Hey everyone, welcome back to the raise private funds course. We're in module three here of week one. So this is going to be the last module of week one before we move forward to the week two of training. And this module is called money school. And it's actually one of my favorite topics, a when it comes to real estate and not just on the topic of money, but everything to do with raising money, learning about different strategies in the marketplace that you can raise money from, whether it's a talking to investors and using equity, idle equity in their home or savings account, or maybe they have RSPs or mutual funds and they're underperforming and showing them how they can use real estate as an investment vehicle by lending money to you and getting a better return. So in this module we're going to be covering a different strategies.

I'm going to be sharing some of my personal examples of different sources that I've been able to raise money from for our business. And also how you guys can implement some of those same strategies. But again, you know, module three, week one, we're going to be covering a lot of ground and this is the fundamentals. This is the foundations of what you need to know in order for you to grow your business and be successful in here. So, you know, the one that understands money, understands different strategies and and when you're able to explain those strategies to other people, that's where you're going to see huge value in your business when you're able to add value to other people. So with that said, we're going to be going into the course here. So here's what we're going to cover in this module.

So we're going to be talking about the topic obviously of money. What is money? You know, there's a lot of there's a lot of different things that are stirred in people's minds when a, when people talk about money or even think about money. So I'm going to give you, you know, one of the best definitions I've ever learned about what money actually is. And we'll talk about a bit about that too. And we're also going to be talking about interest, income, capital gains. And these are two things that when you're investing in any sort of vehicle, meaning a savings account, or if it's a GIC at a bank, or if it's mutual funds or stocks or real estate, the return that you're getting are a, there's different ways of making a return, you know, whether if it's a dividend or a capital gain or interest income.

So for the, a, the reference for this module and real estate, we're going to be talking about the two most common type of returns that you can make in real estate. When you're buying it you can either make interest on the money. So whether your lender is lending you money to buy real estate while you're gonna pay them interest on their money. So that's the that's the profit that they're actually making from lending you. So we're going to be talking about what that is, how that works, how it's taxed. And we're also going to be talking about capital gains. So this is another form of another way that the government will tax the property or tax the profit that you make on whether if it's a flipping a house or buying a rental and how that works. So understanding this is going to help you become a more sophisticated real estate investor.

We're also going to be covering profits from flipping how that works and you know, when you make a profit, what kind of tax do you pay on that, you know, what kind of tax do you pay? What kind of taxes does your lender pay, you know, and how that all works. A rental income. So again, with rental properties, whether your niche is flipping or your niche is rentals we're going to be talking about the different ways that you can make money with owning a rental property. And you know, majority of our portfolio today, even though I've spent about six or seven years really flipping, flipping properties, learning about renovations, you know at this point in our business, a majority of our stuff is we're holding it, meaning that we're renting it out. And 99% of the properties that we own today, we actually bought with using none, none of our own funds or our own credit.

And I'm going to be talking about how that works in the previous modules where we talk about working with lenders. But you know, in terms of this module, we're gonna be talking about what are the different ways that somebody can make income from owning rental properties. You know, whether if it's bought with your own money or if it's bought with investors' money or a lender's money, you know, so rental income, how appreciation works when you're buying a rental property. What is an, what is appreciation? How does mortgages work? How do mortgage pay downs work? How do you refinance the property? Again, if you guys are very green or new to real estate, cause everybody who's taken this course is all at different levels. We're going to be essentially making it very, very simple for you to understand this, especially if this is very new to you.

And we're also going to be talking about understanding the different investment vehicles in the marketplace. You know, whether if it is mutual funds or equity in your house or stocks or savings accounts. So there's different forms of investing. There's different ways that you can make your money grow in Canada or us or wherever you are, where you live. So we're going to be talking about what are those common types of investment vehicles out there and also when it, when it relates to real estate, what are the most common real estate terms, more most common real estate related terms and the definitions and what that means. Again, this is going to be the framework of you building your business because the more you understand what money is, how investment vehicles work, the better and more sophisticated you're going to be when you're going out there and growing your business, especially if your business and your model is around working with investors.

And I hope everybody in this program, you know, really takes advantage of learning how to work with lenders so you can actually not just make, help them make money. And help them make a better return, but also grow your business and scale your business much, much quicker. Versus if you had just used your own money, you had saved up and then went to a bank. And you know how probably 90 a high majority of people buy real estate as using their own funds. So with that, we'll get into it. So what is money? You know, a, it's funny because, you know, if, if like a lot of people I grew up in a household where, you know, money wasn't talked about much. Firstly like, you know, my parents struggled with with making money, you know, having low income labor type of jobs always kind of being in debt or just kinda, you know, living paycheck to paycheck.

