

INVESTING IN REAL ESTATE FOR ENGINEERS

HUONG LUU PENG, PMP

MAR 22, 2017

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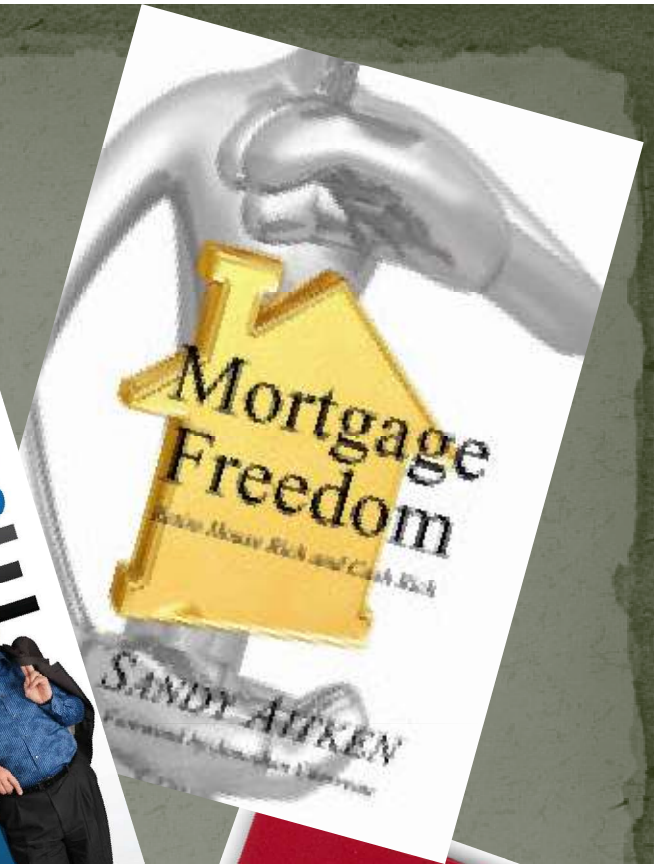
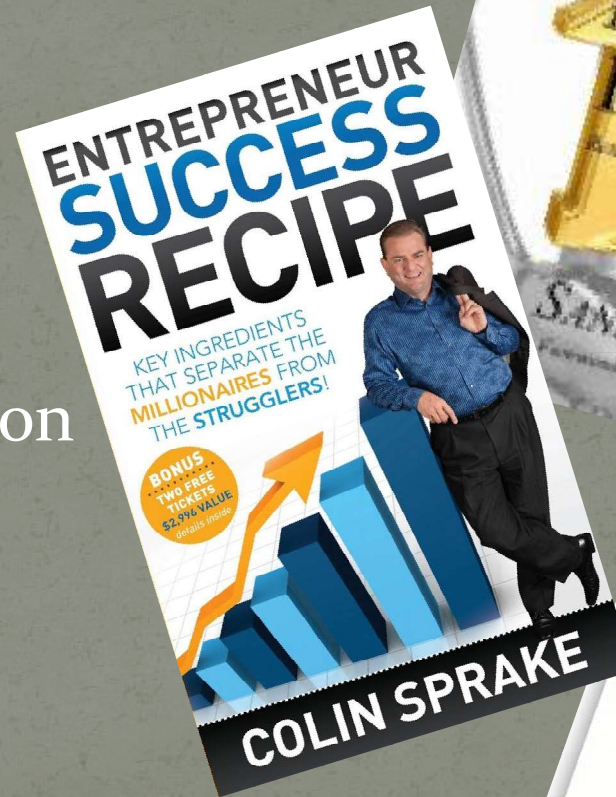
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This advice is for general information only. Before making financial decisions, you should seek independent advice from your financial adviser, lawyer or accountant.

Goal for tonight?

gifts

- Books
- Tickets
- 30 min gift consultation



The image features a rectangular piece of aged, textured paper with a mottled grey-green color and a rough, deckled edge. This paper is set against a solid dark green background. Centered on the paper is the text "What would you do?" in a white, classic serif typeface.

What would you do?

What would you do?

