

# TAX DEDUCTIBLE MORTGAGE PLAN



*Structuring Tax Efficient Mortgages  
for Qualified Homeowners*

## **PRESENTED BY:**

Raj Sekhon – AMP candidate

[www.rsmortgage.ca](http://www.rsmortgage.ca)

Ph 604-551-5576 fax 1877-993-1010

Verico Aman Khatkar Mortgage Group





# FINANCIAL SECURITY

Get a **Tax Refund** from your Mortgage Payments

Use Refunds to **Pay off Your Mortgage Faster**

Build a **Nest Egg** for Your **Retirement**

Without being out of pocket \$



TAX DEDUCTIBLE MORTGAGE PLAN



*Certified Mortgage Planner*

## INVESTMENT COUNSEL

**First Financial Securities Inc.**

*Mr. Einar Lisborg – CFP*



## MORTGAGE ADVISOR

**VERICO – AKMG**

*Raj Sekhon – AMP candidate*

*Ph 604-551-5576 fax 1877-993-1010*

*Email [raj@rsmortgage.ca](mailto:raj@rsmortgage.ca)*



# CANADIAN TAX PROBLEM



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# TRUE COST OF A MORTGAGE

Pay back the original loan:	\$200,000
Plus bank interest:	\$220,241
Requires after-tax income of:	\$420,241
You pay this much income tax:	\$280,161
<b>You need to earn:</b>	<b>\$700,402</b>



# SHIFT IN THINKING



## GOOD DEBT

Borrowing with intent to earn income  
Interest is Tax Deductible  
& works for you

## BAD DEBT

Consumer Spending Debt  
Interest is not Tax Deductible  
& works against you

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# RETIREMENT PROBLEM

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## LIVING LONGER

Expect Retirement for 20 - 30 Years

### RRSPs & SAVINGS

Not sufficient for most people

### CORPORATE PENSIONS

59% are Under-funded

### EVEN IF 10% SAVED?

15% is the new 10!

*-Dr. Sherry Cooper, P.H.D.*

The New Retirement





Vacation Property

Entertainment

New Appliances

Clothing

Food

Utilities

Credit Cards

Mortgage Payment

Pets

Furniture

Vacation

Kids

House Insurance

Life Insurance

Medical Bills

GST

Hairdresser

Car Loan

Gifts

Kids Sports

Car Maintenance

Taxes

Kids Clothing

Gas

Videos

Car Insurance

Birthdays

Home Maintenance

Unexpected Expenses

# Wealthy Canadians Avoid Carrying Non-Deductible Debt

Canada Revenue Agency's "*Money Borrowed To Invest*" Guidelines

➤ **Smith Manoeuvre** (1980's)

