



## ARMADA Mortgage Services

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### The Royal Canadian Mint...

- \*Was the first to produce .9999 pure gold in 1982
- \*Produces all of Canada's circulation coins
- \*Offers gold refinery and assay services to customers worldwide
- \*Produces international coins on contract to other countries
- \*Struck holograms on Royal Canadian Mint gold coins in 1999
- \*Produces a fine jewelry collection, watches, medals and tokens



# Fall Newsletter

## Fixed Term or Variable Rate Time to Lock in?

We have received many calls from people who have variable rate mortgages, and are wondering if now is the time to lock in; after all interest rates are at historical lows.

The Spring news letter addressed the current economic environment and described it as weak, with the hopes of an economic recovery being placed on consumer spending. Since the spring time, factors that have led us to this economic point in time have not fundamentally changed.

For the last several years bond prices have risen and bond rates have fallen because money moved from the volatile stock market to the relative safety of the bond market; this process has lowered interest rates on mortgages.

Recent economic data from the United States suggests

that the recovery is not quite in place, therefore the Bank of Canada cannot be raising rates while our largest trading partner is lowering them. At the time of this article, bond rates are still declining, but I don't see how rates can go much lower. If the difference between the price of a bond and the cost of a mortgage remains less than 1.5% for a long period of time mortgage companies would start losing money; also who is going to buy a 10 year bond at less than 4% yield?

Therefore, **If the lock-in rate were to drop below 5%, for a five year term consider locking in; currently the lock in rate at National bank is 5.2% But remember the jury is still out on whether we are going to see inflation or continued deflation in the economy.**

Thus part of the answer of whether to lock in or not lies within the mortgagor, what is his/her comfort level with your job situation? Are you being conservative enough in your estimates of future income and expenses. I have always recommended a conservative strategy of a fixed mortgage payment based at an amount which reflects the 10 year average prime rate. The fixed payment strategy has the dual effect of a known payment amount coming out each month plus during periods of lower than average rates the mortgage is paid off faster.

So if you lie awake worrying about where interest rates are heading, or your financial situation has changed, locking in may make you feel better; but try using the 5% rule.

## Renewal time? Call Armada today!

Most often people tend to accept contract renewals as a matter of course, cell phone contracts, alarm monitoring contracts and of course mortgages. They come due and we just sign the paper to renew - after all it was a good deal or we wouldn't have taken it in the first place right? What we tend to forget is that these renewals may not actually be the best option in today's market. Products, including mortgages are constantly changing. Armada has access to many financial institutions which you may not know of. By calling Armada prior to your renewal, we can discuss your needs, and find the best solution for your mortgage. We arrange renewals, refinancing, debt consolidation and switches.

*Armada works for you.*



## The Lighter Side...

Before going to Europe on business, a man drove his Rolls Royce to a downtown New York City bank and went in to ask for an immediate loan of \$5,000. The loan officer was quite taken back, and requested collateral.

"Well, then, here are the keys to my Rolls Royce", the man said.

The loan officer promptly had the car driven into the bank's underground parking for safekeeping, and gave him \$5,000.00. Two weeks later, the man walked through the bank's doors, and asked to settle up his loan and get his car back.

The loan officer checked the records and told him, "That will be \$5,000 in principal, and \$15.40 in interest." The man wrote out a check, thanked the loan officer and started to walk away.

"Wait sir," the loan officer said, "while you were gone, I found out you are a millionaire. Why in the world would you need to borrow \$5,000.00?"

The man smiled. "Where else could I securely park my Rolls in Manhattan for two weeks and pay only \$15.40?"

## Financial Quiz

1. The Dow Jones Industrial Average is an average of 30 stocks. When it started there were only 12 stocks. What is the only company of the original 12 still in the index?
2. In what year did the NYSE have its first million share day?
3. What year was the Bank of England founded?
4. The US Treasury first began printing paper money in 1862. What was the lowest denomination?
5. The first Wall Street Journal was published July 8, 1889. What was the selling price?

Answers: 1. General Electric 2. 1886  
3. 1694 4. 3 cents 5. 2 cents. Source:  
www.financeprofessor.com/  
FinanceTrivia/financialtrivia.html

# Re-establishing Credit

Life can dictate a direction that we never think of, or plan for. Sometimes these directions lead us into financial difficulty that may result in a bankruptcy or a very low credit score.

One of the most difficult things after a bankruptcy or financial set-back is rebuilding a credit rating.

Armada is now able to provide secured credit card applications to help regain credit ratings.

It is important that these credit cards are used only for amounts that you al-

ready have the cash to pay for. Use the credit card and always pay it off in full. A good report on a revolving credit card will help to raise your credit score. A

good credit score generally means lower rates and faster approvals for mortgages, loans, leases etc.

If you are unsure of your credit situation you can call Equifax at 1-800-465-7166 to obtain personal credit information.

For a secured credit card application please call our office at 604-467-6449.



## Self-Employed Home Office Expense

There are two criteria that need to be met in order to write off your home office as a business expense.

1. You do all or most of your work from your home.
2. You work out of your home to earn employment income. The home office must be used on a regular and continued basis.

The first step of your calculation is to figure out the square footage of your office. Measure the dimensions of your office and multiply. For example, if your office is 15 feet by 10 feet, the square footage is  $15 \times 10 = 150$  sq. ft. Next, divide the square footage of the office by the total square footage of your house. If your house is 2300 sq. ft. the calculation for the above office is 150 divided by 2300 which equals .065. Multiply your answer by 100 to determine the percent to use in your write off calculations. ( $0.065 \times 100 = 6.5\%$ )

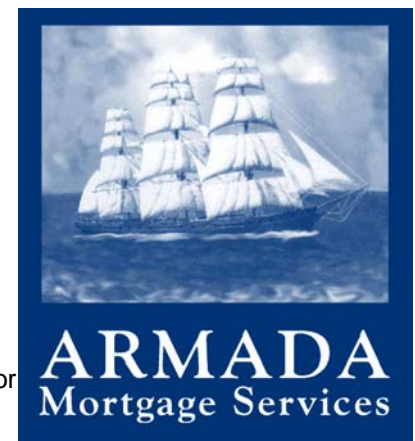
Now you can start calculating deductions for utilities such as hydro and gas, maintenance and repairs, home insurance, property taxes. First add all of the eligible expenses then multiply by the allowable write off percentage calculated above.

Eg.

Hydro & gas	2400.00
Maint. & repair	500.00
Home insurance	900.00
Property Tax	3000.00
Year Total	$6800.00 \times 6.5\% = \$442.00$

In this example your eligible write off is \$442.00 for the year—not a bundle but certainly worth saving receipts for!

You may have additional or different eligible expenses, depending on your business situation. Speak to your business accountant for advice on your individual circumstances.



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