

# When two roofs are better than one: Is it time for an investment property?

You don't have to tell the average Canadian homeowner that real estate is a good investment. With very few exceptions, home equity has been building across Canada.

Canadian homeowners already know what it takes to buy and maintain a home – and in record numbers, they're deciding that two roofs are better than one. There are several reasons why a growing number of Canadians are purchasing investment properties:

**1. Return on investment.** Certainly, residential real estate is a solid long-term investment, typically appreciating faster than inflation. Even Canadians who have chosen their stock portfolio very carefully may find that their home is their best-performing investment. Many investment advisors recommend diversifying stock and bond portfolios to include real estate. Initially the goal is to have rental income cover all or most of the costs of the property. Over time the goal is to see an increase in the value of the real estate, with rent turning to profit once the mortgage is paid off. Expenses related to the property are of course tax deductible, offsetting the rental income.

**2. A pension plan for the future.** Over the long term, an investment property or multiple real estate holdings can be a great source of retirement funds. Many Canadians do not have a pension plan, which means they need to take their own action to create sources of retirement income. Fewer than 50% of paid workers have employer-sponsored retirement plans, likely one of the reasons why almost 40% of retired Canadians lack sufficient savings to maintain the lifestyle they had envisioned for their retirement years.

**3. A better alternative to student residence.** Many Canadians are shipping off their university-age children, and housing them in an investment property purchased

specifically for that purpose. They can save money on out-of-town accommodations for the student, and use revenue from other renting students to pay the mortgage and maintenance expenses.

#### **4. A chance to improve a diamond-in-the-rough.**

Homeowners who have developed some home-improvement skills have a great opportunity to use their time and talents to dramatically increase the value of a home. Most handy homeowners are comfortable with painting, papering, refinishing and basic landscaping. If you'll need professional skills to spruce up your investment property, be sure to budget for them.

**5. Earlier access to a first home.** For first-time homebuyers, a duplex or triplex can be a terrific way to get onto the home ownership ladder. Rental income from the extra units can help offset the cost of the mortgage as the new homeowners get on their financial feet.

**6. New regulations and mortgage products make real estate investment easier than ever.** Once the exclusive domain of wealthy Canadians, real estate investment is now well within the reach of average Canadians. Mortgage Architects – Canada's premier mortgage brokerage firm – notes that there is keen interest in investment properties among all tiers of clients. Why are they investing? Because they can. With as little as 10% down – and amortizations up to 35 years – Canadian homeowners have figured out that they can leverage the equity they've built in their principal residences to make some smart investments in second properties.

Wondering if it's time for a second roof? An experienced mortgage broker can help you assess your situation.

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