*B.C. Homeowners*

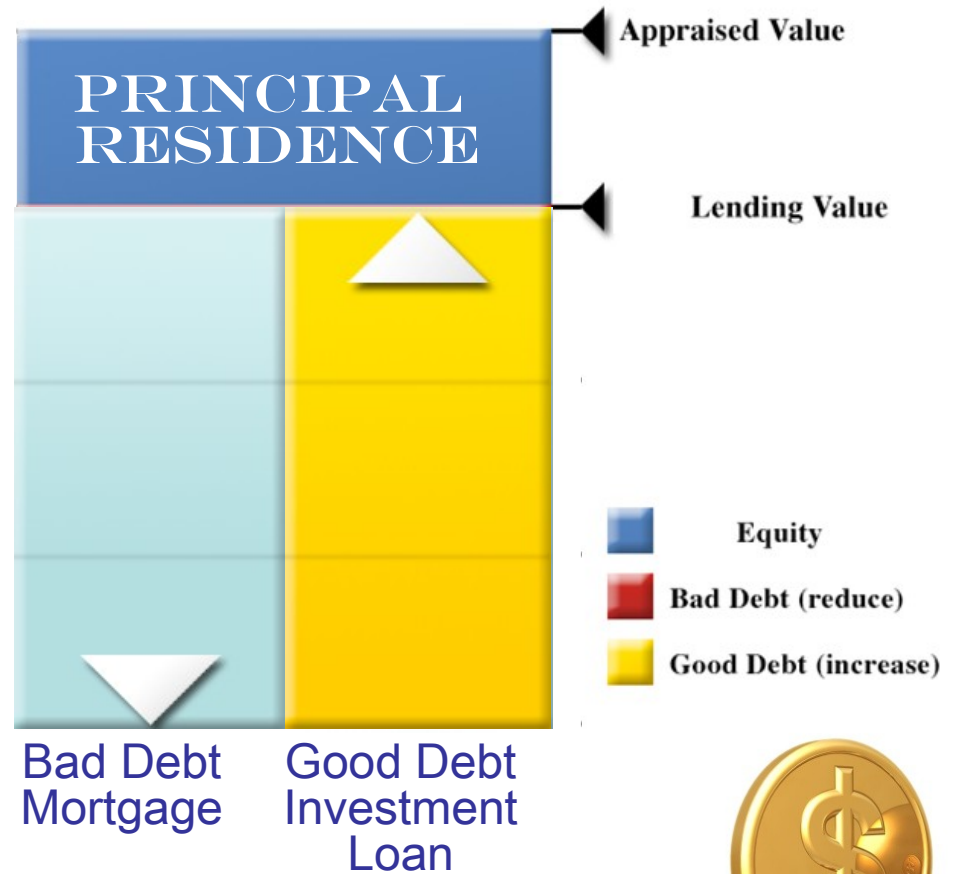
➤ **HELOC – "A" Lenders**

*Home Equity Lines of Credit*

➤ **CRA - "Cash Damming"**

*Approved in 2003*

*IT533 Interpretation Bulletin*



# WHAT IS A TAX DEDUCTIBLE MORTGAGE?

Bad Debt

Good Debt

**REGULAR  
MORTGAGE**

*Best Rates & Terms*

**RE-ADVANCEABLE  
LINE OF  
CREDIT  
(LOC)**

Professional Financial Advice

CRA Cash Damming

Investment Counsel

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# LEVERAGE TO INVEST NOT CONSUME



The mortgage that also takes care of your future financing needs.

**Matrix Mortgage**

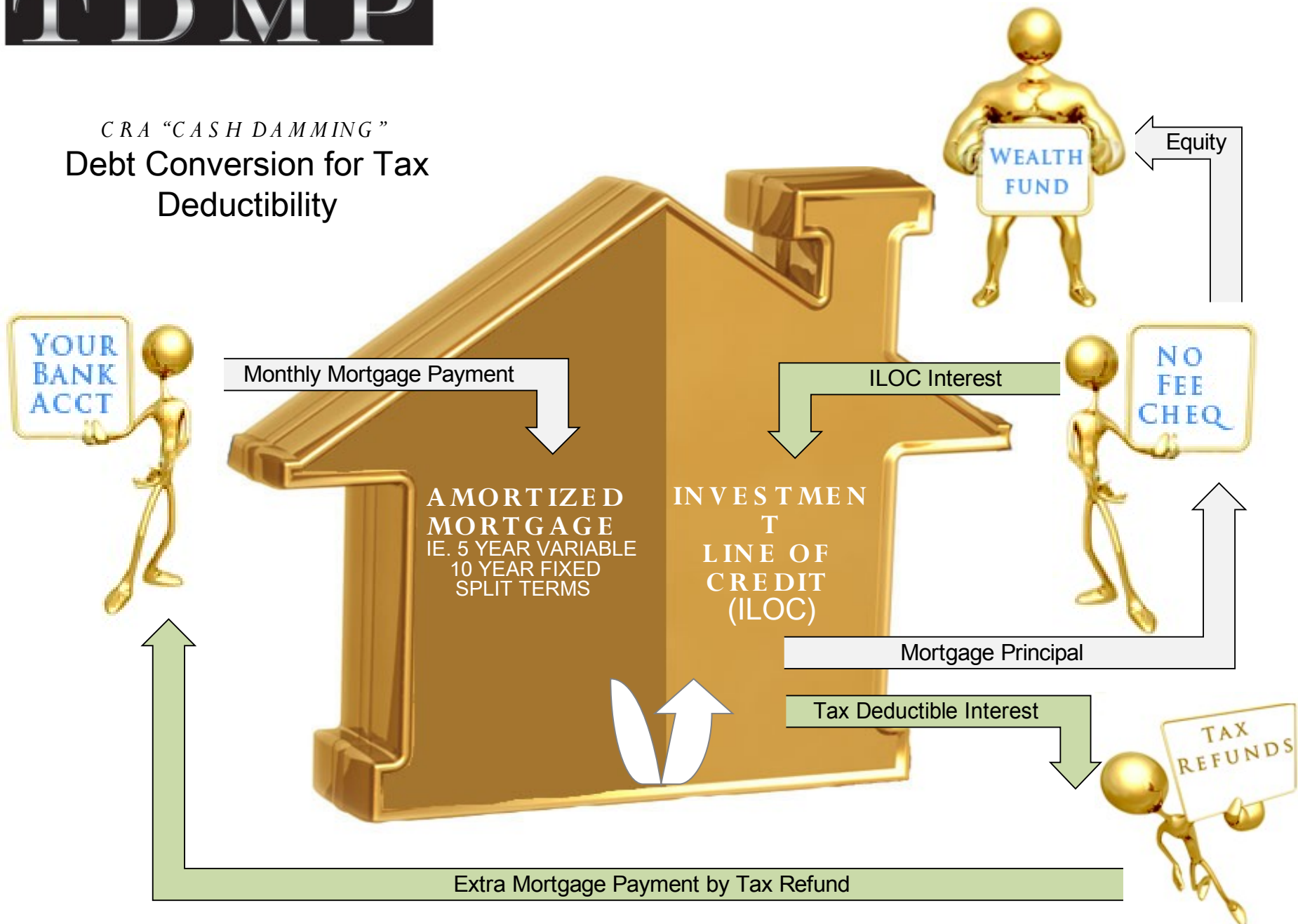
	Fixed Rate Portion	Variable Rate Portion
Term	2-10 years	2-10 years
Amortization	5 to 25 years	None
Types of	Owner occupied only (up to 4 units)	



