Moneycare

Parent-owned student house still offers financial benefits

During the real estate boom of the 1980s, some parents of university-bound students invested in more than their children's education-they also invested in a home away from home in which their daughter or son could live. Rather than seeing four years of rent go out the window, the logic went, why not buy a home, have the child share it with fellow students who would pay the rent and then sell the home at a profit?

Since real estate markets in Toronto, Montreal and many western communities have fallen dramatically, parents wonder whether this strategy still pays. The answer is that, in some cases, it can.

Significant appreciation in the housing market isn't expected for at least three years. That means that if you have to take out a large mortgage to purchase a home near your child's university, or if you can't carry the home for a long time (well beyond your child's four years of school), then it's probably a poor investment in today's climate.

However, if you have plenty of "patient" cash to invest, and don't have to worry about how you'll meet mortgage payments if you are temporarily short a few student tenants, there are both practical and tax advantages to buying a home which your daughter or son would inhabit. For example, you will likely feel your investment is in good hands if your child acts as on-site property manager. At the same time, the child learns the property management business.

If you pay your child to administer the property you will lower your rental income, thus saving you tax. Your child's income will rise, but since he or she is likely to have low earnings and also has tuition and education credits, he or she will probably pay little or no tax.

In the first few years that a rental property is owned, it usually runs at a loss, particularly when interest rates are high. As long as you have a reasonable expectation that the property eventually will generate a profit, you can deduct the rental loss and reduce the tax you pay on your other employment or business income. Since there are rules and limitations on deductions-for example, expenses related to the accommodation of your own child cannot be deducted-consult a professional advisor before purchasing a home. Also, bear in mind that the capital gains exemption does not apply to real estate purchased after February 1992.

If you have the financial wherewithal to withstand the ups and downs of the real estate market for 10 years, you will likely make money on your housing investment. If you can last 20 years, the returns are all but guaranteed.

KEVIN NIGHTINGALE

Letters

Vandalism not politically correct

Dear Editor:

I am thoroughly disgusted with something that has happened on this campus, and I am beginning to wonder if we are all attending a university or a kindergarten.

On September 14, I helped a friend put up some posters in the Pit and the breezeway for the federal Progressive Conservative party election campaign. My friend is involved in the election here on PEI. The posters were simply election material, and did not slander any other parties. Within two hours, one of the posters had been ripped down and put in a garbage can! By the next morning, another one had been vandalized beyond repair.

Now I realize that not everyone agrees with the P.C. party. That's O.K., but there are better, more mature ways to register your disagreement. I also realize that the posters were likely not tampered with by someone with opposing views, but probably by someone who was bored or looking for attention. That actually makes me even more disappointed. If the posters were taken down because of a passionate feeling for another political party, then at least I would know that it was done for a reason, and not just out of sheer ignorance.

In case the people responsible for vandalizing the posters don't realize it, Canada is in the middle of a federal election, and the fact that there are several parties running in this race is part of the democratic process. By ripping down a poster, you have not only impeded that process, but you have broken the law (wilful destruction of property, vandalism, etc.).

Some people who read this letter will say that I should have known that the posters would be defaced. Well, maybe so, but I thought I was dealing with mature people who are intelligent enough and tolerant enough to realize that other people have different views from theirs.

Yours truly,
A Disappointed Student

Tenure: Ticket to ride?

Dear Editor:

Is there anyone to whom a complaint about a tenured professor can be submitted? It seems that certain professors feel that their duties as an instructor are removed if they are safely tenured. For instance, in my chemistry class, we have spent our first week of classtime watching our professor explain his personal research rather than doing the reviews other classes are doing. I agree with the importance of research in a university, but I have always believed that the first priority was to teach. Maybe he thinks there is some loose connection to the course material, but I don't see how the home movies of his research trip / vacation relate. I'd like to know if other students feel the same, certainly I'm not the only one with this complaint.

"Tired of Home Movies"