- Time with family
- Travel
- Fancy dinner
- Save
- Pay off other debt
- Anything you want

Agenda

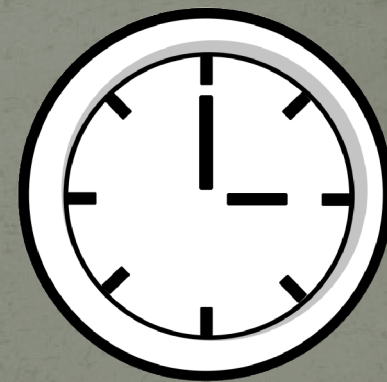
1. Why invest in Real Estate?
2. Do you have the right characteristics?
3. How to get your 5th + property?
4. Reduce your risk
5. Maximize 2017

Q & A

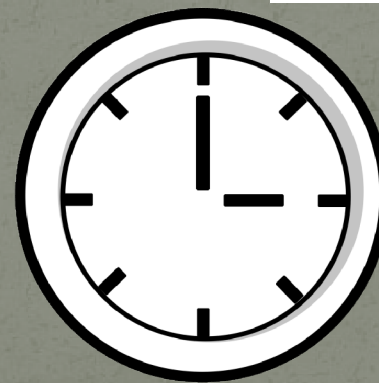
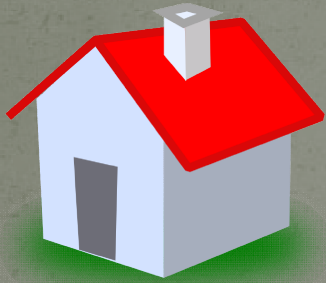
Why Invest in Real Estate

- A source of passive income
- Equity (appreciation) growth
- Salary should be enough to invest
- Banks love professionals
- Engineering positions are not secure
- Not time consuming

Do you have the right characteristics?



Do you have the right KNOWLEDGE?



Why Banks love Engineers

1. steady job = steady pay cheque
2. high pay
3. understand # and ratios
4. good credit and ratios
5. have RRSP, company contributions and savings
6. buy prim and 1 or 2 rental

But Banks have limits

Quadrants

E = Employee

People who works for others.

As an employee, you will earn monthly income, no matter the company you work for gained profit or not. But what if for any reasons you could not work anymore? As an employee, there's a Boss who take control of you. Otherwise, how much maximum income could you earn?

B = Business Own

You are the Boss.
You are manifesting people's time, mind, and energy to makes money for you.

PASSIVE INCOME

I = Investor

Money works for you

If you had a lot of money, just have put on investment. Such as paper sheets, deposit account, and property.

ACTIVE INCOME

S = Self Employee

You are the Boss and employee as well.
Example: doctor, lawyer, and actor/actress

As a self-employed, you don't have Boss, no one give you order. You can work anytime you want. Your income depends on your working time. The longer you work, the more you earn. But what if for some reasons they couldn't work anymore? Will you still get income?



Quadrants



ACTIVE INCOME



PASSIVE INCOME



How to get your 5th + property?

- 5% down payment option, 20% down payment option
- Pull your credit report
- Hire out
- Keep documents up to-date and handy

TIPS

- Do this before getting laid off
- With each property, get a HELOC secured against the property
- Change your mind set (Get out of E quadrant)

How to get your Down Payment

- Saving for a down payment
- Ask your parents
- Think smaller
- Team up with your Friends
- Buy out of town

CMHC

<https://www.cmhc-schl.gc.ca/en/co/moloin/>

Loan-to-Value	Premium on Total Loan	Premium on Increase to Loan Amount for Portability
Up to and including 65%	0.60%	0.60%
Up to and including 75%	0.75%	1.70% 2.60%
Up to and including 80%	1.25%	2.4% 3.15%
Up to and including 85%	1.80%	2.8% 4.00%
Up to and including 90%	2.40%	3.1% 4.90%
Up to and including 95%	3.60%	4.0% 5.65%
90.01% to 95% — Non-Traditional Down Payment**	3.85%	4.5% *

What does the new changes mean

Down payment between 10% and 14.99%

Loan Amount	\$150,000	\$250,000	\$350,000	\$450,000	\$550,000	\$850,000
Increase to Monthly Mortgage Payment	\$4.94	\$8.23	\$11.52	\$14.81	\$18.10	\$27.98



Based on a 5 year term @ 2.94% and a 25 year amortization

Down payment between 15% and 19.99%

Loan Amount	\$150,000	\$250,000	\$350,000	\$450,000	\$550,000	\$850,000
Increase to Monthly Mortgage Payment	\$7.06	\$11.75	\$16.46	\$21.16	\$25.86	\$39.96

Based on a 5 year term @ 2.94% and a 25 year amortization

How to Pull your Credit Report

- It is really easy and fast
- Just fill out the form to request a credit report.
- It will not affect your score if you pull it yourself. If a company pulls it for you (like cell company, bank, car company, etc) your score will be slightly reduced.
- I recommend you check "YES to the get a score..." for \$11.95.

http://www.consumer.equifax.ca/home/en_ca

<https://www.transunion.ca/>

Example of credit report

Note: pg 2, 9

When to pull your credit report and score?

