

Smart homeowners have tax-deductible mortgages.

Many Canadian homeowners wrestle with the same financial dilemma. They're madly trying to pay for their homes in exactly the same years they should be socking away money into their RRSPs. If they wait to save until their home is paid off, it'll be too late to build a comfortable nest egg. So do they pay down their mortgage, or do they save for retirement?

For years, Canadians have envied those lucky Americans: they have tax-deductible mortgages. But a growing number of smart Canadian homeowners have figured out that we can have tax-deductible mortgages too. In fact, savvy financial advisors have been designing tax-deductible mortgages for their clients for years.

Essentially you restructure your mortgage to do three things: save on your interest dollars; pay down your mortgage debt more quickly, and build a handsome retirement portfolio along the way; all without increasing your total debt load. It's a different way to look at a mortgage, one that makes Canadian tax laws work for you. You see, Canadian tax laws allow the deduction of interest on loans made for qualified investment purposes. With careful planning, you can convert your non-deductible mortgage debt into tax-deductible investment debt.

Here's how it works. As you know, your mortgage payment includes principal and interest. After a principal reduction, you re-borrow that amount and invest it. The interest on the amount you borrow to invest now becomes tax deductible, possibly triggering a tax refund. Your mortgage planner can help you set this up with either a re-advanceable mortgage or home equity line of credit. You simply convert your mortgage into one of these products.

The more principal you pay on your mortgage and then re-borrow to invest, the bigger your tax deduction. Should a refund cheque arrive each year, you slam it against your

mortgage. Bam! The result? On one side, you're hammering down your mortgage, and on the other side, you have a growing investment portfolio; all while your total debt stays at the same level. While your mortgage debt goes down, you're building a corresponding investment portfolio through an increasing tax-deductible loan. When the conversion strategy is finished, your mortgage debt decreases to zero while your corresponding tax-deductible loan grows to the original mortgage amount. You now have an investment portfolio growing for your retirement needs.

You may say "but I still have debt; if I paid off my mortgage, I'd have no debt". But your position is actually better. You have an investment portfolio that could pay off your investment loan, which means you could be debt free. But why would you do that? Keep your investment portfolio growing, and keep the investment loan because it gives you a tax deduction each year.

Too good to be true? It's not. It's legal, it's perfectly sound and it's smart. And thousands of in-the-know Canadians are saving thousands of dollars and paying off their mortgages faster.

How do you get started? You should talk to a financial professional with some expertise on making mortgage interest tax deductible. The expert planners at Mortgage Architects – Canada's premier mortgage brokerage firm – have some excellent experience with helping homeowners design and execute this kind of mortgage plan. With access to more than 50 lenders – including most of the major banks – an independent mortgage broker can find you the best mortgage options – along with no-cost personalized advice on your mortgage plan.

You don't necessarily need to wait until your current mortgage matures; an expert planner can evaluate your options now.

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