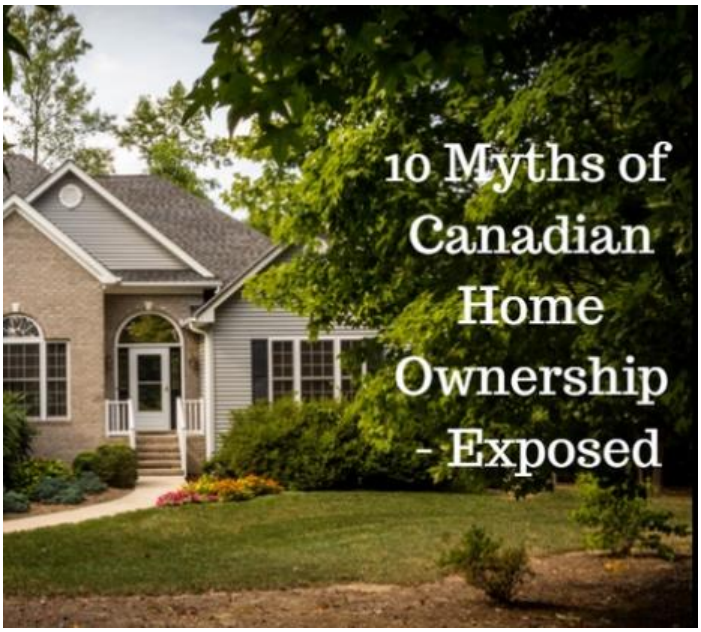
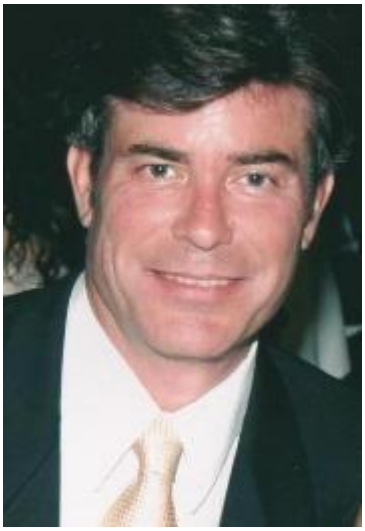


"The Top 10 Myths of Canadian Home Ownership - Exposed!"

Excerpts of a webinar with



Marla Mac - Speaker, Author & Mark Huber, Author, Retired CFP

Marla: Hi Mark, welcome to the call! First off I am curious about the title of your book, particularly "The UnCanadian" part.

Mark: Hey Marla, thanks for having me on the call – it's great to be here and I am so glad that you asked me about the book title…

First off, let me say that I am a very proud Canadian!

I use "The UnCanadian Way" moniker to differentiate myself and my views and philosophy of wealth creation – a form of "branding" if you will...

I want to draw attention to the fact that for Canadians to more effectively succeed in life they must begin challenging the currently accepted Canadian notions on how to deal with their mortgages and wealth building and to begin looking and acting "outside the box".

As author of "The UnCanadian Way" series of eBooks, audios and videos, I have created the resources designed to expose Canadians to new and innovative ideas and wealth building strategies – so that they will never again view their home, mortgage, debts, or assets in the same way again!

My deep desire is to assist Canadians everywhere to see greater visions for themselves and possibilities for their life – and to ultimately realize their personal financial goals much sooner than the traditional "Canadian Way"...

By way of backgrounder I want to read an excerpt of an article published some time ago by the Financial Post: (still true today)

- Begin Article -

"Canadians Tackle Mortgage Debt" – Financial Post Article - 19 March, 2008

Canadians are increasingly aggressive in paying down their mortgages, according to a survey by Canada Mortgage and Housing Corporation.

Just under 80% of new homebuyers said they plan to pay off the debt as quickly as possible.

"This study confirms that Canadians remain fundamentally cautious when it comes to their mortgage debt," said Pierre Serré, vice-president, insurance products and development, CMHC. "The fact that new homeowners are working to pay down principal early and are accelerating payments is a good indication that this responsible behaviour will continue throughout the life of their mortgage."

One-third of survey respondents said they have made a lump-sum payment toward their mortgage. More than half were making payments either weekly or biweekly, and 84% of this group were on an accelerated schedule, which can shave years off of the original amortization.

- **End Article –**

Mark: On the surface this article speaks to the prudent practices that most Canadians use in dealing with their mortgages:

Canadians typically deal with their mortgages and investments like this:

Most Canadians try to get rid of their house mortgage as soon as possible and then begin to own lots of investments to ensure their financial future and well being.

Most Canadians attack these two wishes sequentially – meaning one right after the other, and the majority of financial planners encourage them to do this as well. Pay off the mortgage first and THEN start an investment program.

I call this "The Canadian Way"…

What is wrong with that you ask?

While you are taking the requisite 20 – 25 years of your life to deal with the mortgage before you begin to invest loses you 20 – 25 years of compounding time for yoursavings and investments. (More on this later).

However, there is another side to this equation – a darker side - which I see on a regular basis…

Canadians are cash starved!

Yes, they committing allot of their monthly "cash flow" to mortgage reduction in the belief that they are doing themselves and their families a favour in getting rid of this debt as quickly as possible.