- You have no idea what your score is or what is on your report. By pulling it yourself, your score will not get affected. You can review your report and fix it or improve it if needed.
- When you are rate shopping. If you have your own report and score, you will be able to share that info with companies (like cell companies, bank, car companies, etc) so they don't have to pull the report until you decide to commit to them.
- If you have a track record of your report and score, you will be able to know when someone has tried to do something fraudulent with your financials. At least once a year, you should pull a report.

When to pull your credit report and score?

- When you are trying to clean up and improve your financial situation.
- In between your investment opportunities, it is good to make sure your report is clean. That way when you are ready to invest, you can proceed without any problems.
- Once you get your report, it will look a lot like morose code. Contact us to help you read and understand your report. We can also help you figure out how to clean it up and improve your buying power.

Hire Out

- Property Management
- Minor stuff (ie shoveling, advertising, etc)
- Coach or mentor
- Leads, opportunities

Portfolio Organization

- Binder, filing system
- Electronic scans of
 - property info: Tax, mortgages, utilities, etc info
 - credit reports
 - leases
 - NOA, tax returns
 - paystubs, letter of employment
 - 3-6 months of bank accounts
 - any special letters (ie divorce papers, child support, creditors)
 - proof of assets

How to get your 5th + property?

1. Working with Realtor & Mortgage broker
2. Re-strategize existing primary residence
5% down payment option vs 20% down payment option
3. Pull Equity (Make your money work for you)
4. Joint venture
5. RRSP Mortgages
6. Commercial Residential (Apartment Bldg)
7. Foreclosure
8. Auctions
9. Rent to Own

1. Working with Realtor / Mortgage broker

should be part of you doing your due diligence.

- www.Realtor.ca
- www.CashProperty.ca
excel sheet

<https://www.youtube.com/watch?v=wwuwYamZq3w>

- Past sales / price analysis (example)
- Taking advantage of your mortgage terms:
 - Making lump sum payments can save you lots
example

Increase amortization

Example: \$750,000 purchase price, 25 yr amort, 5 yr term, 2.5% interest rate. Your mortgage payments = \$ 3,359
At the end of 5 yr term, you renew for another 5 yr term, 20 yr amort, 2.5% interest rate.

Option: At the end of 5 yr term, you renew for another 5 yr term, 2.5% interest rate, 25 yr amort (new balance is \$613,951)
Your mortgage payments = \$ 2,750

Giving a cash flow of \$ 609 per month

Talk to your current lender. Fees/penalty may apply

What's Different Now?

- You are buying a house/property not HOME
(no emotions)
- You have a strategy
 - Stick to 1 strategy until you are very familiar with it
 - JV to reduce risk
 - Buy based on CASH FLOW

2. Re-strategize existing primary residence

- Add in basement unit
- Add a granny flat
- Rent out (a) room(s) (foreign students, college close by, out-of-towner)
- You move out and buy a new place
- Tax benefits
- Buy another property as prim (lender gives up to 95%LTV)

3. Pull Equity

- Use Heloc
- Refinance
- Make your money work for you

4. Joint Venture

Partner with someone or a group (up to 4 people)

Classic 50/50

The Renovation

Partner Guaranteeing a Mortgage

- Get independent legal council

Sole Ownership or JV

Pro of JV

- Share in the risk
- Able to look at larger properties
- Have help when needed
- Real Estate is a team effect

Con of JV

- Good legal advise needed
- Ownership not 100%
- Values may not be aligned with your partner(s)
 - Duration
 - Access to funds
 - Strategy
 - Way you treat tenants

Classic 50/50

JV Partner: #1

Real estate expertise
Real estate contacts

Local market knowledge
Arrange financing pre-approval
Covers 50% of negative cash flow
On title and mortgage
Signs JV agreement

JV Partner: #2

Minimum \$50K in cash or investment capital
Covers down payment, closing cost, and
reserve fund

Independent legal counsel
On title and mortgage (optional)
Covers 50% of negative cash flow
50% Ownership
Signs JV agreement

Exit Strategy:

- Upon sale of property, JV Partner #2 receives all investment capital first, and then the balance is split 50/50.
- Minimum 5 year hold
- Each JV Partner has right of first refusal

Notes:

Management costs paid out in cash flow

The Renovation (aka Flip)

JV Partner: #1

- Real estate expertise
- Real estate contacts
- Finds property
- Arranges financing
- Negotiates purchase
- 50% Ownership
- 50% of all renovation materials
- 50% of all cost (down payment, legal and reserve fund)
- 50% of cash shortfalls
- Signs JV agreement

JV Partner: #2

- Provides all labour and renovation expertise
- Covers 50% of negative cash flow
- 50% of all cost (down payment, legal and reserve fund)
- 50% of all renovation materials
- Bulk discounts with retailers
- 50% of cash shortfalls
- On title and mortgage
- Signs JV agreement

Exit Strategy:

Upon sale of property, JV Partner #1 and #2 both receive all of their cash first. The balance is split 50/50.