We didn't really talk about it or, or if people did have money, you know, it was just kind of looked upon as not, not a good thing, not a positive thing. And, and really thinking, you know, money was evil or money was bad. And it wasn't until I started learning about money and getting around the right people that my mindset started changing, you know, and really learning that at the end of the day, you know, money itself is not evil. You know, money is really a tool. It's just a tool that you use to buy things and, and you know, things that you, money is something that you collect when you sell things. And especially when it comes to real estate, it is really just a tool that you use to really get ahead and grow your business. And one thing, there's a video that I actually really love and I shared it with so many people on Facebook.

Will be talking, I'm sorry, not on Facebook, on YouTube. We're going to be talking about that because it really does a, it does a good example example explaining what money is. So we'll talk a little bit about that going further. So you know, what is money? So this is something that I want you guys to also ponder and ask yourselves, you know, what are your thoughts and your beliefs on money? You know, again, like I was saying, many people grew up believing that or being taught that money is the root of all evil. And it's funny because I still hear this to this day, but you know, this, this saying is actually really taken out of context and it's actually, it sounds very similar to a Bible verse that reads for the love of money is the root of all evil. So really if you look at that verse, what it's saying, it's not saying money itself is evil, but it's the love of it and why that is and why it's saying that.

Why I think it's saying that is because, you know, when you start loving money, you start putting money on a pedestal and you know, you're, you're looking up to it and, and everything and, and some of the things that people have done to acquire money that you know, that love and passion they have for it, you know, that can lead to being envious over people or really being greedy or, or cutting corners. When you're doing the real estate business again, you know, you have to really ask yourself, what are your, what's your thought patterns on it? Because again, money is just a tool, right? The core at the core level of money is just a tool that people use to buy, sell, trade, and invest with, right? It can provide oneself a good life. And you can also put it aside there. So like I mentioned earlier, if you put it on a pedestal, it can become a vehicle towards, you know, somebody's becoming greedy and really wanting it and becoming unethical and doing crazy things.

Because money does do crazy things to people love it for you to get more of it right? And money, money is not evil per se, but however, if you, if it's used on properly, it can cause pain and grief if you start, you know, quote unquote loving it. And you know, I heard this from one guy one of these business mentors that I've been following for a long time. And a lot of you might've even heard of them, but Jim Rohn and I, I love what he said about money. You know, he said that money amplifies who you already are. So, you know, if somebody starts making a lot more money in their business or real estate, or they come into money, you know, at generally if you're a good person, well when you get more money, you're going to most likely be doing more good with it.

But if you're not a good person, it's just going to enhance your current character, your actions, and you know, your personality for the worst. Right? So, and you can see that in our world today, you know, a lot of, lot of different countries and, and dictatorships and, and people really running the country, but, you know, maybe they're not, so they're not so good in there. Maybe not for the people, but, you know, they're inquiring this money and and instead of becoming better with it, you know, I'd usually just amplifies who they already are, you know? And when I first time, when I heard that it, it, you know, it totally made sense to me because I've seen that in my life personally because there was a time that, you know, when I started off in real estate a about a, you know, 10 plus years ago I started with, you know, $60,000 of debt.

I was right out of college, you know I was, you know, one of those like those examples that a lot of people, you know, they get out of college. I wanted to buy a fancy car. So I took out a loan because I obviously didn't have the money. I had a low paying job and I had acquired all of this consumer debt. You know, a lot of this, I fell for this trap because again, I wasn't taught by this by a lot of people, you know, especially, you know, my parents were good loving people, but they just weren't educated on money or finances and personal finances for that matter. And I fell into that trap. And you know, it wasn't until that I started really building my business and I started learning about real estate. I started taking a better interest in money that I actually was able to dig myself out of that hole.

And, and the beautiful part is with real estate. It didn't take me long. You know, I, I had a full time job working as a correction officer and I started part time in my business. Like a lot of you are taking this course right now. And, and, and really when I started building that momentum working on my business, when I wasn't working at my day job and started seeing that momentum started taking action daily you know, and, and the first, first few flips, maybe about four or five that I did, the numbers were really good at it and I use that money, majority of that money. And I paid off all my debt, you know. And it wasn't until after that I started, you know, saving and, and just getting better. And it wasn't. And if it wasn't for real estate or business, you know, working at my day job you know, working out that government job, even though I made, you know, quote unquote decent money for a, for a job it would have taken me a long, long time to pay that off, you know?

But again, but when I started making it you know, I started doing good things with that. Right? And that's what I want you guys to think about. You know, what are some of those things that you're going to do with that money, right? So, you know, at this time I'd like you guys to pause this video. Here's a link of the YouTube video that I had mentioned previously. It's a, it's a two or three minute video, but it does an amazing job explaining what money is and just the myth around money. So again, guys, watch the video, pause this, pause this training, watch the video and then come back to this.

