

# Reality Cheque

June 2008

Create abundance from what you have regardless of how much money you start with.

### Quick Facts

- The next Bank of Canada interest rate announcement is July 15. June's announcement to hold the rate steady was a surprise to many who anticipated one last quarter point drop.
- Banks are not required to change their prime rate in accordance with Bank of Canada interest rate changes.
- The mortgage payment for a mortgage with a 40 year amortization is close to the interest payment on an interest only line of credit.
- A condo corporation can remove a tenant in violation of the by-laws with 30 days notice.

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## Another Side To Summer

As the snow fades from memory once again our thoughts turn to the anticipation and excitement of summer vacation. It's hard not to let one's mind drift off into that other non-routine world of fun, friends, relaxation.

Soon you'll actually be on vacation at your favourite getaway place. Life can't get much better than that.

If only you could bottle that for a nip now and then during the rest of the year. But wait. The next best thing could be to buy a place and secure your vacation dreams from here on out.

Or is it?

Sometimes it's easy to get wrapped up in the dreams

and emotions and forget about the nitty-gritty details.

Whether looking at a vacation property or a rental property, the same fundamentals need to be considered.



- > Does the area have a strong economy outside of peak season?
- > Are property values in the area likely to appreciate, remain flat or fall over time?
- > Which banks finance vacation properties?
- > What is the total monthly commitment (eg PIT, maintenance, management, utilities, condo fees, etc)?
- > Can your property be rented outside your vacation time? Will market rents cover your monthly commitment?

- > Where will the 20-25% down payment come from?
- > Will purchasing the property jeopardize financing other major purchases or investments?
- > Is there a better way to leverage your money and pay for your annual vacation at the same time?

Making the time and effort to look at the details will ensure both your near term desires and your long term dreams will come true.

## The Next Generation

### Credit Crunching by Ryan Niessen

Did you know that the average Canadian household has \$22,500 in credit card debt?

(canadianmortgagetrends.com)  
Establishing a solid credit rating is crucial for obtaining any substantial dream

that the average Canadian has, including owning a house, a private vacation property, and a nice car.

Without a good credit rating it is much more difficult and expensive to get a loan or mortgage to purchase these items. Having bad debt, such as credit cards near or

above the credit limit hurts your credit score badly, and results in you paying higher interest rates for a loan or mortgage.

So if you want that Ferrari parked in the driveway of your mansion one day, check your credit score and make sure it's a good one.

# Investing In Experience

from the desk of Lorraine & Bonnie

We humans like to think of ourselves as intelligent, rational beings but we're really creatures of emotion. The best laid plans and intentions fly out the window instantaneously at the triggering of an emotion. How many examples are springing to mind right now?

Enter the world of investing and your emotions become your worst enemy ... and somebody else's best friend.

While financial educators tell you "take emotion out of the equation" and "what do the numbers say?",

sales and marketing people are following their best piece of advice ... "Intelligence goes down as emotions go up".

Be on the watch for sales experts acting as financial educators!

We've seen and been on the receiving end of many tactics to trigger emotions:

- For today / this break / this segment only ...
- You'll want to leave something to your kids won't you.
- I had to get

special permission to make you this offer ...

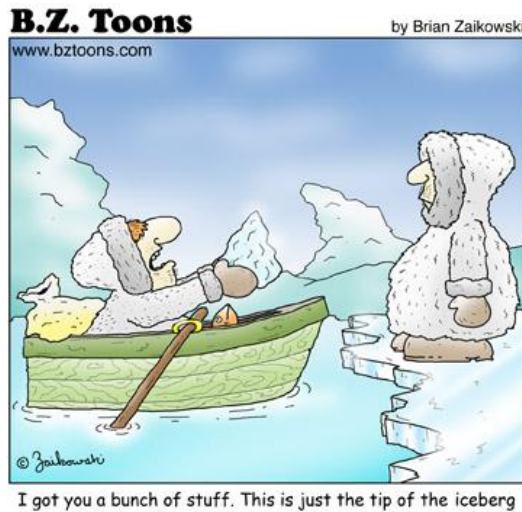
- It can't get any worse than this ...
- Trust me.
- We've consulted the experts in the industry and they can't find anything wrong ...
- You won't find these rates of return anywhere else.

So what are some of the things we do to stay out of the emotional rush? Make a game out of identifying the emotional triggers being used and try to figure out what's in it for "them". The easiest (?) ones of all - avoid signing on the dotted line right there and keep the credit cards at home.



## The Lighter Side

*"Luck is what happens when preparations meet opportunity."*  
Lucius Annaeus Seneca



I got you a bunch of stuff. This is just the tip of the iceberg

## By The Book

"Increasing Your Financial IQ" by Robert Kiyosaki - 2008, ISBN-10: 0-446-50936-1, ISBN-13: 978-0-446-50936-7

Released in March 2008 this book is a timely read for investing during the economic troubles we are currently facing.



Developing your financial IQ is about the process of solving increasingly bigger problems rather than looking for the easy answers.

Moving off the gold standard and switching to a defined contribution pension system changed the rules of the game. The only problem is financial advice never changed to be in sync with the new rules.

Kiyosaki discusses the five financial

intelligences key to being smart with your money and being above average while playing the new game.

Unlike his other books, Kiyosaki gives specific details on how he is investing and his predictions for the future. If you like advice that goes against the norm, this book is a worthwhile read.

