



COST OF LIVING:

IT'S NOT JUST ABOUT HOUSING



It's a common misunderstanding that, when an individual is moving to a higher cost location, the cost of housing is the only difference in the cost of living.

The cost of housing may be higher by 50%, 75%, double or even triple in the new location. But this does not mean that the transferee will need two or three times the amount of money to live there. There are other key components that make up the total cost to live in a location.

Your monthly car payment is an example of cost elements that will stay exactly the same after one relocates. Other items, like the cost of groceries, car insurance, and utilities will vary, but not to the same extent as housing. However, these other combined expenditures represent a much higher percentage of a family's total expenses than their mortgage payment. The overall cost-of-living differential between locations can only be determined after incorporating all expenditures that a household incurs on a daily, weekly, monthly and annual basis.





TAXES

In Canada, provincial taxes may appear to be fairly obvious when looking at the cost of living. This is especially true if someone is moving from a location with a lower provincial tax. However, provincial tax rates can be somewhat misleading. While some provinces have a flat tax rate, others use a progressive tax with only individuals at the highest incomes paying the top rate. For example, Saskatoon has high provincial taxes. For someone moving from Alberta to Saskatoon, they would have a large increase in their provincial taxes.

TRANSPORTATION

While the cost of a litre of gas may be obvious when arriving in a new location, other transportation costs may not be quite as noticeable. For example, the cost of automobile insurance is significantly higher in Toronto, compared to other areas that don't require as much coverage. How much a particular province charges for annual vehicle registration can vary as well. When totaled, annual costs for operating and maintaining two vehicles can be in excess of 15% of total expenditures for a family. However, the difference between locations, even when considering potentially higher fuel, insurance and registration costs, will never be close to the same percentage increase as the cost to acquire housing in a significantly higher cost housing market.



Annual costs for operating and maintaining two vehicles can be in excess of 15% of total expenditures for a family

GOODS AND SERVICES

How much does a typical family spend on groceries? What about personal care items? Recreation? Entertainment? While families at various income levels have different expenditure patterns, (e.g., lower incomes spend more of their budget on groceries and less on entertainment), the difference in costs for these items when moving to a new location is not usually significant. Geographic variances for many goods and services items are being reduced due to the increase in online shopping. In most locations, the typical household spends more, on an annual basis, for the aggregate of their goods and services than they do on their monthly rent or mortgage payment.

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OTHER HOUSING EXPENSES

In addition to rent or mortgage payments, there are additional housing costs that must be taken into consideration when calculating the cost of living. Monthly utility bills can be quite sizeable in some markets, but it goes beyond the rate per kilowatt hour. In locations such as the Yukon and Northwest territories, there is typically a larger need for electricity than somewhere like Vancouver due to the additional heating and lighting during the winter (it's dark most of the day in these areas).

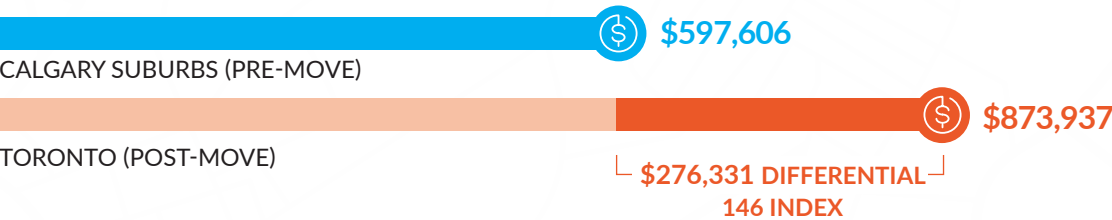


EXAMPLE

Let’s take a look at an example for a transferee with a \$125,000 salary. It’s a family of 4, moving from Calgary, Alberta to Toronto, Ontario. While the price of an 1,800 square foot home is nearly 50% higher, in Toronto we must look at all of the factors that make up the cost of living—not just housing:



HOME PURCHASE PRICE



INCOME TAXES

	PRE-MOVE	POST-MOVE	DIFFERENTIAL	INDEX
INCOME TAXES	\$23,375	\$26,697	\$3,322	114.2
NATIONAL TAX	\$13,235	\$13,235	\$0	
CPP EI	\$3,400	\$3,400	\$0	
PROVINCIAL TAX	\$6,740	\$9,312	\$2,572	
LOCAL TAX	\$0	\$750	\$750	



TRANSPORTATION

	PRE-MOVE	POST-MOVE	DIFFERENTIAL	INDEX
TRANSPORTATION	\$14,957	\$17,394	\$2,437	116.3



HOUSING

Mortgage payments increase significantly due to the more expensive home and insurance being slightly higher. Meanwhile, property taxes are also slightly more and utilities are similar. As illustrated below, even though the cost of the home purchase price was 50% higher in Toronto, the overall annual housing costs only increased by 40%:

	PRE-MOVE	POST-MOVE	DIFFERENTIAL	INDEX
HOUSING	\$39,868	\$56,030	\$16,162	→ 140.5
MORTGAGE	\$28,657	\$41,908	\$13,251	
INSURANCE	\$1,636	\$2,826	\$1,190	
REAL ESTATE TAXES	\$3,818	\$4,514	\$696	
UTILITIES	\$4,654	\$5,023	\$369	
MAINTENANCE	\$1,103	\$1,759	\$656	



GOODS & SERVICES

The goods and services market basket, comprised of 95 items and weighted based on salary and family size, represents over 25% of the family's total annual expenditures and is fairly similar in cost between these locations, in fact, slightly less in Toronto.