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CRA "CASH DAMMING"  
Debt Conversion for Tax  
Deductibility



# CD ACCELERATOR



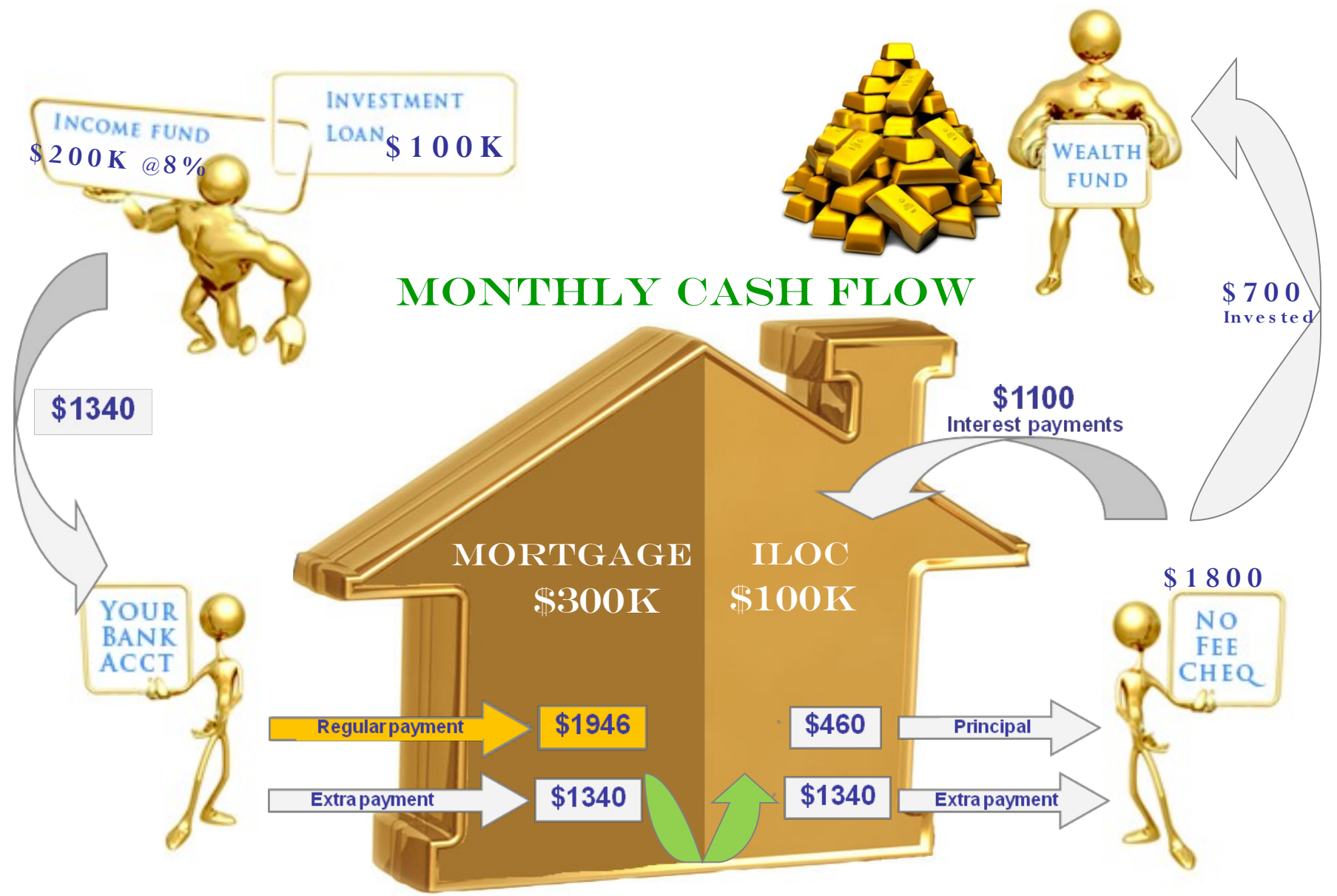
- Leverage Home Equity
- To Finance a Personal Pension
- Conservative “Blue Chip” Funds
- Fixed Monthly Cash Distribution
- Positive Monthly Cash Flow
- Tax Efficient Design (ROC)

