

Start a family or buy a home? The big compromise couples face amid soaring prices ^[1]

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EXCERPTS

When 30-year-old Jessica Moorhouse and her husband recently moved into their \$460,000 townhouse in Toronto's west end, they weren't buying the detached home of their dreams.

Still, the young couple felt good they'd found an affordable place within the city's hot real estate market -- with enough room for the baby they one day plan on having.

"We could have definitely gotten a place maybe more in the city, nicer, that we wouldn't have to fix anything up, that was a one bedroom," says Moorhouse, who also blogs about her finances.

"But we would have been limited because ... we want to start a family."

People yearning for home ownership and parenthood can face an uphill battle in cities where soaring housing prices and costly daycare fees can be formidable.

But the dream can be within reach, so long as house hunters and future parents are willing to compromise on a few things.

When it comes to a couple's mortgage pre-approval, "the bank may say they can afford X, Y and Z," says Laurie Campbell, CEO of Credit Canada.

But if a couple plans on having children, "they need to factor in what those costs might be and how that could affect their overall budget," she adds.

Those costs include reduced income during parental leave, necessities like food and diapers, as well as future education savings.

Lindsay Elliott and her husband bought a house in Grimsby, Ont. -- about 30 kilometres southeast of Hamilton -- for roughly \$325,000 after finding themselves priced out of Burlington.

She says they likely would have had a child before buying a home if they had stayed in nearby Burlington. But she says their new home gives them the budgetary breathing room needed for the two maternity leaves she expects to take.

"I'm going to have a very limited income coming in during those times," said Elliott, 28.

New parents must be cognizant that Canada's maternity leave and parental benefits only pay 55 per cent of a person's income up to \$537 a week, except in Quebec, which runs its own provincial program.

After maternity leave, many parents will also find themselves having to pay hundreds of dollars a month for daycare. In Toronto, Canada's most expensive city for childcare, parents pay an average of \$1,033 a month, according to a study published last year by the Canadian Centre for Policy Alternatives.

Looming daycare fees are one of the things Desirae Odjick and her partner are anticipating, as they look to upgrade to a larger home from their current living arrangements in Ottawa sometime next year.

Odjick, who is also a personal finance blogger, and her partner plan to have at least one child within three or four years, she says, and they need to leave room in their budget for daycare while looking for a new house.

She says together, they could be approved for a \$700,000 mortgage, but they'll look to spend no more than \$440,000 total.

"If we max out our gross debt service ratio by getting, like, the most house we can afford and really stretching out the mortgage payment, we'd be in a pretty precarious position," says Odjick, 27.

Campbell, the CEO of Credit Canada, agrees that with the added costs of having a child, people planning to become parents may have to

settle on something less than their dream home.

Instead, it may be wise to opt for a starter home or condominium in a less expensive neighbourhood, she says.

"If you're buying a home and you're going right up to the top of your budget and still planning to have children, you are going to have to find another way of making up those additional costs."

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