Nataalka. Look forward to being on your Rogers TV show next Monday, Jan. 28.


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## Annual expenses

Savings \$52,450, income tax, pension and payroll deductions \$31,600, vehicle and parking \$6,800, vacation travel budget \$6,000, sports fees \$1,350, tuition \$1,150, personal care \$1,000, pet costs \$650, communications \$1,000, rent and food zero. Total: \$102,000.

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[PalofCyruss](#)

Jul 13, 2012 10:10 AM

## Insurance

"June is uncertain. "We get insurance through work and I don't know whether (extra coverage) is necessary. . . . We don't even have kids yet." The advantage to getting the life insurance now, when she's 30, is that the rate will be lower, especially if she's going to get it anyway later on. The other advantage is if she's in great health right now, she's approved. If she waits a few years and then gets a serious illness or chronic condition, she will never be approved for the life insurance.

0 [Agree](#) | 0 [Disagree](#) | [Alert a moderator](#)

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[PalofCyruss](#)

Jul 13, 2012 10:06 AM

## Sourgrapes

A lot of these commentors here are envious and have to put this couple down because they were never in the same situation. Different scenarios work for different people and situations. Maybe they have a great relationship with their parents and maybe the parents want to help them out as much as possible. Calling them "freeloaders" just reeks of sourgrapes.

0 [Agree](#) | 0 [Disagree](#) | [Alert a moderator](#)



[mls](#)

Jul 4, 2012 10:20 AM

## I lived at home...

until I was 30. Mind you I paid rent at home. Moved out and had a good chunk for a down payment on my home. For this couple who says their food bills are zero, never eat out or buy groceries? Freeloaders!

0 [Agree](#) | 0 [Disagree](#) | [Alert a moderator](#)



[China Tank](#)

Jul 3, 2012 8:14 PM

## Living like hermits....

Saving 51% of GROSS earnings is typically unheard of as most high earners are taxed at about a 40% avg. Love the \$0 annual food budget. Shucks Ma, Meatloaf again!??

0 [Agree](#) | 0 [Disagree](#) | [Alert a moderator](#)



## It worked for me.

What's with all the hostile, condescending comments? My wife and I earn



[jord](#)

Jul 3, 2012 4:53 PM

a lot more than they do, and we lived with our in-laws during our mid 20s for 2.5 years to save for a house. We ended up saving a net of almost \$150k during that time. We are now 31 and own 50% of our \$700k home... So before you make condescending jokes, you might want to consider how far ahead financially this strategy can get you. Not everyone is desperate to get away from their parents - some of us actually, you know, LIKE them.

[1 Agree](#) | [2 Disagree](#) | [Alert a moderator](#)



[Latheress](#)

Jul 3, 2012 4:43 PM

These "kids" sound spoiled. Public sector jobs? Travelling? Living with parents into your thirties so they can buy the dream home? What happened to starting out on a shoestring and struggling together while you build your own life?

[2 Agree](#) | [1 Disagree](#) | [Alert a moderator](#)



[hersheybliss](#)

Jul 3, 2012 4:43 PM

## Expenses are off

Their food costs are zero??? They NEVER go out to dinner just the two of them? They NEVER buy any of the groceries?? What other expenses haven't they accounted for - entertainment? medical care (prescriptions, eyes, dentist)? This budget seems to be a bit in dream land if you ask me.

[2 Agree](#) | [1 Disagree](#) | [Alert a moderator](#)



## Boy, are they living the dream!

30 years old, employed, married (!) and still living with mommy and daddy. Do they get extra in their allowance if they remember to put their dinner plates in the dishwasher? No wonder they didn't want their last

[keikocat](#)

Jul 3, 2012 2:51 PM

names used. I was out of the house at 21 because I wanted my independence. There is no way we would ever agree to live with either set of parents, and we love them dearly. (However, should any of our parents need to move in with us at some point, they all know they are more than welcome in our home.)

5 [Agree](#) | 2 [Disagree](#) | [Alert a moderator](#)



[cherrypie](#)

Jul 3, 2012 1:33 PM

## reality is the house prices in Toronto have

probably gone up much more than they could save. Because of this maybe even a smaller down payment would be better.

4 [Agree](#) | 1 [Disagree](#) | [Alert a moderator](#)



[nevaumind](#)

Jul 3, 2012 1:16 PM

## Reality is

they are in their 30's and basically still freeloading of their parents...I don't see how you can call them "responsible"

9 [Agree](#) | 2 [Disagree](#) | [Alert a moderator](#)

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By Marc Saltzman



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By Robb Engen



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By sherylsmolkin



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Fame & Fortune: Famous people and their finances



### Why CTV's Wendy Freeman's a good tipper

In this week's Fame and Fortune, CTV News president shares her thoughts on saving, shoes — and how she still has her first big purchase.

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