

FROM YOUR ADVISOR HOSTING TRAVELLERS AT HOME

Renting out a spare bedroom for a short term may seem like a great way to earn extra cash, but there are a number of financial issues to consider

Dara Choubak and June Cormack wanted a little help with the mortgage payments on their five-bedroom home in Nelson, B.C. But rather than take on a full-time roommate, the couple opted to list their guest bedroom on Airbnb Inc., the short-term rental site.

"It's nice to be able to have a little bit of an extra income to help us with the mortgage, but not have to commit to having somebody in our space for a long period of time," says Cormack.

Aaron Zifkin, Airbnb's country manager for Canada, says the website is popular among tech-savvy millennials looking for extra cash to pay for school.

Recently, Airbnb also has seen growth in the 55-plus demographic, particularly among retirees looking to supplement their fixed incomes, he adds.

"[Using Airbnb] is a great way for people to monetize their most valuable asset, which tends to be their home," Zifkin says.

However, there are a number of things that potential hosts should consider from a financial perspective before listing their homes on the vacation rental site.

BUDGET FOR EXTRA COSTS

Be mindful of the costs associated with being a host, which can include everything from toiletries and cleaning fees to additional furniture.

When Choubak and Cormack decided to list their home, they paid a small fee to obtain a business license from the City of Nelson. They also had to buy two extra fire extinguishers to make sure their home met the fire code.

TALK TO YOUR INSURANCE COMPANY

Although the vast majority of Airbnb rentals are incident-free, there always is some risk involved when you allow strangers into your home.

One couple in Calgary learned that lesson the hard way when their house was trashed last year during what police reportedly described as a "drug-induced orgy."

Airbnb's host guarantee reimburses hosts for damages of up

to \$1 million, but the company's website states the guarantee shouldn't be treated as a stand-in for renters or homeowners insurance.

That's because some things — such as damage to common or shared areas — are not covered.

"We encourage everybody to check with their insurance providers," Zifkin says.

THERE MAY BE TAX IMPLICATIONS

Any money generated through a rental must be reported as income to the Canada Revenue Agency, says Caroline Battista, senior tax analyst at H&R Block Canada Inc.

"If you're making money through a sharing app, you pay taxes on that income," she says. "But much like other rental incomes, you do have the right to claim expenses against [that income]. So, [the taxation] is really about tracking your income and tracking your expenses so that you know what to claim."

If you earn more than \$30,000 a year through your Airbnb listing, you also will have to collect either HST or GST, depending on which province you live in, on the government's behalf, Battista says.

CONSIDER PROPERTY MANAGERS TO LIGHTEN THE WORKLOAD

There are a number of property-management companies that can run your Airbnb listing for you if you're tight on time, says Glenn Carter, founder of Canadian sharing economy blog *The Casual Capitalist*.

Although these companies will take a cut of the profits, in some cases you could end up earning more money overall, Carter says.

Property managers that specialize in Airbnb hosting typically use what's called "dynamic pricing" to ensure that your home is priced appropriately to maximize your profits, he says.

"It frees up your time to do other things, and these companies know the market really well," says Carter.

"I've heard some people say that even after the fee they pay to the property manager, they increased their profits," he adds, "but that's on a case-by-case basis."

By Alexandra Posadzki (CP)