However, with the mortgage acting as a giant Hoover Vacuum (nothing against Hoover Vacuums mind you) and sucking the cash flow (life blood) out of the home – homeowners are left with very little left over for "day to day" needs, let alone for emergencies and/or opportunities as they come along...

And of course, most often – there is nothing left for tax relief such as RRSPs or any other savings programs.

In fact, most individuals that I speak with have a home, a mortgage, and if lucky some money in RRSPs – and that's it!

Oh, I forgot – generally, they also have a also have a fair amount of consumer debt – such as car loans and charge cards!

Marla: Why is that Mark!

Mark: Well, because there is no money left over once the monthly mortgage is paid. Just to get by many of these same Canadians are using their charge cards as a type of "pay day loan! At high interest rates I might add – certainly much higher than the interest charged on their mortgages…

These are the very same Canadians who with all the best intentions in the world believe that by paying down the mortgage as soon as possible (usually to the exclusion of most anything else) they are doing the very best and right thing for themselves and their families.

Again, I call this method – "The Canadian Way".

Marla: So, what are the ramifications of this type of strategy?

Mark: Well, first off: If Canadians need significant cash resources for anything out of the ordinary such as remodelling the kitchen, adding a

deck, re roofing the home, buying a car, boat – whatever – they are forced to…either cash out some piddly savings accounts, raid their RRSPs or yes, borrow back some of the money that they have accumulated as equity in their home to pay for these items!

Marla: I wonder is this sounds familiar to any of our listeners? If it has happened to anyone listening in today? Or if not, maybe they may be one of the lucky ones. Or, just maybe their time is coming!

In any event, in my mind this does not seem like "sound" financial planning.

Mark: You are absolutely right, Marla!

In fact, don't get me wrong - I am all for paying off the mortgage early - it is the focus of my practice.

However, the methodology that I use I like to call" "The UnCanadian Way"…

And to demonstrate some of the philosophy of the "UnCanadian Way", I have compiled what I call: **"The Top 10 Myths of Canadian Home Ownership - Exposed".**

This is based on my observations and conversations that spanned over 28years working in the financial services industry.

However, by way of a backgrounder – consider this:

For every Canadian, the purchase of a home is undoubtedly the single largest purchase (and debt) that they are likely to make in their entire adult lives…it is a gigantic transaction…

There are loads of choices to be made when we buy a home…and the considered results - the source of much apprehension.

For example: The amount of the down payment, the length of the mortgage term, the length of the amortization of the mortgage, monthly, weekly or biweekly payments, and the list goes on…

In fact, we are all too familiar with the basic decisions.

You find your house. You put down as much cash as you can scrape together. You get a mortgage at the lowest possible rate you can negotiate on the smallest mortgage amount possible…

As Canadians we walk through these decisions robotically.

Marla: Why is that Mark!

Mark: I am so glad that you asked!

Why do we automatically do this?

It's because these steps have been ingrained into us by our parents, friends, bankers and well intentioned financial advisors…

Everyone else does it, we are told… It's "The Canadian Way" we are told...

Nobody ever stops to say, "Hey, wait a minute! Maybe there's a better way?! Maybe there is a better alternative for the money I'm about to plop onto the closing table when I sign the papers and get the keys?"

I have determined that the reason that most Canadians have such a burning desire to pay off their mortgage early has nothing to do about economics or finance – it's all about emotion!

People "love" the idea of owning your own home.

People "hate" the idea of having a mortgage payment.

In fact, to be totally candid – most people "fear" their mortgage.

Their drive to pay off the mortgage early is fuelled by emotion, not by good financial sense!

One has to understand that a mortgage is a financial tool – plain and simple!

So now the questions is this: why are you making decisions regarding your mortgage based upon emotion? And why do you feel the way you do about your mortgage?

Could it be that your perception of mortgages is a learned perception? Influenced by your parents and grandparents?

Think about this – just about everything you have ever learned about money, you learned from Mom and Dad.

When you told them that you were planning to buy your first home, they said:

"Better make a big down payment, and keep that mortgage payment low!"

"You better pay extra to pay it of just as soon as you can!"

"You don't want to be a slave to that mortgage for the next 25 years!"

In fact, this type of "conventional wisdom" was originally passed down to them by their parents – and theirs before them!

Right?

Ever wonder how well this type of "wisdom" pans out?

Well wonder no more…

I have compiled: **"The Top 10 Myths of Canadian Home Ownership – Exposed!"** (and the actual "reality" – "The UnCanadian Way")

Mark: Marla – Help me out with this OK? Read out the Canadian Myths one by one as we go along and I will give my answers – as the "UnCanadian Reality"…

OK, Marla – you are on!!

Marla: **#1 Canadian Myth:** The best way to pay off your home early is to make the biggest down payment possible and then to make extra principal payments on your mortgage.

Mark: **#1 UnCanadian Reality:** Avoid this myth at all costs.

This is one myth that ensnares millions of Canadians and that is perpetuated by the lending institutions and by many financial advisors.

Applying a big down payment and adding extra principle payments to your mortgage is not the wisest, quickest or most cost-effective way of paying off your house.

