

# Real estate mutual fund best kept secret

It's no contest! A real estate mutual fund is the best kept secret in the country when it comes to tax-advantaged investments for the average investor.

Canadians have had a love affair with GICs and Canada Savings Bonds (CSBs). They are considered to be very stable with returns guaranteed and with your principal guaranteed to be returned to you at face value.

However, if you have been standing by helplessly as increasing taxes eat away at your interest income, here is an alternative to consider.

A real estate mutual fund is similar to any other mutual fund except that it invests only in long term commercial income producing real estate. Commercial real estate also has a good measure of stability which is related to the contracts in force with the tenants, the tenants credit worthiness and economic conditions. This sector is recognized as a conservative investment by pension funds and insurance companies. There are three types of return that the funds produce.

First, is capital gains. As the properties increase in value over



## IT'S YOUR MONEY

Paul J. Rocket

time, the price of the fund units increases. There are no tax consequences until a property is sold or you redeem your units in the fund. If you still have your \$100,000 exemption, the gains will be tax free.

Second, interest income. Funds keep a small percent of their assets in fixed income investments, which generate a small amount of interest income. This is taxable in the year it is earned.

Third, rental income. The rents received from tenants is sheltered from tax to a large extent by the use of Capital Cost Allowance (depreciation). This results in a large portion of the rents being tax deferred until you redeem units of the fund. Then this deferred amount is taxed as

a capital gain. The fund holds back 20 per cent of the deferred rental income and pays the recapture tax for you. If you simply remain invested in the fund, you can continue to receive tax-sheltered income for life with no 20 per cent holdback.

Here's a dollar and cents three year (Dec. 87 til Dec. 90) tax comparison of a \$10,000 investment between an actual real estate mutual fund and an assumed 12.5 per cent three year GIC. At a tax rate of 42 per cent the three year income from the GIC of \$3,750 bears tax of \$1,575 leaving \$2,175 to spend. The same \$10,000 invested in a real estate fund called the Roycom Summit Fund earned \$3,953.93 or an average of 12.62 per cent before tax, but, the tax was only \$290.93 leaving \$3,663.00 to spend. Quite a difference, \$1,488.00 more after taxes from the real estate fund.

Maybe you should look into the advantages of a real estate mutual fund.

For a free pamphlet which details the after tax advantage of a real estate mutual fund compared to a common interest bearing investment such as a GIC, contact Peter C. Masson, Regal

Capital Group, 10 Fagan Drive, Georgetown, L7G 4P3 or phone 416-877-7216.

Paul J. Rocket is the author of the best seller "Why I Invest In

Mutual Funds" and Chairman of Regal Capital Planners Ltd., a 24 year old financial planning company with offices from coast to coast in Canada.

## Management workshop

If Financial Management for Non-profit Organizations seems like a contradiction in terms - then you or your group need this workshop on Monday, Oct. 28th from 6:30 - 10:00 p.m. at the Cultural Centre in Georgetown.

It's almost impossible to run any kind of association without money and even if you aren't in it for profit you still have to raise funds; apply for grants; administer fees, dues, memberships; budget for refreshments; handle the 50-50 draws; organize the bake sales; and at the end of it all - report to the membership (and others) on the state of the bank account.

And you wonder why no one wants to be treasurer?

Take the fear and loathing out of double entry bookkeeping, balance sheets, budgets and "director's liability". Jonathan Rudin (CTV's Legal Beagle from the Live It Up! show) provides a painless and entertaining

workshop that will put your organization on a sound financial footing.

Jonathan teaches at the Law and Society Program at York University, and acts as a consultant to non-profit groups on issues from fund raising and public education to organizational and program development. He has been involved in volunteer and professional capacities with non profits for over half his life. His approach is practical and immediately applicable.

At the end of this workshop you may still not have any money but you will certainly know how to manage it.

The workshop, sponsored by the Cooperative Program Planning Committee, costs only \$5.00, (thanks to financial support from the Ontario Ministry of Health) and you may register at the Acton or Georgetown Library. Enrolment is limited so sign up before October 21st. Sustaining refreshments will be served.

## What does it mean when I co-sign a loan?

A person who co-signs a loan is just as responsible for the loan as the primary debtor—the one who borrowed the money. That means that the lender can demand payment from the co-signer before, or instead of, approaching the debtor.

Say your son recently bought a car and you co-signed his loan from the finance company. As long as he makes all his payments on time, everything's fine. But what if he finds he can't manage it and, without telling you, he falls behind? You could find your bank account or your wages being garnished for the debt before you know it. To make things worse, most loan contracts contain what's called an acceleration clause. This clause says that the lender may demand immediate repayment of the whole loan—not just the arrears—if any condition of the agreement has been violated. So one missed payment could mean the entire amount of the loan suddenly has to be repaid.

In our example, where the loan was for the purchase of a car, the car would probably be pledged as security for the loan, by means of a chattel mortgage. Then, if payments fall into arrears, the lender would have the



### THE LAW AND YOU

by Colin McKinnon  
LL. B. O.C.

option of seizing the car. And, in certain circumstances, if they then sell the car and lose money, they can sue you for the loss. The creditor must give you proper notice under the Personal Property Security Act.

Of course in another situation, if the co-signer put up security for the loan, the lender can seize those goods rather than go after the borrower, if they choose to.

Read the document carefully. Get legal advice if you're not sure you understand it, or your obligations, fully. And try to make sure that you always know what's happening on the account so that you're not taken by surprise.

If you require legal advice, contact the Lawyer Referral Service. Lawyer Referral will provide you with a free initial half-hour consultation with a lawyer. In Metro Toronto and area call (416) 947-3330. Outside Metro call toll-free 1-800-268-8326. From area code 807 call toll-free 1-800-668-8526.



### Colouring masters

These four youngsters were selected as winners in the Georgetown branch of the CIBC's colouring contest held last week. Each youngster received a cheque for \$20. Front row (from left to right) Wendy

Minto, Alison Minto, Joel Hamilton, Graham Stone, and Meagan McCracken. Back row (from left to right) CIBC employees Janice Kouyoumjian and John Winter. (Herald Photo by Steven LeBlanc)

# QUESTIONS ABOUT THE FUTURE OF CANADA?

For more information about the federal government's proposals for constitutional reform, call toll-free:

**1-800-561-1188**

Deaf or hearing impaired call: 1-800-567-1992 (TTY/TDD)

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