

# REAL ESTATE INVESTMENTS



**LEVERAGE  
YOUR RRSP!**

Borrow the value of your RRSP today  
to finance your real estate purchase!

In today's hot real estate market, sourcing out the best financing product is essential.

i-Finance offers a tax effective program to help you capitalize on the growing market.

Benefit both inside and outside your RRSP by using the value of your sheltered account to invest in real estate.

## RRSP Financing a Lot Purchase at Mountain Shadows with iFinance.

There is no requirement to cash out your RRSP and lose the benefits of that investment or the interest on your investment.  
You will retain the same value in your RRSP and will continue to receive interest on your RRSP investment.

### 2 BASIC STEPS

#### STEP 1:

If you require \$100,000 in financing (round number example) to purchase Mountain Shadows, you would move \$100,000 worth of RRSP sheltered investments over to a new bond investment with iFinance (Pacific Financial). This bond will be RRSP sheltered and you will, therefore, not lose any value in your RRSP.

The RRSP sheltered bond will pay you, tax-free, 4% compounded interest.

#### STEP 2:

iFinance will loan you \$100,000 (the value of the bond) from its pool of investor capital.

The loan is secured through personal covenant, not against the RRSP bond or against the property purchased.

The rate of interest charged for the loan will vary depending upon your credit rating.

## NET RATE OF THE LOAN

The net annual borrowing cost for the loan equates to the loan rate, less the applicable investment tax deduction and the return paid to you by the bond.

Because Mountain Shadows is a non-primary (investment) property, and the loan is not secured by the property, it is considered a 'Qualified Investment' and the interest on the loan is tax deductible. For example, if you paid \$100 in annual interest on the loan, and you fall into the 30% tax bracket, the tax deduction would mean net interest on the loan would actually be \$70, thus reducing the effective rate of the loan.

Because you are earning 4% of the value of the loan through the equivalent sized bond with Pacific Financial, that interest further offsets the cost of the loan and reduces the effective rate of the loan further.

On average, the effective rate of interest of the loan after a 30% tax bracket tax deduction and being further offset by the 4% bond return, is 1.6%.

If you are in a higher tax bracket, then the tax savings would be higher and the effective loan rate would be even lower.

Mountain Shadows

R V R E S O R T



## iFinance Example Term Sheet

### \$80,000 Average Lot Cost Example With \$0 Down From Buyer:

The loan amount is \$80,000 to purchase a lot at Mountain Shadows (an example average lot price - actual prices will vary).

The loan rate is based on your credit rating, and ranges between 7% and 9.75%. 8% is considered average, and is used for the example.

At 8%, interest-only loan costs will be \$533 per month, or \$6,400 per year.

Using a conservative tax bracket of 30%, the annual net cost of the loan will be reduced to \$4,480 per year following the applicable tax deduction. This represents a reduction of the net cost of borrowing from 8% to 5.6%. If you are in a higher tax bracket, the net cost of the loan will be reduced further (ex. to \$3,840 for the 40% tax bracket, equating to a net cost of borrowing or 4.8%).

The annual cost of borrowing is further offset by the 4% interest paid on the RRSP sheltered investment bond, which produces a tax-free return of \$3,200. This reduces the annual net cost of borrowing to \$1,280.

When all factors are considered, the annual net cost of borrowing \$80,000 is \$1,280, which equates to a net percentage cost of borrowing of 1.6%.

For someone in the 40% tax bracket, the net percentage cost of borrowing would be 0.8%.

You may finance as much or as little of the purchase as you wish.

Note: Monthly finance payments are based on the debt service rate of 7% to 9.75% (8% average).

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