# CASE STUDY

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- \$500,000 Property Value
- \$300,000 Mortgage
- 25 Year Amortization
- 39% Marginal Tax Rate
- Arrange 80% LTV = \$400,000
- ILOC Interest @ 5.75%
- Investment Portfolio @ 8% & 6%
- \$100,000 Personal Pension Plan Accelerator Investment Loan





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# Investing Strategy



## INCOME FUND

- Set Monthly Revenue
- Extra Mortgage Payment Source
- Tax Efficient Distributions (ROC)
- Capital Preservation



## WEALTH FUND

- Long Term Wealth Generation Portfolio
- Automated Monthly Contributions
- Aligned to Client Risk Profile
- Structured for Tax Efficient Growth

# CASE STUDY BENEFITS

Year 1 Tax Refund: \$ 5,246

*14.5 Years*

***MORTGAGE FREEDOM***

(pay off all loans & est. capital gains taxes)

**\$ 253K FUTURE SAVINGS**

(NO mortgage payments for 10.5 years)

**25 Years**

**\$ 917K NEW WEALTH**

No Additional Cash Required

**Plan is entirely Self-Funding**



# CASE STUDY BENEFITS

Year 1 Tax Refund: **\$4,704**

*18 Years*

***MORTGAGE FREEDOM***

(pay off all loans & est. capital gains taxes)

**\$165K FUTURE SAVINGS**

(NO mortgage payments for 7 years)

**25 Years**

**\$367K NEW WEALTH**

No Additional Cash Required

**Plan is entirely Self-Funding**



# LAW OF INFLATION

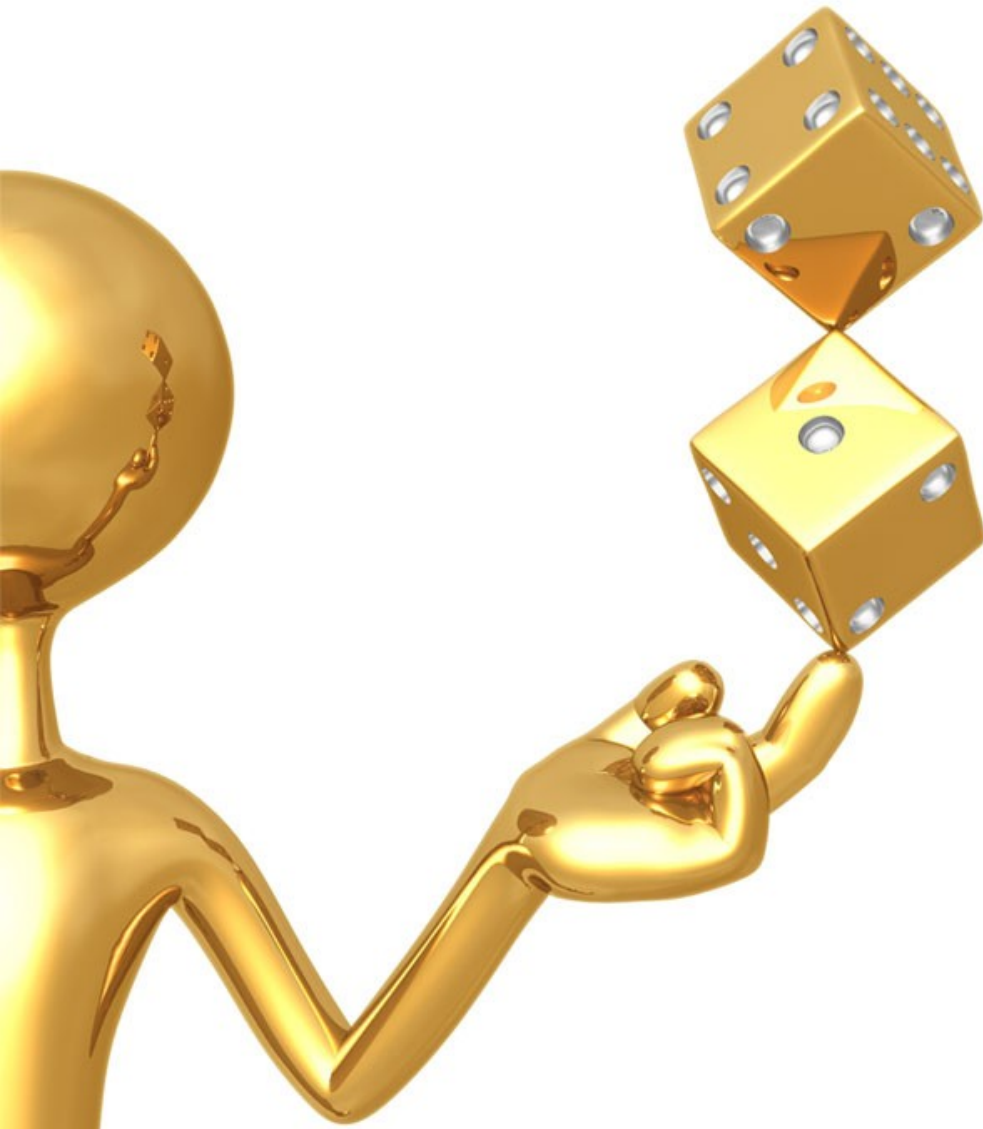
Money's value falls 90% every 30 years...