	PRE-MOVE	POST-MOVE	DIFFERENTIAL	INDEX
GOODS & SERVICES	\$31,437	\$29,719	-\$1,718	→ 94.5



MISCELLANEOUS

Miscellaneous represents the remaining salary that is left after expenses for taxes, housing, transportation and goods and services. These funds are typically used for vacations, investments, retirement savings, etc. They do not vary by geography; they remain constant between locations.

	PRE-MOVE	POST-MOVE	DIFFERENTIAL
MISCELLANEOUS	\$15,363	\$15,363	\$0

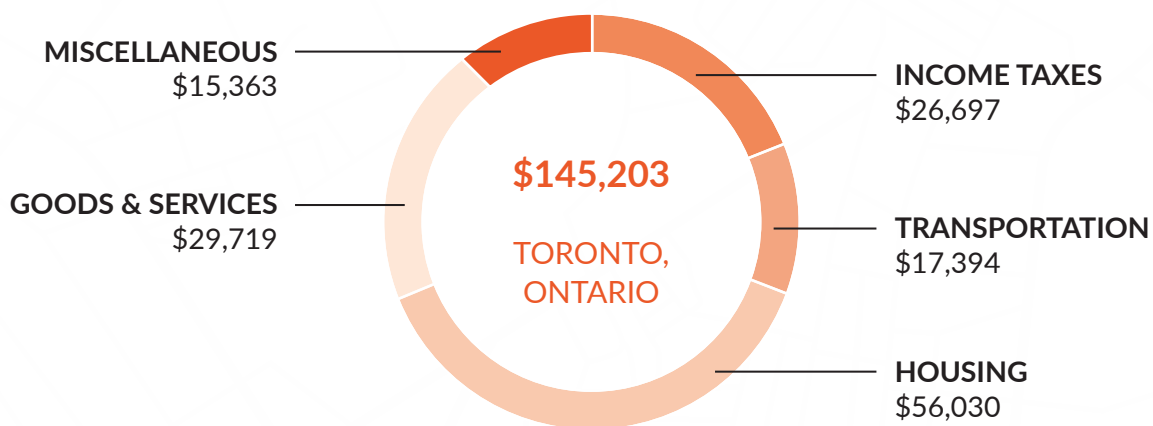
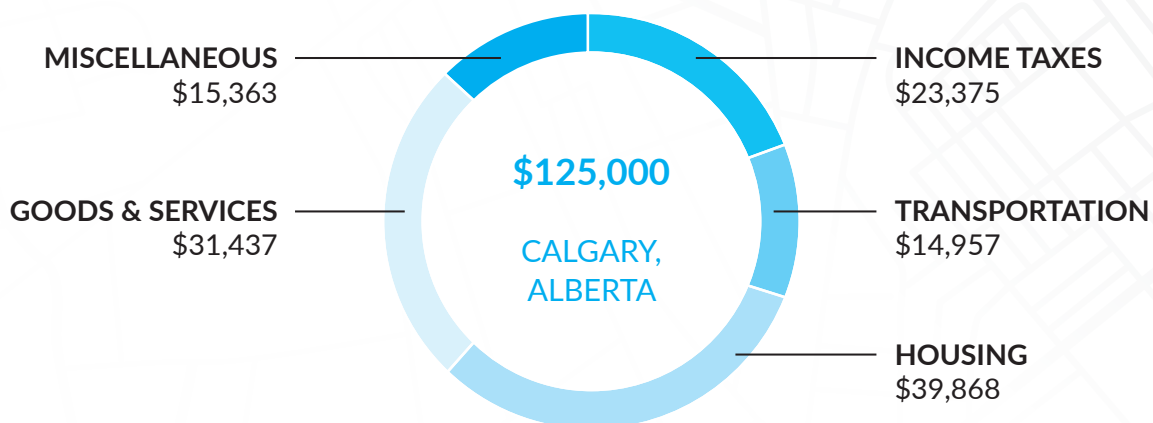


TOTAL

	PRE-MOVE	POST-MOVE	DIFFERENTIAL	INDEX
TOTAL	\$125,000	\$145,203	\$20,203	→ 116.2

In summary, while the cost of a home is 50% higher between these locations, when including the cost of all other expenditures for this family profile, **the cost-of-living differential, while still sizeable, is only 16% higher.** It isn't all about housing!

COST DIFFERENTIAL SUMMARY



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