

Advanced Mortgage Strategies

With
Peter Kinch
April 07
Alberta REIN

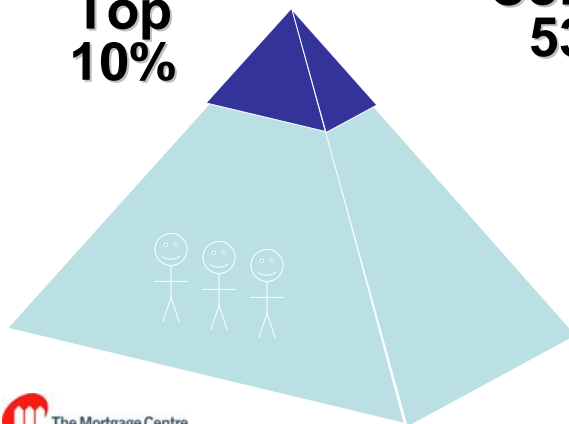


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Author of The Mortgage Minute™



The Wealth Pyramid

Top
10%



Control
53%



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Smith Manoeuvre

Using any cash you can
to pay down your principle balance.
Convert bad debt into good debt.
Debt Swap!



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Choose the Right Tool

A Re-Advanceable Mortgage
Powerful Finance Tool ...



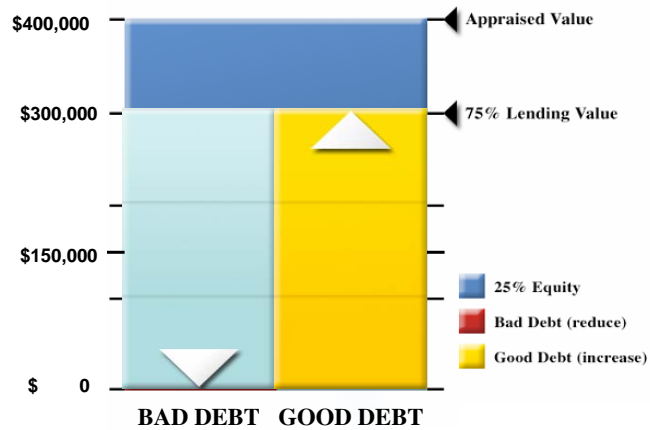
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Re-Advanceable Mortgages Debt swap

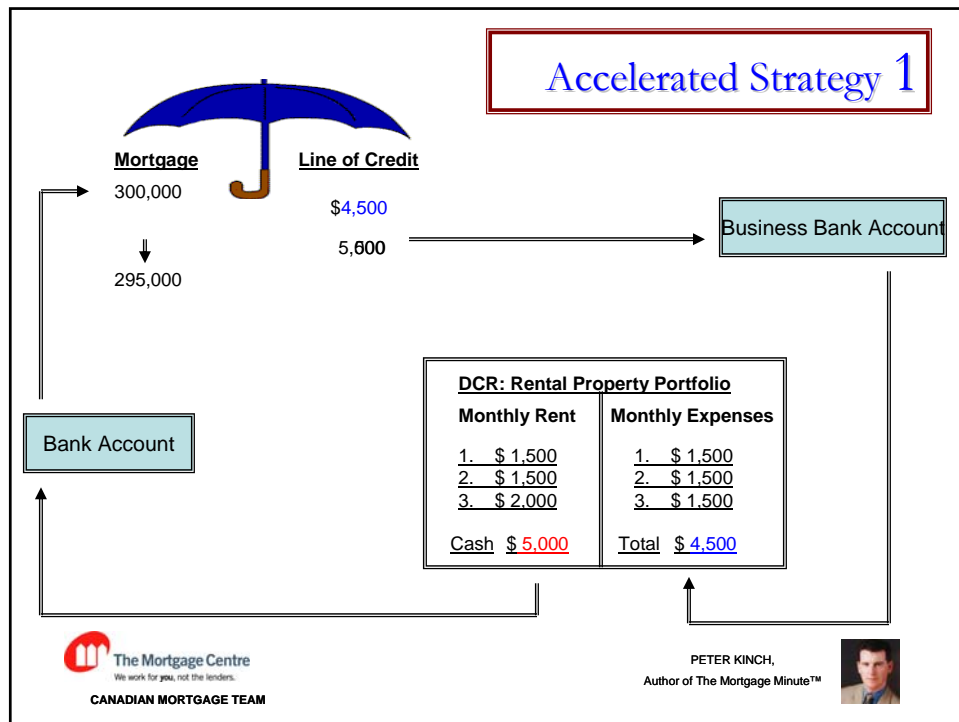


Sophisticated Investor Options

How to accelerate the process?

