
Renovation Teleconference

Answers by Dean Parker

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Would you recommend living in a renovation to save on capital gains tax and avoid paying rent and a mortgage?

Gavin: I know you mentioned in one of the other materials I listened to - you said you wouldn't recommend living in while you renovate. I had kind of put that at the forefront of our strategy, not to just negate the idea of paying capital gains tax but just the idea of paying rent and our mortgage at the same time didn't appeal to us. Maybe you...just you could elaborate on your aversion to it or any work around it we might be able to put in place to make it work.

Dean Parker: Well, at the end of the day, it probably... comes down to whether you're both 100% happy to be living in a house that can be chaotic to say the least. We, unfortunately, by default had to do it (move into our house while renovating) just recently. I'm not sure if you remember Elise's dad passed away. I mentioned at the meeting the other night that we had a property settling that we had intended on renovating before we moved in. But with the four or five weeks of total disruption to our lives there with that happening (death of Elise's father). We couldn't get that done and we ended up having to move into the property partly renovated. The kitchen was done and the bedrooms were done and we could live. We still had some plastering to do and some bits and pieces.

It becomes very difficult if you're doing those types of tasks to keep areas clean and to actually live and it does start to wear very thin very quickly if you get in that part. So above everything else, it's more a comfort level, whether you're happy to live in that type of environment for a period of time. You'd also probably want to consider the type of renovation you do. If you're going to do something that's relatively cosmetic that you can do in a few weeks or let's say a month and you sit down and you agree up front that you're happy to do it, then that might be okay. But if it's something that's going to be a little bit structural and a little bit, dirtier or a bigger job then at the end of the day, that's where it can just get a bit mess, that's all.

But from that point of view; it's interesting because *Handyman* magazine were asking us... whether we'd actually go down that path as well. And it was probably one of those things I said that I wouldn't do. It's really mainly I'd say "no" only for the fact that it is just hard work. You've got to clean things up and actually live in amongst the house and you do waste a lot of time and money by doing it that way.

You probably think that you're paying rent, for example, during the time. You'll probably find that that rent is probably less heartache than the actual cleaning up, taking away and actually living in the house and renovating at the same time. But that's the thing to consider.

I know, it's interesting, Elise's brother is renovating his place that he's just bought at the moment and he was considering jumping into it before he'd finished. It's actually a double story townhouse and he was going to move into it. He sort of got the top half done but the bedrooms and the bathroom upstairs and he thought yeah, now I can move in. But then, like he realized he only did a little bit of work...'let's go down and sand downstairs for a bit and just see how much dust you can end up with the whole house' and he realized pretty quickly that it just made that much mess that it just wasn't worth it.

So from that point of view, it's really just about that, the fact that it's actually really tough. And having gone through two of them, that first one that took us 18 months and then one of the last renovations we have done as we've done that took...it only took about six or eight weeks but it's just really hard work in that regard.

Gavin: Okay.

Dean Parker: But from a financial point of view though, there's obviously there a capital gains tax advantage. But I guess one option is which we did in this one is that we actually moved out just to temporary accommodations just for three weeks while the major parts of the works were happening. And that, obviously, then that allows you to have your principle place of residence still...You're only out for the few weeks and then you can work on the outside and the landscaping and all that sort of stuff as you go.

Gavin: Yeah, got you.

Dean Parker: That could be another option too.