

EXPERT ADVICE

A Structurally Sound Investment



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It has been said that more millionaires are created through real estate investments than any other investment vehicle. So why don't more people look at real estate as a way to create financial freedom? Based on my experience, there are two reasons why: either they feel it is not worth the risk or they are unable to come up with a down payment. What people don't realize are the potential benefits of investing in real estate as part of a complete investment strategy.

The most common reason people don't want to invest in real estate is because they don't like the hassle of having tenants. Understandably, it can be stressful receiving calls about a leaky toilet, hearing



of damage to the home, or worse yet — no rent. The way to avoid these situations is to hire a great property manager. For a fee of five to 10 per cent of the monthly rent, someone else will take care of everything from finding the right tenant to collecting the rent and maintaining the property.

Banks and mutual fund companies spend millions of dollars on advertising how easy it is to invest with them and how good your results can be. Certainly, investing with the banks or mutual fund companies has a place in a balanced portfolio. However, most advisors never suggest real estate investment because it's not in their area of expertise.

As a result, most people assume bonds, mutual funds and GICs are the only pathway to retirement or an education fund. Unlike the aforementioned funds, investing in real estate doesn't require a monthly deposit if you purchase the right property. In fact, you may actually yield extra income while simultaneously increasing value and paying down the mortgage. Better still, after 15 to 25 years, you will own the house outright and you will have residual money coming in month after month.

People will always need a place to live and real estate is a great way to hedge against inflation.

The greatest challenge most people face is coming up with the down payment,

seeing as the majority banks require a 20 per cent down payment. By talking with a real estate advisor, you may realize your options, some of which are forming a partnership, using RRSP monies or by taking equity from an existing property. ■

Winnipeg's strong economic base is sustained by:

- its large diversity in economic sectors
- less than 1 per cent vacancy rate
- GDP growth of 3.3 per cent in 2013
- real estate prices expected to rise four to six per cent in 2014

Buying your first property can seem a lot harder than signing papers at a bank. However, working closely with a realtor that specializes in investment properties will make the process just as easy as investing in a mutual fund. Understanding optimal geography and yields from different properties is key. Everyone's situation is different and so too are each person's financial goals. It is extremely important to talk to professionals, do your research, create a long-term financial plan and determine if real estate investment could help accelerate your ability to achieve your investment goals.