

100 Mile Mortgage

Bradley Roulston, BA, CFP

The phrase ‘What goes around comes around’ is never as true as it is now with local economies and our personal finances.

One step of our Financial Hike equates a family’s cash-flow to that of water in a water bottle. Money added to a family’s income acts like water flowing in from a faucet; while, taxes, debt management and expenses allow the water to drain out. Savings are the difference between the faucets and the drains – the creation of wealth.

A community has a similar, but much larger, bottle. The infusion of money into a community from various faucets is provided by tourism, employment, social assistance, pensions, etc. The drains are reflected in the money leaving the community through taxes, utilities, as well as the goods and services purchased elsewhere. A full bottle represents a healthy local economy where there are sufficient resources for everyone.

In the early twentieth century, John Maynard Keynes coined the term ‘Multiplier Effect’ to explain what happens to money inside the bottles. Essentially, it examines how often money is exchanged before leaving that community. By spending locally, money is retained for a longer period of time and benefits more people. There is no difference between money that is new to the local economy and money that is re-circulated: \$100 has the same value in the hands of the recipient either way. As more money is re-circulated at the local level, the higher its multiplier effect and the stronger the community is economically.

Historically, communities have searched for external sources of new money for economic recovery. Pouring money into the bottle appears easier than finding ways to plug the drains. Unfortunately, this tactic is effective only when there are endless sources to access.

Most communities, including ours, may not have difficulty attracting new money, but, it is how we as, citizens, businesses and governments use that money that needs attention. Too often, money is lost from the local economy when goods or services are bought from outside our communities. Regrettably, there is little long-term benefit from pouring money into our communities if it immediately gushes out. Where and how you spend your money is vital, however, it is equally important at the next level where those people and businesses spend the money that they receive from your transactions.

Re-circulating wealth does not demand that we insulate our community from the outside world. Rather, the emphasis is on increasing local connectivity and maximizing inward investments. Our rural economies can be strengthened by reducing our dependence on external goods and services, diversifying our local businesses and encouraging local spending. Every dollar that enters our community should be given the opportunity to realize its full potential before leaving.

How connected is our local economy? Where is most of our community's money spent? Individually, we can examine our monthly budgets to see where we spend most of our money and how it interacts in our community.

Commonly, one of the largest expenses in a family's budget is the mortgage. Our Credit Union can assist in keeping this investment local. Over the first 5 years of a mortgage amortized over 25 years, a family borrowing \$200,000 could be paying over \$40,000 in interest. Certainly most residents would want that kind of money to remain in our community!

The local economy is the interconnection of many parts and how we spend our money as a community can have a positive effect on our economic vitality and long-term growth. Each one of us can make a difference!

Our new 100 Mile Mortgage program seeks to help our community retain its money by circulating it locally. Logically, our preference is to invest our members' deposits in our community. We therefore welcome the opportunity to handle your mortgage as well as your other borrowing requests.

Whether seeking a new mortgage or renewing an existing one, please visit 100milmortgage.com and remember that our 100 Mile Mortgage specialists are here to assist you.

For more information contact your local branch or email 100milmortgage@nelsoncu.com.