Money paid down on real estate is also cash forfeited that could have been redirected into other investments.

Once your money is paid into "home equity" that cash is pretty much gone!

It is often very difficult and sometimes costly to retrieve those dollars back. You should exercise great care when determining whether the cash in your hand should be exiled to an idle life by being thrown into your house.

Marla: What about cash? Is it wise to pay cash for your home?

Mark: The simple answer to this is: No! Wealthy Canadians don't operate using this "conventional" Canadian wisdom that everybody else uses.

Marla: What secrets do they know that the rest of Canadians don't?

Mark: The reality is that the wealthy get big mortgages and aren't in a hurry to pay them down or pay them off completely…

In fact, most have the money at hand to simply purchase the real estate with a personal check - yet they don't.

Marla: Why is that?

Mark: Because they detest idle cash and have better uses for their money than to bury it away, sentenced to a life of non-productivity.

They also know mortgage money is the cheapest form of borrowing and has the potential for tax benefits that could make it an even more inexpensive source of capital.

The wealthy recognize that accumulating large amounts of equity in real estate is simply a losing proposition.

Marla: And extra mortgage payments?

Mark: Extra mortgage payments are great for the banks.

It increases their income stream from you – to immediately be turned around and lent out again to someone else who wants a mortgage.

In point of fact, the banks really don't want to you pay off your mortgage faster.

Oh, they say that they do – but they really don't.

Marla: Why?

Mark: Well, simply as you pay down or pay off your mortgage with them they need to replace your income stream with another mortgage that will pay them an income stream.

Look at it another way.

The banks "asset base" is income producing mortgages. There is no way they want to see an erosion of their asset base. Banks are in the business of lending money. They give depositors low rates and lend out at higher rates and they keep the "point spread" – it's called profit.

The banks play this game very successfully – and very profitably!

Marla: Furthermore, your extra mortgage payments severely reduces an individual's cash flow – all the while increasing the banks! Right?!

Mark: Absolutely right, Marla!

A mortgage should be viewed as nothing more than a disciplined, forced savings plan!

Essentially, you have bought something of value (your house) and are now paying off the loan (the mortgage) on the "pay back installment plan".

That being said, if you must persist with the notion that making extra payments is an "investment" where should the investment be tied up?

Are you better served with illiquid home equity or a liquid investment account?

Now, all that aside for a moment.

Where's the emergency/opportunity funds that you have heard about that prudent Canadians should have in reserve?

Have you ever tried to borrow money to make mortgage payments when you have lost your job?

Marla: Good point!

OK, on to Myth #2…

Marla: **#2 Canadian Myth:** Your home equity has a rate of return

Mark: **#2 UnCanadian Reality:** Wrong! Wrong! Wrong!

Your home value grows as a function of real estate appreciation driven by consumer demand and inflation. That's it! (This is one asset class where inflation IS your friend)…

However, the money you have in your home (which is your equity) has no rate of return.

No matter where your property is located, the return on equity is always the same-ZERO!

It's like keeping your money in a 0% interest return account.

Let me repeat that: It's like keeping your money in a 0% interest return account.

Now ask yourself: How much money do you have that is currently paying you 0%?

Real estate is clearly an excellent investment and the financially successful always include real property as a component of their portfolio.

However, you may be surprised to learn that the smartest money managers, the wealthy and those with plenty of ready cash available,

buy their homes with as little of their own funds as possible. They understand that any money paid into real estate receives a zero return.

Marla: What's the reality then?

Mark: Here's the reality … once you acquire a piece of property, it will appreciate or depreciate based on its own merits, not on your cash investment.

Unemployed equity is massive opportunity lost. It's idle cash lying around doing nothing to increase your wealth.

In fact, your "equity" is probably dropping in true value due to inflation. Unlike the value of your home that is actually benefiting by inflation…

Marla: **#3 Canadian Myth:** The equity in your home enhances your net worth.

Mark: **#3 UnCanadian Reality:** The equity in your home does not enhance your net worth at all.

All that home equity represents is the amount of principal you have paid off of your mortgage.

However, separated from your home, it has the ability to dramatically enhance your net worth over time.

Increase your net worth by separating your house from your home equity and put those idle dollars to work. Why do I say idle dollars? Maybe you skipped over #2 Myth above. If you did – re read. Your equity is 'trapped" in your home.

Whether you have a home, free and clear or mortgaged to the hilt-the value of your home is going to appreciate (or depreciate) based on your local real estate market - irrespective of the amount of "equity" you have built up in your home.

Marla: OK. Let me ask you this: Is building equity in your home an astute financial move?

Mark: Canadians typically believe home equity is an extremely safe investment.

To evidence this, a recent study revealed that most Canadian homeowners have a full two-thirds or 66.6% MORE of their net worth tied up in their home equity than in ALL their other investments combined!

If you were to ask any traditional financial planner if having 2/3 of your holdings in one investment was a wise strategy, they would advise you to immediately diversify your investment to mitigate your risk and to increase the safety of your assets.

Idle home equity is the largest unemployment crisis imaginable!

There are literally billions of dollars in non-producing capital tied up in the equity of our Canadian homes, and still we have an entire generation approaching retirement with little or no savings.