*-Seymour Schulich*

Get Smarter



Item	30 Years Ago	Today	2040
Postage Stamp	\$0.05	\$0.52	~\$5.00
Deferred Tax (owed to CRA)	<b>\$5000</b>	<b>\$5000</b>	<b>\$5000</b>
Investment	<b>\$ 5 0 0 0</b>	<b>~\$ 5 0 K</b>	<b>~\$ 5 0 0 K</b>



# WHAT ARE THE RISKS?

- Cash Flow Risk
- CRA Risk

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# Cash Flow Risk

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## MARKET RISK

Fixed Cash Distributions Reset Annually

RISK OFFSET: TIME (10 years recommended)

## INTEREST RATE RISK

Rates Rise

RISK OFFSET: FIXED RATES (5-10 Yr)



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# CRA Risk *(a.k.a. Revenue Canada)* . . .

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## Cash Damming

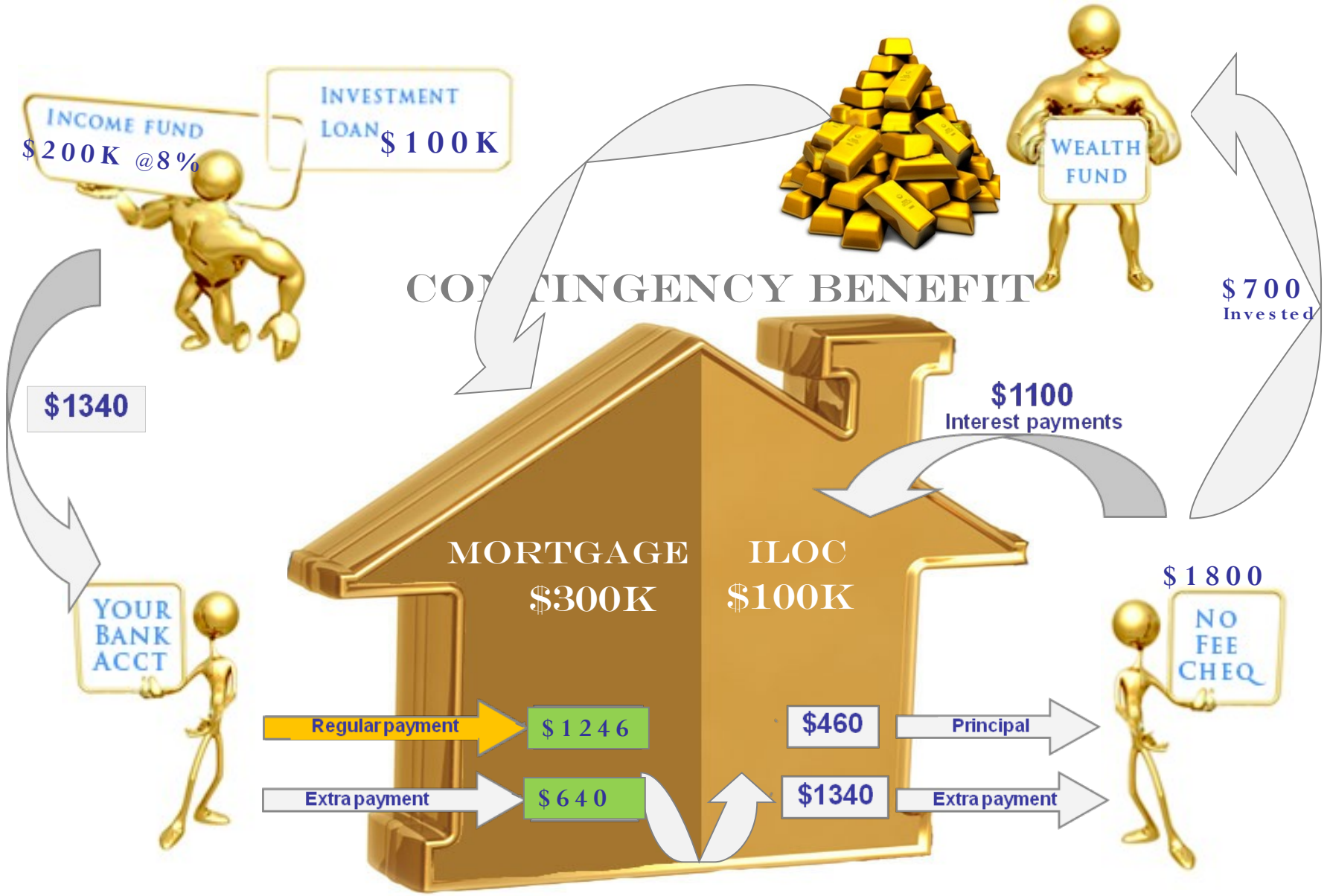
- ✓ Approved under ITC-533
- ✓ Know CRA Rules (e.g. 2007-0236351E5)
- ✓ Segregate Cash Flows

