

# Monster Mortgage.ca



## Don Bayer

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Don is President and founding partner in MonsterMortgage.ca, MonsterWheels.ca and MonsterInsurance.ca. An Accredited Mortgage Professional and Certified Financial Planner, Don has over 20 years of lending and real estate investment experience and specializes in structuring construction and tax advantaged investments.

He has been called upon by local and national media including *The Globe and Mail*, *CTV* and *CBC* to comment on mortgages in Canada and is one of the resident experts on the TV show *Hot Property* aired weekly on *CP24*. Don is also a regular columnist for *Canadian Real Estate Magazine*, Canada's new property magazine for first-time homebuyers and real estate investors.

MonsterMortgage.ca has built its success providing superior customer service and ensuring you are fully aware of the facts the banks won't tell you about financing property and bad debts.

## radical Times

### Common Cents Strategies

Make **7.69%** RISK FREE!

**So, it's the middle of January** and I open up my December year-end investment statement and almost spill my drink. As I search to find the missing column, I inadvertently open my Visa bill and see more numbers than a bookie during the Super Bowl. Like you, I was hoping that my investment statement looked more like my Visa bill. I wondered, "How can my clients benefit from the lessons learned over the past few months?" **The answer:** Share with them the #1 lesson everyone should learn about contributing to their bottom line and not their banks.

### Just do the Math

At MonsterMortgage.ca we love to find different opportunities and loopholes in your mortgage contract to lower the cost of borrowing, avoid penalties and accelerate the pre-payment of your mortgage. Understanding the financial benefit to this strategy can change the way you think about money in general. **The key to contributing to your bottom line is to understand that it is not about how much you make but how much you are allowed to keep after paying your income taxes.** The following shows how a client can earn 7.69% simply by paying off their mortgage vs. investing in the equity markets (stocks, mutual funds, etc.).

Paul and Mary have a mortgage of \$250,000 with a 5% interest rate amortized over 25 years. In order to pay off this mortgage, they will pay an additional \$186,204 in interest over 25 years, or a total of \$436,200, including principle and interest. Canadian law requires that Paul and Mary pay their mortgage with after tax dollars, meaning, they first earn their income, then pay income tax and then make their mortgage payment with money left over.



**Most Canadians** have what is referred to as a "Marginal Tax Rate" or MTR. Your MTR is defined as the amount of income tax you pay, on average, based on your taxable income. If you have a 40% MTR, you pay income on the last dollar you earn at 40%.

**In Canada,** we have a graduated tax system - the more you earn, the more income tax you pay. The highest MTR is about 46% and the lowest is 15%. It is important to understand what your personal MTR is. If your total combined family income was \$75,000, you qualify for the marginal rate of 35%. What we showed Paul and Mary is that the 5% interest rate they pay on their mortgage is considerably higher, **why?** Because they must pay that 5% with "after tax income".

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# CP 24

## TUNE IN

MonsterMortgage.ca  
experts on CP24's  
**Hot Property**

See us on **Cable Pulse 24's** television program 'Hot Property' with host **Ann Rohmer** and mortgage expert Don Bayer from **MonsterMortgage.ca** for all the facts your bank won't tell you about real estate financing and cost saving strategies. For show times, check your local television listings or call our office.

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# Have a look

## **Remember the facts your bank won't tell you:**

1. you earn your salary
2. you pay your income tax based on your MTR
3. you use the money left over to pay your mortgage.

**Let's plug in some numbers for Paul and Mary whose combined family income of \$75,000 a year gives them an MTR of 35%:**

**Marginal Tax Rate (MTR) = 35%. Your MTR is the amount of income tax you pay based on your taxable income. This rate would range between 15% - 46%.**

**Remember, the higher your income, the higher your MTR.**

**Interest (i) = 5%. This is the interest rate you currently pay on your mortgage.**

**$i \div (1 - \text{MTR})$ . The formula used to calculate your Guaranteed Rate of Return.**

**$5\% \div (1 - .35) = 7.69\%$ . Paul and Mary would make a Guaranteed Rate of Return of 7.69% if all they did was use their extra money to pay down their mortgage (invest in themselves) vs. investing it elsewhere.**

You take this strategy and apply it to the lifetime of your mortgage and you can begin to see how your money can add up either in your favour or your bank's favour. Again, just do the math. Without making any additional contributions to their mortgage (which totals \$436,200 when you consider principle and interest payments) Paul and Mary will need to earn \$581,600.

This argument is compelling simply because it is 100% mathematically accurate. Isaac Newton cannot dispute this - there is no other way to get this type of guaranteed return, without significant market risk.

**So if you worry about putting more money into the market or in a tax sheltered RRSP, think again because the best investment you can make in 2009 is paying down your mortgage.**

Lastly, you will significantly reduce the amount of interest and pay off your home years sooner. Show me a better plan to stay out of the dog house.

In our next newsletter, I will answer the age old question of whether it makes more sense to pay down your mortgage or to contribute to your RSP. I think you will be surprised by the answer. If you want to know the answer before the RSP season is over, give me a call.

# The Experts

Is Canada Immune to the U.S. Housing Crisis?