Marla: So why are we as Canadians so fixated on doing this?

Mark: Excellent question! I personally believe that it gives Canadians a sense of security!

However, I also believe that it is a false sense of security by keeping such a huge portion of our assets inside our walls.

When illness, disability, unemployment or other such events strike Canadians, most are left unable to get a loan to access their cash!

Marla: Let me play "devil's advocate" and ask: Why?

Mark: Because most banks and mortgage companies require evidence of a monthly income in order to obtain a loan.

If we're left with no income, even temporarily, getting a loan becomes extremely difficult, expensive or even impossible.

Do you see how this puts a wall, so to speak, between us and our cash? We are left exposed.

In that vulnerable position, the possibility of losing our home through foreclosure or sale now becomes very real.

Adding to the liquidity risks and lack of safety, vast fortunes have been lost and will continue to vanish because of missed opportunity costs. The cash buried in home equity could instead be working to earn a compounded return, dramatically changing our lives.

Remember that time is your greatest ally when it comes to accumulating your life's wealth.

That's why when I ask most Canadians what their best investment to date has been they will invariably say: "My home"! Why? Certainly not due to any astute investment acumen on their part but because (luckily) they held on to one physical asset for 20-30-40 years, that's why!

In fact, Albert Einstein said, "Compound interest is the eighth wonder of the world."

Marla: So it comes down to making a choice between building wealth or eliminating debt?

Mark: Yes, it really comes down managing these 2 elements wisely. Because any choice you make with a dollar in your hand today can have a huge impact on your future. Many people see the concept of opportunity cost as one of the few profound "eternal truths of economics."

Marla: This reminds me of a saying: "Any road taken … any decision made … abandons many other choices not taken"!

Mark: Nicely put – and yes, so true!

Marla: **#4 Canadian Myth:** Financial security is having your house paid off.

Mark: **#4 UnCanadian Reality:** Wrong.

True financial security comes from having adequate liquid assets in a safe environment to cover any liabilities and generate positive cash flow to cover living expenses indefinitely.

Liquidity offers choices. Liquidity offers options. Liquidity offers peace of mind.

Always ask yourself this: If I place my money here, will my assets be:

a. Locked-In? — In other words, is my cash safe and protected from risk of loss? Will I never lose principal?

b. Accessible? — Are my funds easy to reach? Can I get to my money quickly and without penalty?

c. Working? — Does this investment product/vehicle keep my assets employed and earning a respectable compounding return?

Any sound, sensible investment financial product/vehicle should receive YES answers and pass each of these tests.

Always ask these questions before making any investment decisions and you'll move closer to creating real wealth for yourself and your family.

As an "aside", something I call "where's your store of value"?

As mentioned earlier, most Canadians have 2/3rds of their "net worth" are tied up in their homes.

What shape would they be in if their home burned to the ground? It does happen you know!

Or if it were to slide down the slope of a mountain as some did here in North Vancouver some years ago…

Nasty things can - and do - happen to our investments – our "store of value" if you will…

Now, your single biggest asset, your "store of value" can become worthless overnight!

And even having touched on these issues, millions of Canadians continue to pay off their mortgages as soon as possible to then: live under the poverty line - yet have homes that are paid off!

Marla: Mark, what you have just said reminds me of the phrase,

"House Rich but Cash Poor?"

Mark: Exactly! Many Canadians are living that phrase even as we speak. And we ALL know someone who is "house rich and cash poor"…

Now, they didn't plan to be in this position, right?

No, they followed what they had been told to do!

What their parents, and grandparents, bankers and financial advisors told them to do…

But because they paid off the house to the exclusion of most other types of savings and investing, they lost 15-20-30 years of growth on those savings and investments and now are forced to draw out the equity in their homes. The equity that they worked so diligently to put there in the first place - to generate an income for themselves by using a "reverse mortgage".

So, after years of trying to pay off their mortgage early - now they have to turn around and put another mortgage on their paid off home to get access to their own money.

To access their own money! Money which they were charged interest on the first time around!

Great business for the banks but not so great for the individual because this strategy is like putting on a straight jacket.

For those that aren't familier with a "reverse mortgage" - it gives no cost of living protection and ultimately freezes out the heirs for any meaningful legacy that the parents may have wished to leave them.

And the interest on this type of loan continues to grow and in fact – compounds, ballooning the original amount to upwards of 50-60% of the value of their home.

As well, reverse mortgages are not available for all – only if you live in a larger urban area…

If you live in a smaller community – well, you won't even "qualify" for a reverse mortgage. It's just not going to be provided to you.

Can you imagine this?

What a sad and unfortunate situation – but one that is all too real for many Canadians…

What relief, assistance and comfort those assets could provide if their home equity had only been managed more effectively – years earlier.

In fact, that through careful planning and management a Canadians home equity can increase their spendable retirement income by as much as 40 to 50 percent – or more...

Marla: **#5 Canadian Myth:** Once your house is paid off, maximize your RRSP contributions – even if you have to borrow. You will be in a lower tax bracket when you retire.

Mark: **#5 UnCanadian Reality:** Wrong!