## Avoid Anti-Avoidance

### “GAAR”

- “Window Dressing” or “Sham”
- Illegitimate Investments





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## Who Qualifies?

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- **Home Equity (Net Worth)**  
Existing Homeowners - minimum 20%
- **Credit Worthiness**  
- minimum 680 for all parties on title
- **Proof of Income**  
- employed or self-employed
- **Mortgage Balance**  
- minimum debt level \$50K



## The Review Process

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- Complete Seminar Form
- Book a Meeting
- Qualify online or by phone:  
[www.TDMP.com](http://www.TDMP.com)
- Order Appraisal
- Meet with CFP

Make **YOUR** Mortgage Tax Deductible!

# A Final Word..

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*“Finance your retirement like you financed your home ....*

*...using your home”*

**-Fraser Smith**



TAX DEDUCTIBLE MORTGAGE PLAN

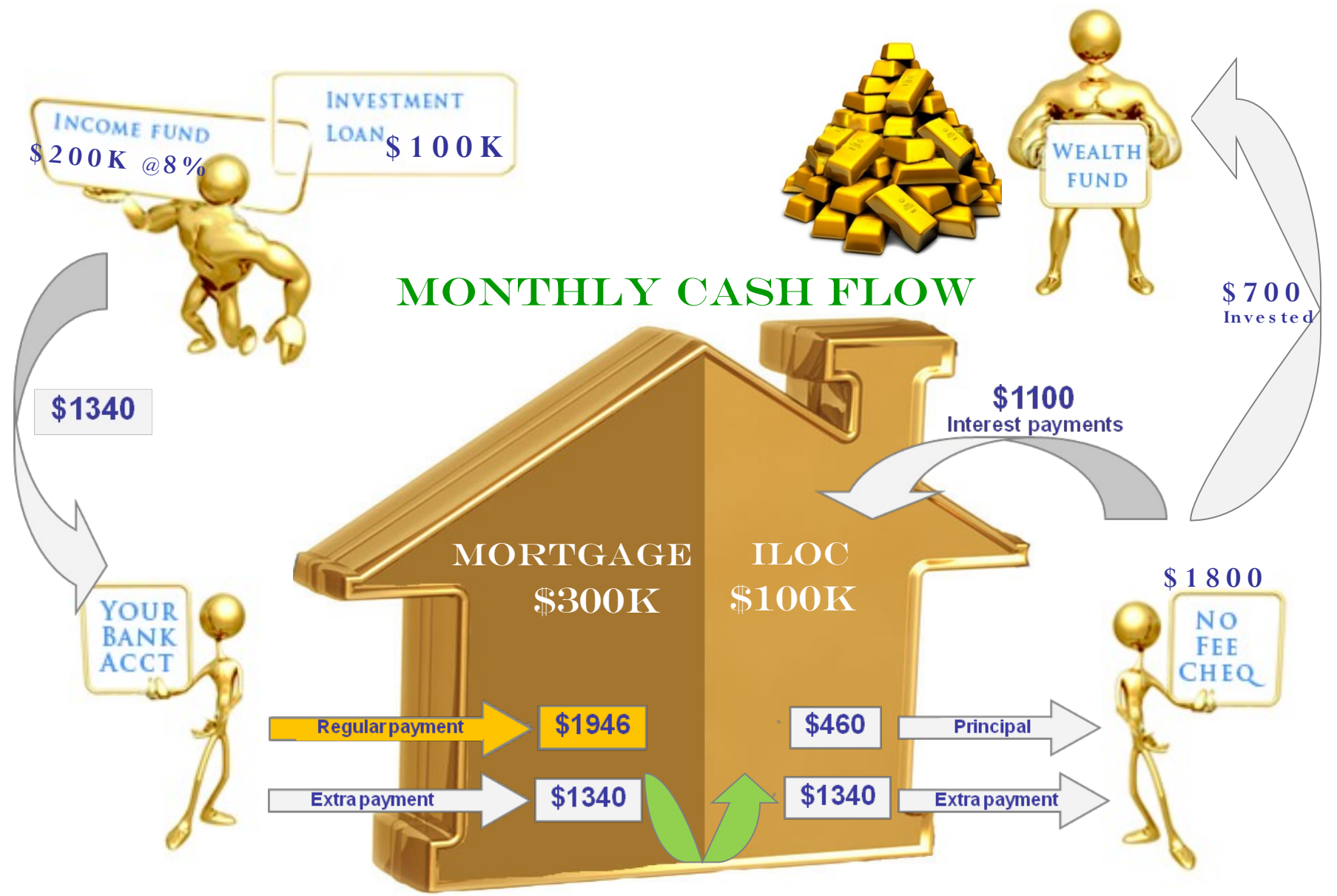
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QUESTIONS?  
Call Raj Sekhon  
AMP\*