2 Acceleration Strategies





Tax Benefits

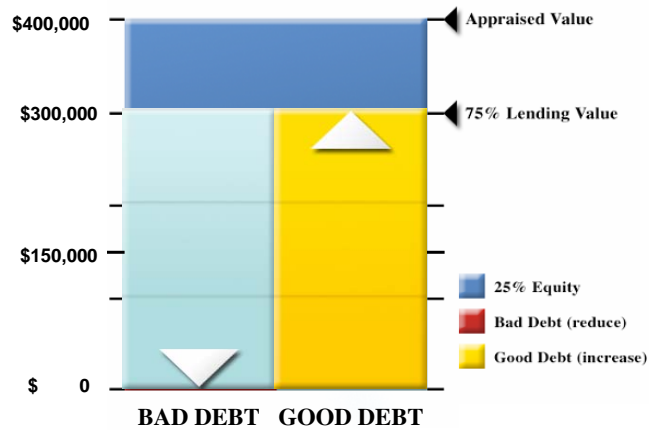
After 1 year:

- ✓ Reduce principle balance by \$60,000
- ✓ Re-advance \$60,000
- ✓ Spent \$54,000 @ 6% (tax deductible) cost = \$3240
- ✓ \$3240 @ 40% marginal tax bracket = \$1296 refund
- ✓ Apply \$1296 to principle balance

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Re-Advanceable Mortgages Debt swap



What if I increased my Mortgage Payment by \$5,000 per month?

Assuming the mortgage is \$300,000 @ 5.2%

Regular Mortgage Payments	\$ 1,787.75
Add Rental Income /month	\$ 5,000.00
Total Mortgage Payment	<u>\$ 6,787.75</u>

**Pay off your mortgage in 4.17 years
instead of 25 years!**



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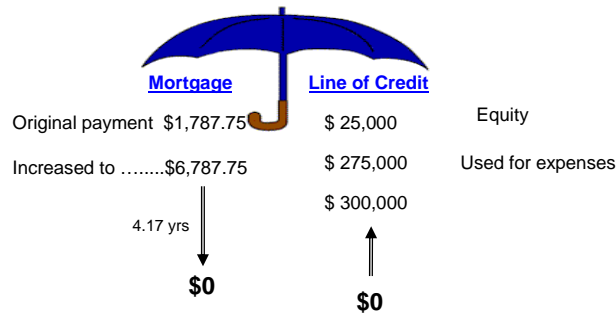
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... BUT WAIT... Mortgage is Paid off - LOC is Increased

4.17 years later or 50 months



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Mortgage is Paid off but LOC is increased Debt Swap

4.17 years later or 50 months

- \$ 275,000 x Bank Prime = Total Interest Paid
 - Assuming Bank Prime 6% = \$16,500 interest payment (tax deductible)
- Free Money**
- \$16,500 @ 40% (marginal tax bracket) = **\$ 6,600 tax refund**
 - @ 25% (marginal tax bracket) = **\$ 4,125 tax refund**



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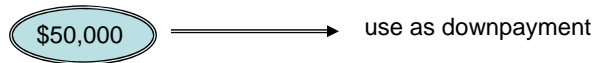
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Accelerated Strategy 2

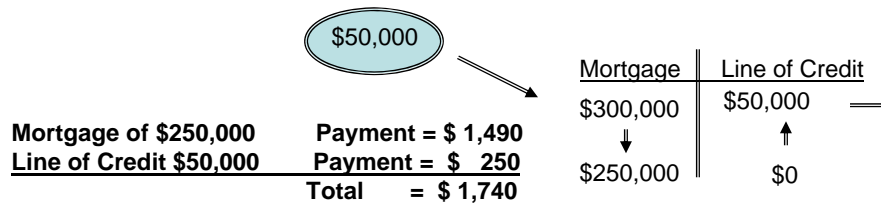
What do you do with \$50,000 down payment?

Typical scenario:



Mortgage of \$300,000 Payment = \$1787.75

Re-Advanceable Strategy:



Tax Deductible Component

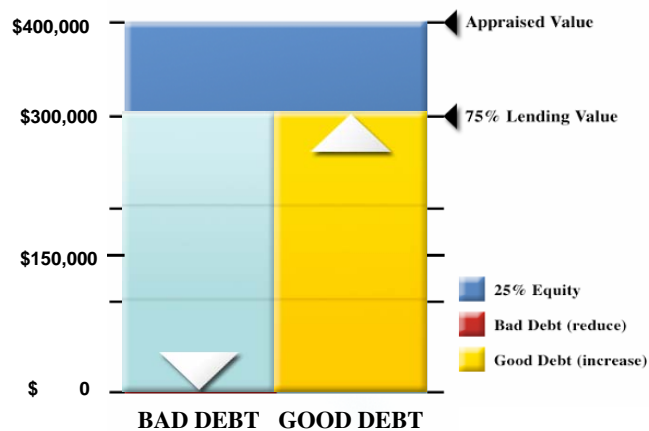
$$\$50,000 \times 6\% = \$ 3,000 \text{ per year}$$

$$\$3,000 \div 12 = \$250.00 \text{ per month}$$

\$3,000.00 is **TAX DEDUCTIBLE**



Re-Advanceable Mortgages Debt swap



Major Points

- Use any cash you can to pay down principle balance to convert bad debt into good debt.
- Re-invest good debt to increase wealth to generate a tax refund which is free money.



Thank you for attending

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