Hold period is determined by renovation (8-12 month window)

Notes:

Budget set in advance, funds for renovation set aside in advance

Partner Guaranteeing a Mortgage

JV Partner: #1

- Real estate expertise
- Real estate contacts
- Covers down payment, closing cost, and reserve fund
- Finds property
- Negotiates purchase
- Manages property
- Covers 100% of negative cash flow
- Signs JV agreement
- Registers caveat against property
- 75% Ownership

Exit Strategy:

Upon sale of property, JV Partner #2 receives 25% of the total equity appreciation and is fully discharged from the mortgage.
Minimum 5 year hold

Notes:

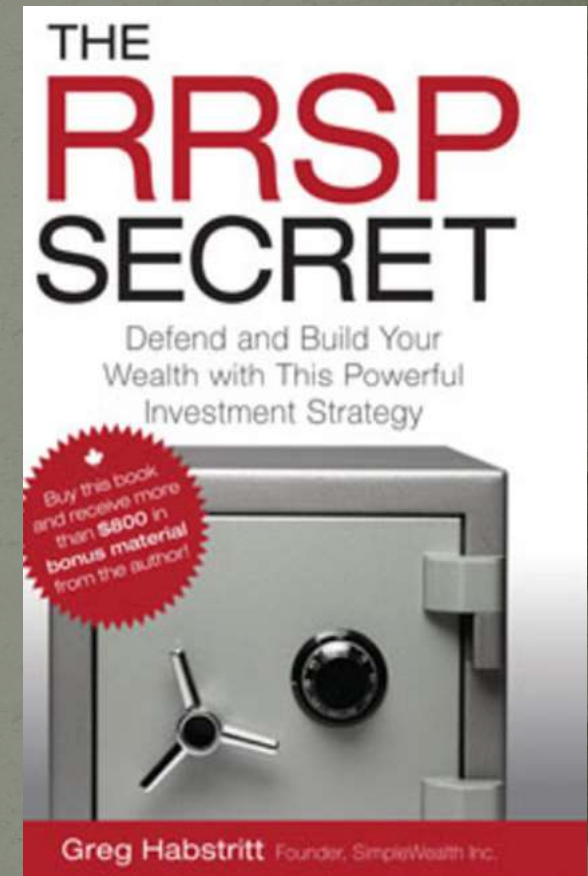
The guarantor is never a “straw buyer”, someone who is paid to sign documents that are not true. This is a legitimate JV partner

JV Partner: #2

- Guarantees mortgage
- Signs JV agreement
- 25% Ownership
- Independent legal counsel
- No cash flow
- On title and mortgage
- Arranges financing

5. RRSP Mortgage

- We are not talking about buying your first home (FTHB).
- This is a different way to use your RRSP in Real Estate that is recession proof and used by sophisticated investors. This also applies to RSP and RESP as well.
- This strategy to make money in Real Estate has been around for awhile but was only made popular in 2010 with the release of the book “The RRSP SECRET” by Greg Habstritt.
- Many people have seen a decline in their RRSP interest balance since 2008.



RRSP Mortgage cont'd

ARMS-LENGTH Mortgage (ALM):

- A private loan you lend to someone using funds from your RRSP account towards their mortgage.
- You would be acting like a bank.
- There are a few rules to ALM.
 - the property has to be in Canada
 - person borrowing the funds can't be an immediate family member (ie spouse, your children).
- You get to negotiate the return (ie 8%, 12% and in some cases 14%) and make this return even during economic downturns. The borrower pays the legal, set-up fees etc.
- The reasons someone would borrow money through a private lender is they have bad credit, or need additional funding for a short period of time (usually 1 year) to acquire the property.

Getting an ALM account

There are a few way to go about getting an ALM account.

- 1a. You open up a brand new ALM and start contributing money into it. It will be treated under all the same tax benefits as any other RRSP. or
- 1b. You transfer your existing RRSP into a new ALM account. This transfer isn't treated as a withdrawal so you won't get taxed. However you may be penalised with a discharge fee from your current RRSP company.
2. Once your ALM account is ready, talk to your mortgage broker to help find you a borrower.

There are only a handful of companies that deal with ALM:

Olympia Trust Company (<http://www.olympiatruster.com/>) and
CWT (Canadian Western Trust, <http://www.cwt.ca/>).

