

INVESTING FOR YOUR RETIREMENT PORTFOLIO

If you are like myself, you are still not profiting from those mutual funds you invested in when you bought your last several RRSP's. Many of us are still in a loss position, waiting with our fingers crossed for the markets to improve. It's been a very long wait.

A good number of investors have turned to the real estate marketplace, comfortable in the knowledge that over the long term good money is made in real estate. If you think what properties were worth twenty and thirty years ago you'll be quick to agree that investing in real estate has the profit potential we are all seeking.

I would like to show you a way to make investment money in real estate without relying on price increases. Let me use, for example, an \$80,000 apartment. If you put \$20,000 down and finance \$60,000 you will not pay those painful high ratio fees. At today's still very desirable lending rates of 4.95% the monthly payment on this \$60,000 mortgage is about \$392. Add to that the monthly strata fee and property taxes and you end up with a monthly commitment of about \$550.00. The rental income per month is most likely in the range of \$550-\$600 per month. The happy result result to this scenario is that you end up with a fully paid-for unit in approximately 20 years or less and your tenants have actually made those payments for you. If it so happens that values also escalate in that time, which history shows us is probable, all the better. Icing on the cake, so to speak. You also get your original \$20,000 down payment back when you sell it. This is very low risk. All you have to do is accept you'll spend time screening tenants and doing clean-ups between tenants. Not all tenants will be good ones and you'll endure some expenses along the way, but if you keep in mind the big picture, and stick with it, you'll own that unit outright in 20 years, or less. Some have accomplished clear title in 10 or 12 years.

If you have equity in your home, which you likely do, considering the big increase in property values over the last two or three years, you can probably borrow the down payment against your principal residence and the interest on the down payment loan is tax deductible. Also you can raise the rental income from time-to-time to what the market will bear and pay it off faster.

Even if interest rates increase it is possible the rental income may be adjusted to cover the higher payments (this is subject to regulation). You can also elect to invest a little more money in the unit in the future, to keep the payments low enough for the rental income to cover.

Call your realtor and ask them to find you properties that will work for good investments for you.