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Mortgage and money tips for entrepreneurs

By [Andrea Bassett](#)

Mortgage agent **Heather Keeling** and financial advisor **Janine Purves** want entrepreneurs to be financially successful. At the June 9 PIC event, they talked about credit, mortgages, cash flow and money personalities. Keep reading for some of their practical tips.

Mortgages and credit

To get a mortgage, Heather says you need four things: income, a good credit score, a down payment and closing costs (generally 3-4% of the purchase price). As a self-employed professional, you may need one more thing: a good mortgage broker.

Heather, known as "[the mortgage barracuda](#)," shared some information about credit scores and how to get the most favourable terms on a mortgage. She advised us to request our credit report from Equifax or TransUnion, opting for the paid version to get our *credit score*.

Heather suggests freelancers aim for *very good* or *excellent* scores according to the guidelines most lenders use:

- 780+ = excellent
- 720 - 779 = very good
- 680 - 719 = good
- 620 - 679 = fair

These five factors determine your credit score:

1. Making payments on time (weighting 35%)
2. Using the credit (30%)
3. Length of credit history (15%)
4. New credit inquiries (10%)
5. Credit mix (10%)

Here's how to be savvy in each of these areas:

1. Always pay (at least) your minimum balance on time.
2. Use only 30% of your available total credit. If your cards and line of credit add up to \$100,000, don't use more than \$30,000 of credit at a time. Heather says this is the biggest thing people miss when building their credit.
3. Don't cancel those long-standing cards -- even if you don't need them -- because they are an important part of your credit history.
4. When you check your own credit, it doesn't affect your credit score. But if multiple companies check your credit, it raises a red flag.

5. Ideally, have two to four types of credit, but not those "no-money down" deals. They show up as "deferred payments" and are frowned upon by lenders.

Mortgages for the self-employed

It's harder to get a mortgage as a self-employed professional than as an employee. Make it easier by using a broker to guide you through the process. When you work with a mortgage professional:

- Your credit gets checked once by the broker, not multiple times by multiple banks as you shop around.
- It doesn't cost you anything (for residential services, a broker works for you for free).
- You'll likely get better terms than working with the bank directly. These terms include interest rates, pre-payment privileges, a longer amortization period and better penalty rates for breaking the mortgage.

About financial planning

[Janine](#) started her part of the presentation with some sobering numbers: 50% of women fear becoming bag ladies, 50% of men fear not being in control of their money and 59% of Canadians retire with debt.

But it doesn't have to be that way.

Your behaviour is based on your inherited attitudes about money, what you've learned about finances and your "money personality." The three money personalities are:

- **Grasshoppers:** They hop from fun thing to fun thing, believe money is for spending and have a hard time planning for the future.
- **Ants:** They are good savers but it's never enough. They don't always enjoy the fruits of their labours.
- **Ostriches:** They find money boring and complicated, forget to pay bills and fear they don't have the skills to manage their money.

You may not be able to change your personality, but you *can* change your attitude and knowledge. Janine emphasized that money is a tool to create the life you want, whatever your money personality. Grasshoppers, ants and ostriches, improve your finances with these six tips:

1. Create a cash flow plan that shows what actions to take to move towards your financial goals.
2. Identify your current position by tallying up your assets, liabilities and net worth.
3. Break down your large goals into smaller actions. For example, set an annual savings target and decide how you'll put that money away each month.
4. Know the break-even number (your total monthly personal and business expenses) for your business.
5. Keep your critical documents in a safe place and tell someone you trust where they are. These include your living will, personal and business insurance papers, power of attorney, business plan and a list of all the professionals you use to run your business.
6. Use professionals to keep your finances on track. These could include an accountant, financial planner, business coach, etc.

What action did you resolve to take after the session? Hit "reply" and let us know. And check our [LinkedIn group](#) for photos from the session.