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## FOOD FOR THOUGHT

"The best scientist is open to experience and begins with romance -- the idea that anything is possible."

Ray Bradbury

## Real estate still hot investment play, says Bach

By ROGER TAYLOR

WELL-KNOWN author, financial guru and special adviser to Scotiabank David Bach, was in Halifax on Monday to speak to an audience of about 1,500 people.

The visit to the Nova Scotia capital was part of a cross-country speaking tour, sponsored by the bank, in support of his seventh book, *Start Late, Finish Rich*, recently adapted for Canadian readers.

This is an exciting time to be an investor in Canada, he says. Stocks here are outperforming those in the U.S. and the real estate market, compared to the United States, is undervalued.

Real estate seems to be the topic everyone wants to talk about, says Bach.

"If I gave a speech today on the stock market, I'd be lucky to get 100 people. Nobody wants to talk about stocks; everybody wants to talk about real estate."

With all that interest in real estate, Bach says, there is a danger certain markets may have become overheated. But he insists there is no such thing as a national real-estate bubble, and each market needs to be evaluated on a case-by-case basis.

"The only real estate that matters is the market that you're in. I do think the best investment that you'll ever make is a home and that people should buy homes sooner than later. I personally believe the Canadian real estate market is undervalued versus the American real estate market, and a lot of money will be coming in from foreign investors."

After he wrote *Start Late, Finish Rich*, Bach says he thought he would attract older readers who felt they hadn't saved enough for their retirement. In reality, he finds himself speaking to an unexpected demographic, one which is eager to get a head start on their investments compared to their parents.

Ten years ago, when he started making his financial presentations, Bach says the average age of the audience was 50. Now it's 20 to 35.

"I'm seeing younger people are getting more interested in money, more interested in savings, more interested in buying a home, and that is really a demographic shift that I've seen in North America — the same in the U.S., the same thing in Canada."

People in their 20s or 30s have most likely seen their parents trying to deal with real world situations — working longer in order to have enough money to retire on and trying to take care of one or more grandparents on their own because of rising health-care costs.



### We want your story

Tell us your story for a chance to win an autographed copy of the Canadian edition of *Start Late, Finish Rich*.

Author David Bach is perhaps best known for coining the term "Latte Factor." The Latte Factor is based on the idea that all you need to do to finish rich is to look at the small things you spend your money on and determine whether that spending could be redirected to yourself.

According to Bach, putting aside a few dollars a day rather than spending it on little purchases such as lattes, bottled water, cigarettes and magazines, can make a difference between accumulating wealth and living paycheque to paycheque.

Bach uses lattes as an example: saving \$5 per day (the average cost of a latte and a muffin) x 7 days = \$35 per week

\$35/week = \$150/month

\$150 per month (invested at a rate of 10 per cent annual return) yields: 1 year = \$1,885; 2 years = \$3,967; 5 years = \$11,616; 10 years = \$30,727; 15 years = \$62,171; 30 years = \$339,073; 40 years = \$948,611.

Have you figured out your Latte Factor, and what are you doing to prepare for your retirement? Let me know what you've accomplished by cutting back on

In their own case, Bach says, it's a lot more complicated today when you're 20 or 30 years old.

Spending on education is putting a lot of young people deep in debt, he says. They're getting out of school carrying \$20,000 to \$30,000 in student loan debt, and they probably have about \$5,000 in debt on their credit cards.

"So they (young people) have to be serious about their money sooner," says Bach, and they want to answers to some key questions — How do I get out of debt? How do I buy a home? And can I afford to save? — Questions he says he tries to answer in his books and his presentations.

The No. 1 question asked at his seminars is "Should I pay myself first or pay my debt off first?"

Bach says the answer is to do both; pay off your debt while putting some away for savings. And the best way to do that is to set up automatic deductions so it is as painless as possible.

Young people are helping to fuel the current real estate boom, Bach says. Because of their early interest in investing, people younger than ever before are buying homes, partly because in the current financial climate, it is fairly easy to get loans to acquire real estate.

Also heating up the real estate market is increased demand by the "baby-boomer market." So-called baby boomers have literally trillions of dollars tied up in their houses in equity, which they are using to purchase second homes, vacation homes and cottages.

And the third element of the hot real estate market is the emergence of the immigrant investor, says Bach. In both the U.S. and Canada, more and more immigrants are buying property, a trend he predicts will continue.

"Today, one in four homes in the U.S. is purchased by an immigrant. I don't see that stopping."

rtaylor

Roger Taylor's column appears Tuesday, Wednesday, Friday and Saturday.

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unnecessary spending and you might win a copy of Start Late, Finish Rich.

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Please be sure to include your name, address and daytime phone number. There should be only one Latte Factor story per envelope or e-mail. A random draw will be made from all entries received by the deadline of noon, Nov. 15.

Ten winners will be contacted by phone, and their names announced in my Nov. 18 column, which will also include a selection of anecdotes received.

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