Many retirees in Canada are painfully finding out that they are in a tax bracket at is the same, if not higher, than when they were working.

Marla: Why is that?

Mark: Well, for starters, come retirement there are fewer deductions and exemptions to be had. Furthermore, many individuals are receiving good pensions from their old employers (teachers, fire fighters, policemen, etc.).

By the time all this is taken into consideration there is no noticeable difference in their tax bracket. I know, because I have many of these individuals as clients and I am seeing this first hand…

In fact, in some circumstances, those with sizable RRSP assets are experiencing the Old Age Security (OAS) "claw back". This means that of the approx. $8400 annual income that every 65 year old Canadian is entitled to begin receiving from the Canadian government can be partially or totally "taxed back"…

Marla: Why is that?

Mark: RRSPs form part of what is known as the "means" test for this government pension. One could have a million dollars in a non-RRSP account and still be eligible to get the full OAS government pension.

But by having to much in RRSPs, could put them "off side" and they will get a partial or total "claw back" of OAS benefits they may have received…

Marla: You have got to be kidding!

Mark: No, I am not! Now just think about this. Canadians for years have been told that they should be contributing heavily to RRSPs to see them through retirement…

Then, only to be told "at the end of the game" – sorry! You have saved to much and now we are going to take away a pension that we had promised you!

Marla: That's unbelievable!

Mark: I know! It's sad but very true!

So, at the heart of the matter is "information". Calls like this one, that get the message out to anyone who wants to avail themselves of this type of quality information – so as not to get into the predicament that is being faced by many Canadian retirees at this moment…

As a side note: You know, its kind of funny – not "ha ha" funny but sad funny. Most Canadians don't want to pay for financial advice – they would just as soon be "do-it-your-selfers" – and pay nothing!

So many will continue on "doing it with the bank"…the one institution that all Canadians really revile…but they do it anyway!

However, at what cost, I wonder – to them and ultimately for their financial well being…

And no, this is not some shameless plug for seeking out a qualified financial professional!

But the wealthy do…

They realize that if they don't have the time, inclination or interest to

learn and do – hire professionals to partner up with…

The wealthy know how to steer around the pitfalls associated with government sponsored tax deferral plans such as RRSPs.

They wealthy wish to protect the bulk of their wealth to either enjoy it for themselves or to pass it on to their heirs or charities.

So, they always maximize their participation in properly structured, non-RRSP plans that remove deposit caps, ignore income ceilings and utilize investment vehicles to allow for tax-favored growth, tax-favored access and tax-favored transfer to heirs.

Now, on a side note: "RRSP season" is that traditional time of year - from January to March - when most Canadians scramble to make an RRSP contribution to get the tax deduction.

However, making RRSP contributions is not just about reducing taxation - it is about planning for a dream.

That dream is financial independence!

Remember, we are all working for the day we don't have to work anymore! To have the financial wherewithal to live life on our terms.

Canadians have all been conditioned to believe that RRSPs are what is necessary to help save money in a tax effective manner to live their dream life.

However, in fact, for most Canadians, this is the only time of the year that they even think about their finances…

The following news article appeared in the Vancouver Province newspaper on Tuesday, January 9, 2007.

The statistics and rationale are revealing as well as shocking.

Ask yourself, are you one of them?

- Begin Article -

RRSP Withdrawals Common – Study Finds

Toronto – More that a third of Canadians have withdrawn funds from their retirement savings plans, which could have a significant impact on their retirement, according to a new study by the Bank of Nova Scotia.

"There may be strong reasons to make an RSP withdrawal, such as buying a home, but we remind Canadians that it is important to make regular RSP contributions," said Ian Filderman, director of mutual funds at Scotiabank.

More than 1,000 investors over 18 participated in the on-line survey in October.

According to the report, withdrawals from RSPs have on average been $18,000. Of the people surveyed, 37 per cent listed top reasons as to buy, build or get a mortgage for a new home.

Paying down debt was listed as the top choice for 24 per cent and covering day – to – day expenses was listed at 20 per cent.

Canadians are expecting to live longer than ever and their RSP savings should reflect that, Filderman said.

A Scotiabank survey in 2006 found Canadians expect to live to about 85.

Of those people surveyed, 17 per cent said they will need about $100,000 for their retirement.

- **End Article –**

Marla: Wow! That's unbelievable!

Mark: I know! But now let's take a moment and analyse this...

Why are one third of Canadians (this suggests 8 million of us) taking out money from their RRSPs?

Well, because that is all the money they have saved and invested.

And why.

Because they are contributing just for the tax relief.

Then, when they need cash for opportunities (buying a home) or emergencies (paying off credit cards and covering for day – to – day expenses) - they tap their RRSPs.

This is not a good strategy!

Its important too understand why this happens.

As many of you know, I believe that Canadians are so focused with paying off their mortgages that they have little money left over for things like tax relief (contributing to RRSPs) or building up non RRSP investments and savings for emergencies or opportunities.

This is why so many are tapping their RRSPs - to get out of debt and to cover living expenses when they find that their paychecks do not cover the lifestyle that they want and/or have.

I see this all the time - and its getting worse!

Marla: OK, so, what's the answer!