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# The Lenders

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**MERIX**

**HELOC**



**MATRIX**

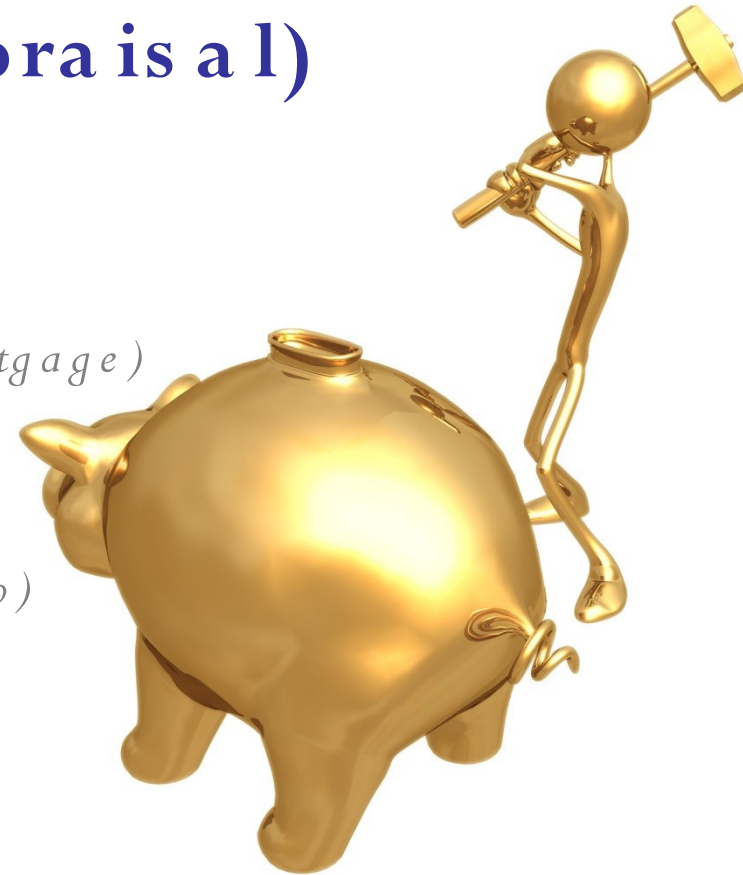


**NATIONAL  
BANK  
OF CANADA**

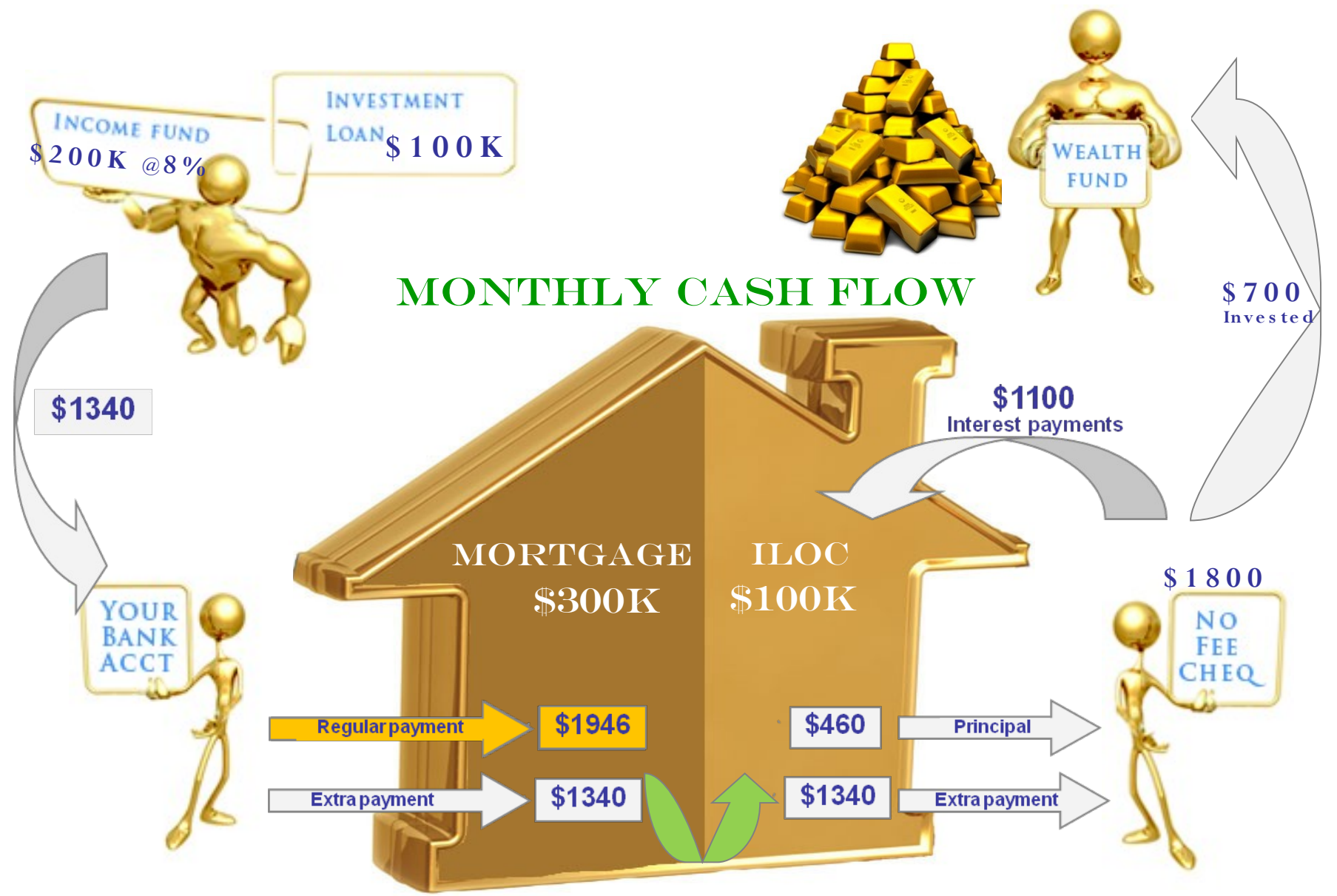
**All-In-One**

## The Costs

- **Application Fee (Appraisal)**  
(paid by credit card)
- **Legal Fee** *(added to mortgage)*
- **Interest Penalty** *(added to mortgage)*
- **Setup Fee** *(added to mortgage)*
- **Mgmt Fee** *(paid from ILOC \$39/mo)*