- Risks

- your RRSP account doesn't incur interest if it is not lent to a borrower, or the borrower defaults on their payment.
- "The RRSP SECRET" by Greg Habstritt. It is highly recommended that you read this book if this strategy is of interest to you.
- This is only the tip of the ice burg when it comes to ALM.

- Moral dilemma

- You get to choice who you lend your RRSP funds to. So you are able to select people who fully understand the implications of a private loan (paying 8%+) and will only gain financially with your assistance.

6. Commercial Residential (Apartment Bldg)

- Lenders treat this different
 - Based on building cash flow projections
 - Need 10% cash flow above expenses
- Due Diligence and Cash flow is different

Example: 2901 St Clair Ave E, Toronto
96 Lansdowne St E, Peterborough

7. Foreclosure

- Silent bid, 1 bid, maximum amount, site-unseen
- Due Diligence
 - go there in person, talk to the neighbors, phone the tax sales office, title search
- Be prepared
 - Legal, hire sheriff, internal damage to property, cancellation of sale, time consuming, competing with fulltime flippers/buyers
 - Municipal Act, 2001, ONTARIO REGULATION 181/03, MUNICIPAL TAX SALES RULES

Example

<https://www.ontario.ca/search/ontario-gazette>

<http://www.ontariotaxsales.ca/>

<http://www.foreclosuresearch.ca/>

8. Auction

- This is different from Foreclosure
- Find the properties
- Register in person, must have bid payment ready
- Site-unseen
- You assume the loans, mortgages, etc on top of your bid \$
- Due Diligence
 - go there in person, talk to the neighbors, phone the Auction sales office, title search, know your maximum amount
- Be prepared
 - Legal, hire sheriff, internal damage to property, lose bid payment, cancellation of auction, time consuming, competing with fulltime flippers/buyers
 - Municipal Act, 2001, ONTARIO REGULATION 181/03, MUNICIPAL TAX SALES RULES

Example

<https://www.ontario.ca/search/ontario-gazette>

<http://www.centrolegalworks.com/>

9. Rent to Own

- 1 of many strategies.
- great option to get into real estate for families who are not able to get a mortgage right away to buy a property.
- also known as Lease Option or Lease to Own

Usually, the way it works is

1. agree on a term (ie 2 yrs or 3 yrs) and a future price for the property
2. occupant make a non-refundable option (ie 5%)
3. occupant find the property and move in
4. occupant pay rent plus utilities
5. occupant pay an extra amount (top-up) that is returned to you at the end of the term
6. occupant live there and pay for any up-keep
7. at the end of the term (ie 2 yrs or 3 yrs), occupant get a mortgage
8. owner transfers the title to you

Example of RTO

Agenda

1. Why invest in Real Estate?
2. Do you have the right characteristics?
3. How to get your 5th + property?
4. Reduce your risk
5. Maximize 2017