Mark: I firmly believe that the answer is - don't get into this vicious cycle to begin with!

Maybe it's time to look at other ways to achieve your goals.

Maybe, just maybe, it's time to think "outside the box" – and consider "The UnCanadian Way"…

Marla: **#6 Canadian Myth:** All debt is bad.

Mark: **#6 UnCanadian Reality:** The real question to ask yourself is: "Is your debt working for you?"

A certain type of debt, when managed wisely, can be desirable!

It is important to make the distinction between bad and good debt.

"Bad debt" is not tax deductible (a home mortgage).

"Good debt" is tax deductible (Borrowing for investment purposes).

So the question you now must ask is this: "How can I get more "good debt" working for me?"

Also ask yourself this: Are you borrowing to conserve or consume?

Are you managing assets or managing your debt?

You must learn the distinctions and begin to manage the equity in your home to be truly successful.

Marla: **#7 Canadian Myth:** Mortgage interest is an expense that should be eliminated as soon as possible.

Mark: **#7 UnCanadian Reality:** Mortgage interest—foe or friend? Good debt or bad debt.

If you are like most Canadians working diligently to eliminate your mortgage interest expense through the traditional methods you are in fact eliminating one of your best partners in accumulating wealth and financial security.

Partner up with the CCRA (Revenue Canada) to create wealth for yourself and your family.

In fact, there are simple but powerful strategies available to Canadians to pay off your mortgage years earlier than you thought you could with no additional call on your cash flow - and make it tax deductible to boot – all with the blessing of the CCRA.

Marla: This sounds something like "The Smith Manoeuvre"…

Mark: Yes, that's right! And if we have time later we can explore that methodology or do another call sometime on just that subject.

Marla: **#8 Canadian Myth:** Borrowing funds at a particular interest rate, then investing them at the same or lower interest rate, holds no potential growth returns.

Mark: **#8 UnCanadian Reality:** You can earn a tremendous profit - regardless of the relative interest rates - by positioning your money in tax-preferred investments that earn a return greater than the real "net after tax cost" of obtaining that money.

You could use your home equity to turbo charge your wealth growth rate!

For example, if you are borrowing at 7% and if you are in the 40% marginal tax bracket, you are effectively paying 4.20% on the loan's interest.

Not bad, eh?

So, in this example, you will be ahead of the game because I am sure you can find investments that will produce better than 4.20%.

Right?

For example, "rental property" comes to mind.

If you are not doing better than 4.20% you better fire yourself as your advisor and find another!

Marla: **#9 Canadian Myth:** I can do much better in real estate than the stock market.

Mark: **#9 UnCanadian Reality:** And you know why? You will probably be in your home or at least trading up in the real estate market for 20-30-40 years. In fact, in the last 25 years, the nationwide Canadian House Price Index (HPI) grew an average of 5.6% per year.

The average Canadian will hold an investment fund is 2.4 years! Individual securities even less time.

The reason?

Well there are many, but the main one is that individuals become overly emotional when it comes to their investment accounts. They can follow the values in the daily paper – or actually watch the gyrations in "real time" on the Internet – and on their Blackberry!

Constantly seeking higher returns, investors are increasingly willing to pull the plug too soon and buy into something that has already gone up in value.

Whereas, the mantra for real estate is still valid for other investments – buy low – hold – sell high.

In fact, just because you home may fall in value does not mean that you run outside and put a "For Sale" sign on the lawn does it?

No, in fact that may be a great time to add to your real estate holdings.

None the less, the accepted "wisdom" is that you will always do well in real estate.

Well, tell that to the Canadian homeowners who because of "double digit" high interest rates (and I should think – no liquid assets to see them through) walked away from their houses in the early '80's.

To graphically illustrate this concept, I put together a YT video that I call:**"When 8% Equals 13%! - The Importance Of Asset Allocation"** Check it out here https://youtu.be/LR5A7o9v60Q

Marla: **#10 Canadian Myth:** Only lucky people with lots of money or discretionary dollars, taking high risks and achieving high rates of return, get wealthy.

Mark: **#10 UnCanadian Reality:** No way! This is a lie. All any of us have to do is to reposition our assets – AND attitude.

As Canadians, we need to reposition our homes equity to enhance our net worth.

We need to reposition our current expenditures and investments in order to gain positive leverage.

Marla: But isn't leverage risky?

Mark: Excellent question! Now let me ask you this?

How did you purchase your home? Was it all cash down?

Marla: No, we borrowed. We used financing to get into our home… We used – ah, we used leverage to get into our home!

Mark: That's right! We do this all the time – almost without thinking…Is it risky?

Of course it is!

Why?

Marla: Because we have no guarantee that housing prices will continue to deliver the returns we are hoping for.

Mark: That's exactly right! So let me ask you this – Are you a high risk investor?

Marla: I want to say no – but I have a feeling that you are going to tell me otherwise…

Mark: Well, let's take a look at a typical arrangement: What would you say is I came along and offered you an investment opportunity where the typical "holding period" for you would be 20-25 years (now 30 – 40 years with the new mortgage products currently available)

Where, historically, it was mandatory for you to put at least 5-25% into the deal.