# Diving into Due Diligence

## Zoning and Best Use

Unlike the passive due diligence factors discussed so far, zoning and best use are active factors. This means you have some influence in how these impact your investment.

Many of us fall into the trap of believing “what we see is what we get”.

One key to improving an investment is to think outside the box, to see what others don't see.

In real estate many properties are not



being used at their highest capacity.

A single family home on a lot zoned for two families (eg R2) has unaccessed value. The home could be legally suited to increase the rental income. The lot also has more value to a builder who wants to put in two homes.

In areas with a high number of students or temporary workers a home could be rented by the room instead of the house to increase revenues.

The garage or large

shed can be rented (under a separate agreement) for additional income. A large yard can be turned into parking spots where space is at a premium.

It goes without saying that all of these property enhancements should be done in compliance with local by-laws and zoning regulations. On the upside, changing / improving the zoning alone can increase the property value.

Pay attention to zoning designations and changes approved by the municipal council. This will give you good insight as to where new opportunities exist long before the average investor comes along.

## What's That?

### Joint Tenancy & Tenancy in Common

In Canada, property owned by two or more persons is held as *joint tenancy* or *tenancy in common*.

Joint tenancy means the property is held equally and includes the right of survivorship. If one party dies the property passes to the other party(s) outside of the estate.

Tenancy in common means property

ownership is based on an agreed upon percentage (eg. 25-75, 50-50, 1-99) Each party has full control of their portion without needing the consent of the other party(s). No right of survivorship is included.

Unless an agreement is in place, common law recognizes non-land property (eg

bank accounts, vehicles) as being held in joint tenancy and land property as being held in tenancy in common.

*“One should be willing to throw away a dozen ideas to come up with a good one, just as one should throw away a dozen words to come up with the right one.” James Gunn*

Joint tenancy may or may not be the cure all for estate planning. Make an informed decision by seeking legal and accounting advice on issues such as control, income tax, and exposure to creditors.

## Time For Fun

### Did you know:

Contaminated soil is Alberta's largest waste stream at 3 million tonnes per year.

Non-organic waste in Alberta landfills remains in its original volume, shape and form for at



least 40 years. (Alberta Environment)

### Brain Teasers

a) What flies without wings?

b) You can draw me, fire me or fill me in. What am I?

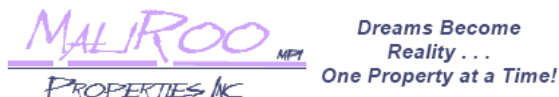
c) Mary's father has four children. Three are named Nana, Nene and Nini. What is the fourth child's name?

- see answers next month -

### May's Answers:

a) 11 b) an icicle c) the rope wasn't tied to anything

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## Cashflow Game Nights

Come out and have a fun night playing your way onto the Fast Track ... where your money works hard for you instead of you working hard for your money.

**Okotoks** (doors open 6:15pm)  
Crystal Shores Beach House - 403 Milligan Drive

- summer break
- September 2008 - TBA 6:30pm - 9:30pm
- October 2008 - TBA 6:30pm - 9:30pm

RSVP to [vpcinfo@glomar-vpc.com](mailto:vpcinfo@glomar-vpc.com) or register at the Beach House: 995-1358

**Calgary** (doors open 6:30pm)  
Willow Ridge Community Centre - 680 Acadia Dr SE

- June 13, 2008 7:00pm - 10:00pm
- summer break
- September 12, 2008 7:00pm - 10:00pm

RSVP if possible to [vpcinfo@glomar-vpc.com](mailto:vpcinfo@glomar-vpc.com)

Please remember to bring a calculator, pencil, eraser and paper.

You can sign up for our courtesy Game Night reminder service at:

[www.maliroo.com](http://www.maliroo.com)

or [www.glomar-vpc.com/event\\_schedule.html](http://www.glomar-vpc.com/event_schedule.html)

## Catching Up

MALIROO PROPERTIES INC.



Deb & Gary

It is satisfying to know our hard work has paid off! A nice young family has moved in to our Lethbridge rental property.

We painted, landscaped and packed up the fully furnished house. Surprisingly, it provided an opportunity for growth for all of

us. Ryan and I found ourselves stretching our comfort zone and taking on new tasks while Gary ("Mr. Mom") and Jenaya picked up the slack at home. With each new challenge, there are lessons learned and opportunities to improve the systems from reno's to screening tenants.

May was a month of not only labor, but paperwork. I compiled our personal financial statements for obtaining financing on our next up and coming property purchase.

The beach house staff had big smiles, when I took in home baked muffins to say thank you for allowing us to host our Cashflow games there. Thanks to all of you who have come out to our game nights!

GLOMAR VPC INC.



Bonnie & Lorraine

Our newest feline is certainly getting a fast introduction into the renovation lifestyle. Settle down for a morning nap and wake up a few hours later to find a whole new house to explore!

The last couple of weeks have been a whirlwind of activity between starting in on removing the carpet and painting the entire

upstairs before the new flooring is installed. This includes the ceilings which means we are also moving furniture in and out of rooms. That is a whole planning and storage exercise in itself. Fortunately the fresh look makes the extra effort and patience all worthwhile.

The Cashflow Game Nights are winding down for the summer with our last game in Calgary June 13. We would like to send a heart felt *Thank You* to both the Crystal Shores Beach House and the Willowridge Community Centre for their fantastic staff and facilities and everyone who came out to make each evening something to look forward to.

Have a great start to your summer and we'll see you with our next edition of Reality Cheque at the end of July!