## Advice from housing experts about the state of our REAL estate market.

*"House prices in Canada will continue to ease in the coming months. The triggers that led to the freefall in Canadian real estate markets in the early 1990's do not exist today. For the first time since 1995, we have moved into a buyer's market. When measured against income, the Canadian real estate market has overshot, but just a 5% - 7% drop in prices will bring equilibrium back, which is a fraction of the 25% overshooting seen in the U.S by 2006."*

**Benjamin Tal, Senior Economist, CIBC World Market**

*"While we see the Canadian market slowing in term of sales, overall we think the market will remain strong due to the fact we expect interest rates to remain relatively low. Canada's housing market remains one of the strongest and most stable in the world. There is a lot of doom and gloom out there in the media, and in many respects we seem to be having "crisis envy" – looking for a crisis in Canada that's not there. We should celebrate the strength of our housing market."*

**Peter Vukanovich, President, Genworth Canada**

*"Mortgage rates are still pretty low by historic standards, and we expect them to stay fairly low going forward. We are forecasting a bit of an improvement in financial market conditions as a result of all this pro-active policy that is being implemented. Things will soon balance out and we won't see mortgage rates move dramatically higher or lower; but rather steady near current levels into 2010."*

**Bob Dugan, Chief Economist, Canada Mortgage and Housing Corporation**

*"While Canada's housing market is anticipated to continue to move through a period of adjustment over the next six months, we should expect modestly lower home prices, not a U.S.-style collapse, which was brought on by a structural failure of the entire American credit system. Most Canadians are not aware that nationally, Canadian housing market activity peaked in 2007 and has been adjusting lower since. We are well into this inevitable cyclical correction."*

**Phil Soper, President and Chief Executive Officer, Royal LePage Real Estate Services**

*"The first six months of 2009 will put us in a better position to anticipate what is to come. Unlike many of the experts I read each day, I believe we need to see a big pick-up in demand to ensure that prices don't decline more than 5%. With real estate values still decreasing and a very low interest rate environment, I will become very concerned if we don't see a big pick-up in sales volume through June 2009. We need to establish baseline values before things will improve. We will be watching this market very closely in the coming months."*

**Don Bayer, CFP,**

**President, MonsterMortgage.ca**



## News Alert:

**The Toronto Dominion Bank stated on Wednesday January 7th that the Bank of Canada will reduce its key overnight bank rate to .5% by March of 2009! This will translate to another 1% decrease in variable rate mortgages. A \$200,000.00 mortgage will save \$2,000.00 a year in additional interest.**

**Pay off more of your mortgage by increasing your payment by \$166.66 per month, (\$2,000/12). Call your mortgage agent to learn how.**

Are you up for it?

Monster  
Mortgage.ca

PRESENTS THE ...

TORONTO  
CHALLENGE  
RUN • WALK



Register Now!  
www.toronto.ca/challenge



SUNDAY, JUNE 14, 2009

MonsterMortgage.ca 5k Run • 1k/5k walks

IN SUPPORT OF SENIORS

- Family events suitable for all ages and abilities
- Aerobic warm-up
- Awards, prizes and refreshments



RACE STARTS AT 9:30 A.M.  
Call 416-392-8911 for details

This year's MonsterMortgage.ca Toronto Challenge will take place on **Sunday, June 14th, 2009**. As the premier fundraising event for the City of Toronto's seniors, this year's challenge features a 5K run, as well as a 1k and 5k walk. Funds raised contribute to various independent living and support services for seniors. The **MonsterMortgage.ca Toronto Challenge** remains a family event suitable for all ages. Family pricing, prizes, displays, the post run/walk barbeque and activities for all ages make the event most enjoyable. **So join us on Sunday, June 14, 2009 and Take The Challenge!** For more information, visit: [www.toronto.ca/challenge](http://www.toronto.ca/challenge)

Winner of "Mortgage Brokerage of the Year"

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The  
Monster  
Cup  
4th  
Annual



Doug Gilmour & Roula Vagopoulos

**Congratulations  
Dougie !!!**

In celebration of the greatest Toronto Maple Leaf of all time having his jersey retired at the Air Canada Centre on January 31st 2009, **we will be hosting a family skate with Doug Gilmour for all MonsterMortgage.ca clients.** So come out to the **4th Annual Monster Cup** to be held on **March 26th** (location and time TBD) and congratulate Doug Gilmour in person. Please RSVP to me directly if you plan on attending.

**Hope to see you there.**

### Bank of Canada 2009 Rate and Policy Dates

The following are The Bank of Canada's schedule of dates for announcing decisions on its key policy interest rates:

Tuesday, March 3, 2009  
Tuesday, April 21, 2009  
Thursday, June 4, 2009  
Tuesday, July 21, 2009  
Thursday, September 10, 2009  
Tuesday, October 20, 2009  
Tuesday, December 8, 2009

Clients who are committed to Variable Rate products may want to pay attention to these dates. Most, if not all, of our variable rate options are convertible to discounted fixed rates at any time.

Call our office if you have any questions.

### testimonials

MonsterMortgage.ca was awesome!! They made our dream of owning a home come true. Thank you again for your patience, and professionalism. We hope we cross paths again.

Cheers,  
Blaine & Dina – Pickering, ON.