And then borrow the rest of the money to maximums of $300,000, $400,000 or $500,000 or more!

Where the interest rates that would be charged on the loan would fluctuate over time and where the interest on the loan is not even tax deductible on your tax return.

What I am offering you is an investment that is relatively illiquid (meaning, not particularly easy to sell-especially in some market conditions – or "down markets" as we have seen recently) and lastly -

is situated in a narrowly defined geographic area (i.e. your neighbourhood).

Furthermore, this investment's value will vary over time and there is no real easy (or free) way to accurately tell how much money you are making on this investment at any given time unless you pay to have the investment professionally appraised.

Ultimately, you will not truly know how well your investment has performed over time until you finally sell.

Oh, and when you do: you must be able to find that one person who also agrees with your valuation – and is who is prepared to hand you over a check in exchange for your set of house keys.

Oh, and let's not forget the up keep and maintenance of this investment.

In the ideal cases, the annual maintenance is routine and is nothing much more than mowing the lawn, occasionally cleaning the gutters and painting the interior/exterior every 5-8 years.

However, in some circumstances much more radical and expensive services are necessary like installing a new furnace, re roofing the shingled roof OR "heaven forbid" dealing with a "leaky condo" situation – which could bring the investment value way, WAY down!

Does any of this above sound familiar?

Does this sound "risk free"?

Marla: No, I see your point – this is definitely not a "risk free" investment…

Mark: So, now are you still keen to get going and committing to this type of an investment?

Marla: I see your point – in "point of fact", as Canadians we are all high-risk investors!

Mark: Exactly! And yet we all do this all the time – right?

Marla: That's right!

Mark: Why do we do this?

Marla: Well, besides providing shelter and a place to raise a family – to make money!

Mark: Right! And how many people like to brag about the tons of money they made in real estate?

I sure do! And I know that you do as well...

However, the money we make in the housing market has no relation whatsoever to the money we put into the house initially or subsequently.

Also, the bank does not ask to participate in the resulting profits. (Well, nor should they because they made a ton of money from you in the form of interest along the way).

So let's analyze this.

It's "risk capital" or leverage that has provided us with an asset valued many times over our annual salary.

So, if we are comfortable with this form of wealth creation strategy (and it's a great one believe me) why is there hesitation with doing the same thing again…and again…

Here is where it all comes down to our attitudes and belief systems…

In fact, there are many asset classes that have out performed real estate… over time!

Did you get that?

The phrase is: "over time"…

<u>The markets: be they stock markets, bond markets, money markets and yes - this includes real estate markets - don't make us lose money – it's our "reaction" to the markets that make us lose.</u>

Fear and greed!

Usually investors end up reading the popular media and reacting to the reported news. Based on fear and greed they will usually do the wrong thing at the wrong time!

That's how you lose money!

If the real estate market is down 20% I never hear anybody saying that they are going to put their home on "the market"!

However, based on past history – we are reasonably comfortable that real estate will continue to do what they have always done – providing shelter – and a decent return for Canadians – over time!

Again, did you get that?

The phrase: "over time"…

Returns of just 6 to 8 percent can create tremendous wealth. (In fact, the national Canadian average for real estate is only 5.6%)

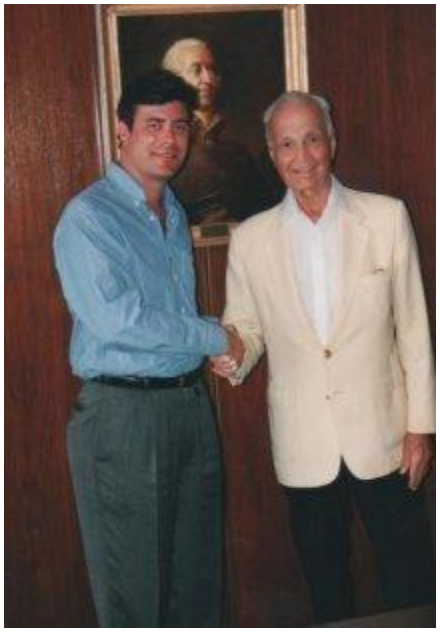
However, it is our attitudes that will be the most important factor in determining the altitudes of our wealth.

So as you can see – how you handle your mortgage can either derail or enhance not only your retirement plans but also the time it takes to get there!

Remember: Every dollar you pay down on your home represents an opportunity not taken.

Every dollar departs your hand with a cost … an opportunity lost.

As a personal aside, and just before we go, I want to say that I had the honour and pleasure of meeting Sir John Templeton (one of the worlds best known mutual funds manager) in the Bahamas many years ago.



Every time I look at this picture of Sir John I am reminded me of the 10 minutes that I was fortunate enough to spend with him.

At the time he was over 70 years old, was and is still, considered one of the world's greatest investors and philanthropists of all time.

I remember asking, "Sir John, in your opinion, what is the ONE thing a successful investor needs".

He immediately replied: "Confidence, young man – you need confidence"!

Then I asked him to summarize his investing philosophy, he smiled warmly at me and began by saying:

"These are great times". "We're going to miss these prices in a couple of years". I believe that the more chances investors get to buy shares of quality companies when they go "go on sale" - as they do from time to time - the better off they will be in the long term".