*All Costs and Fees typically covered in First Year's Tax Refund!!*

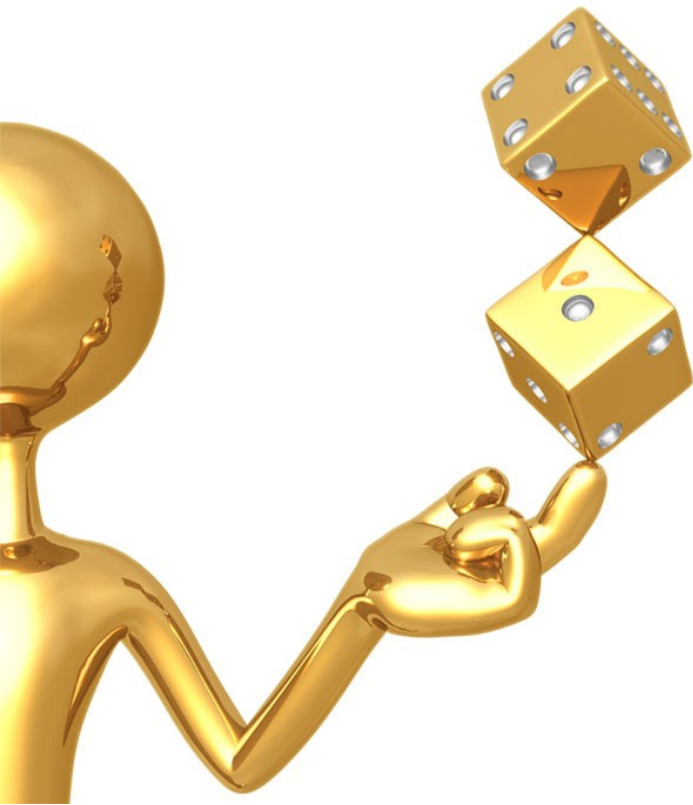


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# CASH FLOW MANAGEMENT

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➤ **Dedicated Cash Flow Manager**

*Monthly Prepayments / Advances*

*Off Schedule Requests*

➤ **Semi-Annual Authorizations**

*Cash Flow Adjustments*

*Bank Statement Audits (CRA)*

*Annual Tax Reporting &*

*Tax Preparation Services*

➤ **Annual TDMP Reporting**

*Progress Tracking*

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