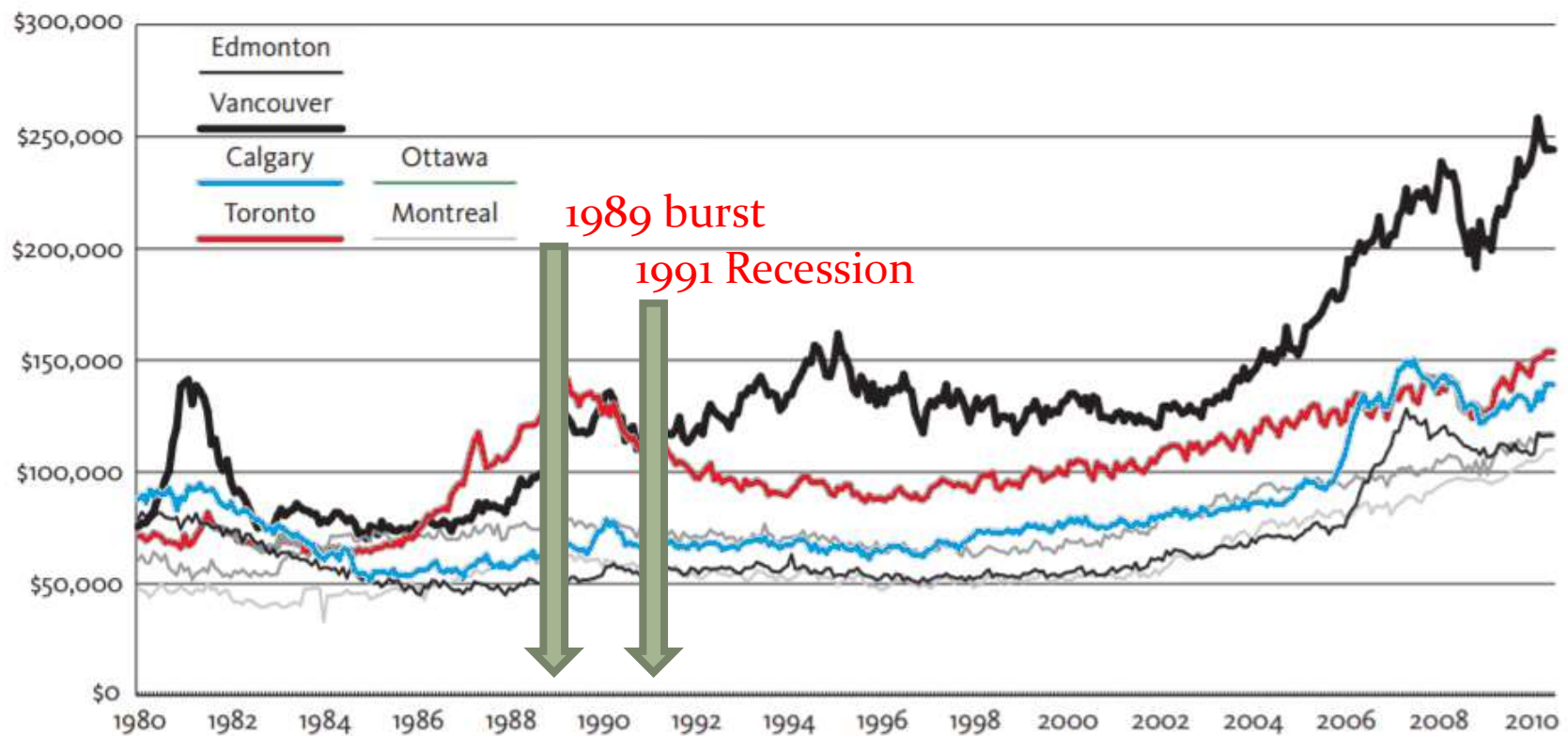
Q&A

Careful – the bubble going to pop



Reduce Your Risk BUBBLE

FIGURE 2 Average Residential Housing Prices Adjusted for Inflation (1980\$)⁹

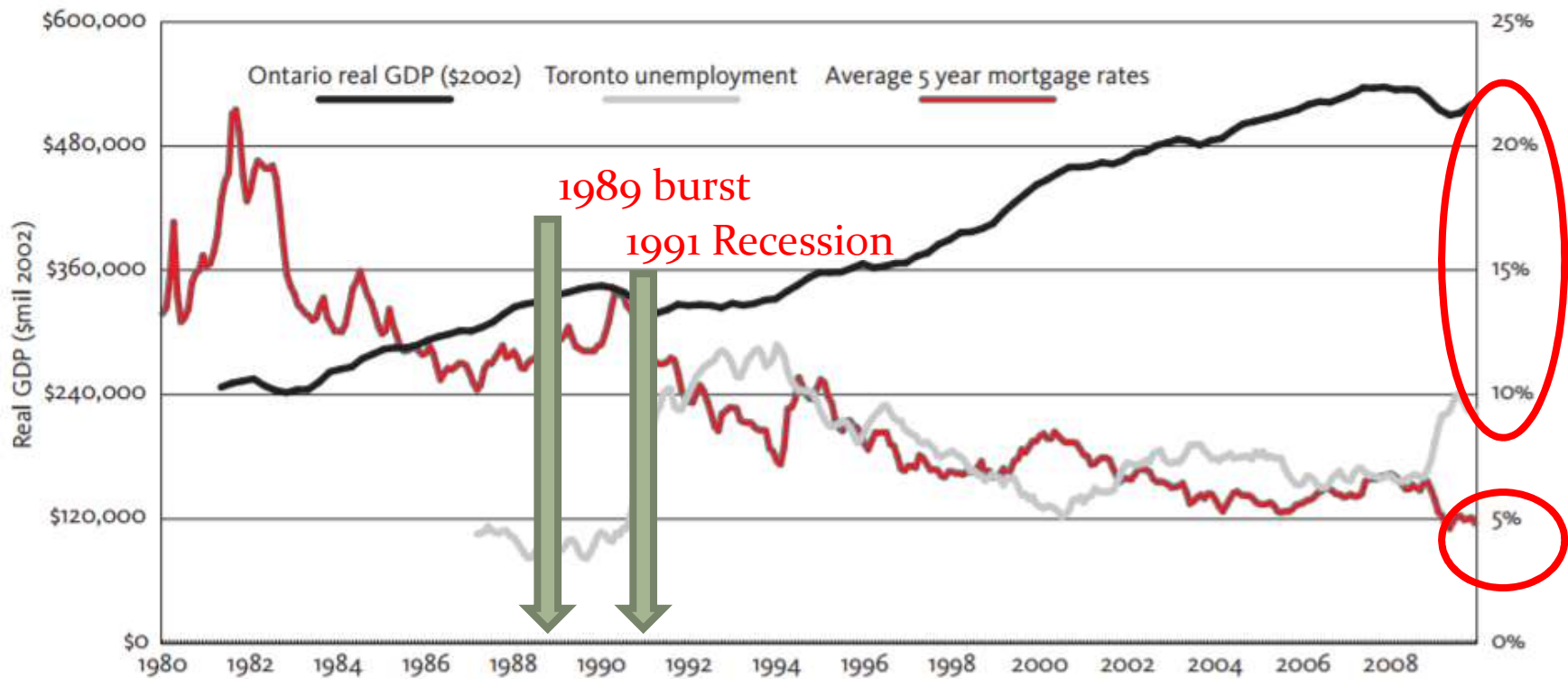


SOURCE CREA, GMREB MLS Barometer, StatsCan, Author's Calculations

Canada's Housing Bubble An Accident Waiting to Happen by David Macdonald

Reduce Your Risk BUBBLE

FIGURE 7 What Else Was Happening in Toronto



SOURCE Statistics Canada, CMHC, Ontario Ministry of Finance¹⁶

Canada's Housing Bubble An Accident Waiting to Happen by David Macdonald

Reduce Your Risk

- Do your due diligence
- Buy for positive cash flow
- Develop a plan and strategy
- Buy undervalued properties
- Buy in growing areas
- Pay 20% below market value
- Take the longest amortization period
- Keep your full time job

Maximize 2017

- Pay tax return into mortgage
- Take advantage of repayment options
 - Double ups
 - Annual lump sum
- Develop a plan with SMART goals
 - Look into company RRSP matching contribution
 - Research and pick a strategy
 - Figure out how you will save the down payment
 - Continuously educate yourself
 - Build a team
 - Don't wait until you pay off your mortgage to plan for retirement
 - Change your mindset
- Get SERIOUS about making passive income
 - Make your money work for you (forget about Rainy Day)

Gifts for You

- GAME NIGHT ** CASH FLOW ** Boardgame
- ~~XXXXXXXXXX~~
- Register on-line at Eventbrite