(This was at the time that we had a 60 cent dollar in Canada. He predicted that it would be stronger by the end of the year…and it was! Now, look where it is all these years later! Many days it is stronger than the US dollar!)

He continued:

"Imagine that you have a partner in business – let's call him Mr. Market.

Now, Mr. Market has some wonderful qualities…

He always has money to buy your shares, and he is always willing to sell his shares to you at some price.

Unfortunately however, Mr. Market is not emotionally balanced.

Some days he comes in bouncing off the walls, and offering to buy your shares at an extremely high price, while other days he comes in weeping, ready to sell you his shares at a very low price.

The one thing to remember is that Mr. Market is very emotional, and so DO NOT to make the mistake of getting irrationally exuberant or utterly depressed along with him!

Sell him shares when he offers you much for them, and buy shares from him when he is selling his shares cheaply."

"Furthermore," Sir John continued,

"In the short to intermediate term, the market is unknowable. In the long term – it is inevitable."

"Also, picture if you will, the market as a child riding up an escalator while playing with a yo-yo. If you watch the yo-yo, you'll see nothing but volatility.

The "secret" to successful long-term investing is to focus on the escalator, not the yo-yo.

I don't know which direction the next 20% move in the market will take.

But, I am absolutely confident and certain about which direction the next 100% more in the market will be"…

And with that – my time with Sir John Templeton was up!

So, why am I sharing this with you today?

Well, because Sir John Templeton's words were as true then – as they are now!

It's all about confidence!

Never lose sight of your goals and dreams – and never, NEVER lose your confidence and give up.

Marla: Well, I think that is an excellent note to end on and so that just about wraps things up for us today…

Again, my thanks to Mark Huber, for his time and for the insights that he shared with all of us on the call here today…

So, if you are unsatisfied of where you are today – take charge of your financial life and begin to change things around.

So to that end, if you are interested in finding out more about Mark's digital book, **"The UnCanadian Way To Get Rid Of Your Mortgage AND Create Wealth"**

Just go to:**http://Book.HowToGetRidOfYourMortgage.com**

Mark: Hey Marla, thanks for the opportunity and for inviting me to share my story with your listeners…

I sincerely hope that that this information will serve as a beacon for those that truly want financial independence and are willing to not only think but also to act "outside the box" and to begin their own successful wealth creation program – "The UnCanadian Way"…

All the very best of luck to you and yours!

- End Call -

BONUS!
Have you heard of "The Smith Manoeuvre"? See my interview with Fraser Smith, author of "The Smith Manoeuvre" as he explains how Canadians can make their mortgage tax deductible!

FYI! As far as I know this is the only recorded interview with Fraser in existence today. I was so lucky to have recorded it! And I'm happy to share it with you! It's on my Youtube channel here https://youtu.be/dMTIhWWm9i0

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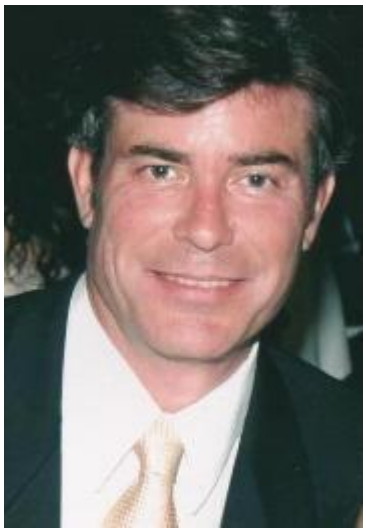
Who Is Mark Huber?



Mark Huber, Author, Retired CFP
http://Book.HowToGetRidOfYourMortgage.com

Mark Huber was a full time practicing certified financial planner (CFP) with over28 years of experience in the financial services industry.

Mark specialized in working with individuals and business owners who shared a passionate vision for creating and protecting true wealth and living their dream lives.

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Who Is Marla Mac?

Marla Mac - Speaker, Author
https://yourgenius.net/

Marla became passionate about helping others through her own journey, moving from living paycheck to paycheck to building wealth and living a richer life after experiencing her own money struggles.

Marla tried unsuccessfully to unlock herself from the paycheck to paycheck cycle for years by following conventional financial wisdom. When she earned a six-figure income though, she had almost six figures in debt. Spurred by her determination to change the 'bag lady' retirement she was on track for, she threw conventional money wisdom out the window and spent years searching for the *right* answers to successfully overcome her dysfunctional relationship with money.

After turning her money around, she opened up to several of her friends who had also achieved career success, only to discover they too were looking for a way out of the paycheck to paycheck cycle. Marla's personal quest became her mission: after she "cracked the code" on making money work for her, she launched her business, Healthy Wallet in 2009 to show others how to do the same. As a

Money Mentor, Marla shows **how you can keep more of your hard-earned money so you can pay down debt, build wealth and live the life you want without financial worry.**

Marla is located in Toronto, Canada.

Consider Marla Mac as a keynote or session presenter at your next seminar, conference, or event. Marla can also speak on teleclasses, telesummits and webinars across the globe.

She has also traveled to event locations in Canada and the US to help audiences make sense of their money.

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- End Report -