Text: 647 202 7528

Message: CASHFLOW



Gifts for You

- Tickets:
**Mastering Your Business for
Maximum PROFIT & SUCCESS**
 - Intro Seminar
 - use code 34607



Text 647 202 7528
Message: MYM

(<http://events.mymsuccess.com/calendars/event.html>)

Upcoming Real Estate Coaching

- Fill out PINK sheet
- Text: 647 202 7528
Message: WEBINAR
your email address

Wednes: 12-1 pm
on-line

For all in attendance tonight





Take Away

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Contact

Huong Luu PENG, PMP

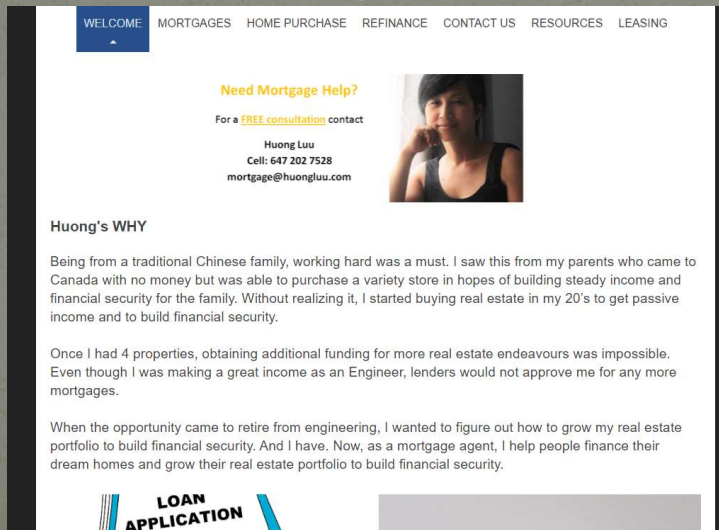
Cell: 647 202 7528

Email: mortgage@huongluu.com

Mortgage Agent #M16001476

Dominion Lending Centres (Bedrock Financial) #12275

www.huongluu.com



The screenshot shows the homepage of huongluu.com. At the top is a navigation bar with links: WELCOME, MORTGAGES, HOME PURCHASE, REFINANCE, CONTACT US, RESOURCES, and LEASING. Below the navigation bar, there's a section titled "Need Mortgage Help?" with a sub-header "For a FREE consultation contact" and contact information for Huong Luu: Cell: 647 202 7528, mortgage@huongluu.com. To the right of this text is a photo of Huong Luu. Below this section is "Huong's WHY" with two paragraphs. The first paragraph describes her background and how she started buying real estate. The second paragraph describes how she helped her family build financial security. At the bottom left, there's a "LOAN APPLICATION" button.

WELCOME MORTGAGES HOME PURCHASE REFINANCE CONTACT US RESOURCES LEASING

Need Mortgage Help?
For a **FREE** consultation contact
Huong Luu
Cell: 647 202 7528
mortgage@huongluu.com

Huong's WHY

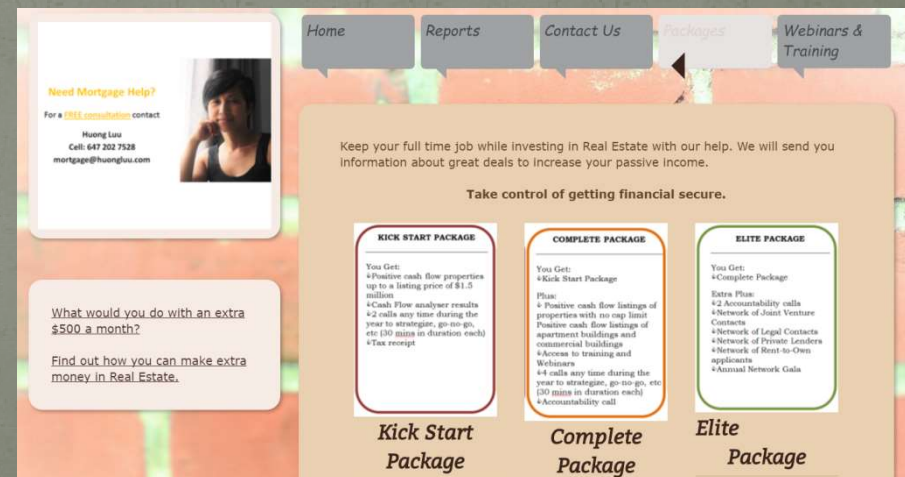
Being from a traditional Chinese family, working hard was a must. I saw this from my parents who came to Canada with no money but was able to purchase a variety store in hopes of building steady income and financial security for the family. Without realizing it, I started buying real estate in my 20's to get passive income and to build financial security.

Once I had 4 properties, obtaining additional funding for more real estate endeavours was impossible. Even though I was making a great income as an Engineer, lenders would not approve me for any more mortgages.

When the opportunity came to retire from engineering, I wanted to figure out how to grow my real estate portfolio to build financial security. And I have. Now, as a mortgage agent, I help people finance their dream homes and grow their real estate portfolio to build financial security.

LOAN APPLICATION

www.cashproperty.ca



The screenshot shows the homepage of cashproperty.ca. At the top is a navigation bar with links: Home, Reports, Contact Us, Packages, and Webinars & Training. Below the navigation bar, there's a section titled "Need Mortgage Help?" with a sub-header "For a FREE consultation contact" and contact information for Huong Luu: Cell: 647 202 7528, mortgage@huongluu.com. To the right of this text is a photo of Huong Luu. Below this section is "What would you do with an extra \$500 a month?" and "Find out how you can make extra money in Real Estate." Below this is a section titled "Take control of getting financial secure." with three packages: Kick Start Package, Complete Package, and Elite Package. Each package has a list of benefits.

Home Reports Contact Us Packages Webinars & Training

Need Mortgage Help?
For a **FREE** consultation contact
Huong Luu
Cell: 647 202 7528
mortgage@huongluu.com

What would you do with an extra \$500 a month?
Find out how you can make extra money in Real Estate.

Take control of getting financial secure.

KICK START PACKAGE	COMPLETE PACKAGE	ELITE PACKAGE
You Get: <ul style="list-style-type: none">+Positive cash flow properties up to a listing price of \$1.5 million+Cash flow analysis results+2 calls any time during the year to strategize, go-no go, etc (30 mins in duration each)+Tax receipt	You Get: <ul style="list-style-type: none">+Kick Start Package Plus: <ul style="list-style-type: none">+Positive cash flow listings of properties with no cap limit+Positive cash flow listings of apartment buildings and commercial buildings+Access to training and Webinars+4 calls any time during the year to strategize, go-no go, etc (30 mins in duration each)+Accountability call	You Get: <ul style="list-style-type: none">+Complete Package Extra Plus: <ul style="list-style-type: none">+2 Accountability calls+Network of Joint Venture Contacts+Network of Legal Contacts+Network of Private Lenders+Network of Rent-to-Own applicants+Annual Network Gala

Kick Start Package **Complete Package** **Elite Package**