So, you know, again, when we're talking about money, you know, you have to know because when, when people come into real estate or they've taken the training here for a lot of them, they've never you know, they've never made the level of income that you actually can make in real estate because real estate, just like any business, you don't have a glass ceiling. So you can start coming into money. You know, especially when you're, when you're renovating homes and the average, you know, the average profit a, the numbers per flip that you should be shooting for is 20 to $40,000 net in your pocket when you're flipping a home. You know, and you, if you start doing two or three or four flips a year, you know, that it's very, very easy to, to start making that six figure numbers and give you a perfect example of that is one of my students, Kevin Bowes who we are still good friends to this day.

And at that time, I actually met him when we worked together, you know, and I had a quit working the job about three years after. And, you know, we were in touch in contact and he had reached out to me and said, Hey Manjit, you know what, I, I, I see you're doing good things and I'd like for you to mentor me and train me. So he actually came on board and started working with us. And it wasn't until eight months after that he had flipped two properties working at his day job. They're working at a corrections and the following year he actually picked up 11 properties using the system and the marketing tools that we trained. And you know, his income for that year well exceeded over $100,000, you know, and, and and when he came into this money, you know, it does so much, not just for him, but for his family, you know, at that time.

And he had some, he had some personal debt also at that time. But really it amplified what, what he was able to do with his family. And you know, real estate again was that vehicle that he did. So when you raise capital when you raise capital, then you add value. So what I'm saying here is money only exchanges hands. So when you're out there and your building your business and you're raising money from lenders, from people in your inner circle, you have to understand that money will only exchange your hand. So when somebody actually transfers their money to you, when you provide value to somebody, so whether that is providing a better return on their money or it's giving them more security than say the marketplace could or having it grow faster, right? When you are able to show somebody that you're able to provide them value because your an expert in real estate, you're in the real estate business, you're committed to the business you're committed to your business and people see that that's where money is going to be turned over to you.

That's where people are going to see the value in you. And this is why, you know, I wanted to do a module on understanding money because the more educated you are, the more chances you are in, the better chance you are going to have at having lenders working with you and transferring you their money. So you can go out and buy more real estate in exchange. Also giving them a better return. So when you raise money, you are actually creating good jobs. Again, we're talking about, you know, what are some of the good things that you're going to do when you also have money and you get good at making money in real estate, you get better at providing more better returns to the people that are borrowing you money to buy real estate. And what I love too is because a, we're in the real estate business and like any investors, people often forget because when you are out there and you're buying real estate, you know, you're not just buying and sell but your also providing a good salary or a good income for your family or your lenders, but you're providing many other jobs for people who otherwise would have never gotten an income if it wasn't related to your real estate deals.

And what I mean by that, there are so many moving parts. When you buy a real estate deal, especially, there are so many different types of professions that go into putting a real estate deal, a successful real estate deal together from your realtor who's either, you know, finding your house or selling your house to your contractor who's working on your property, renovating it to the insurance broker who's providing the insurance so that you can protect yourself in case of vandalism or a fire or whatnot to the home inspector, to the stagers, the, the lawyers who are signing the documents to the mortgage brokers. We've maybe got you the mortgage. And the list goes on. I mean, there are so many people that because you are a real estate investor because you're the one who bought the property, put the deal together. And because for the most part you need these sort of professionals on your team to help in order those help, in order for you to see success in your business, a lot of jobs are going to be created because of that.

And that's what I really want you guys to understand. You know, when you're in this business, you know, think of these things because you know, because of that you are providing tons of value not to yourself but to other people. And honestly, those are good things that you're doing with, with you having more money to buy real estate and working with lenders and also, you know, think of you are you able, you're able to design the life you want to live. You know, designing that again, again, you know, you're going to be using money as a tool and if it's used good, if it's used for doing good, you can do many good things for you. And many other people around you, right? Real investing is one of the highest paid professions on the planet. And you know, I heard a quote that goes around quite often or phrases like, you know, eight out of 10 millionaires in the world have made their money in real estate.

And when you start investing in the business and you started getting around other people, you'll start seeing that for yourself. That, yeah, right? Real estate its not an easy business, but it's a simple business. And if you do it properly, you have the right training, you have the right mindset you can do so many good things and you know, real estate money at the end of the day, just look at it as a tool, as a vehicle that you want to become an expert on. So you can, you can, you know reap the benefits of, of having a business so that you can not just help yourself, but you can help many, many other people around you. So here we're going to be talking about interest, income and diving right into a different terms, different ways of raising money with lenders and the different types of returns that you actually make from flipping a property, from owning a rental property.

And honestly, we're going to be talking about a lot about taxation. So again, you know what? This part might be a little bit dry, but stick with me because you know what, this is going to help you become much more much more executable in your business and you're going to be a well rounded, a better well-rounded investor in in my opinion. So, interest income and capital gains. So what, what's the difference? What is interest income and what his capital gains. So knowing the difference between these two types of investment returns and how they relate to your prospect or your lenders current portfolio is going to be crucial. So when you're out there and your talking to people, family, friends, coworkers, people in your inner circle and you're telling them about your real estate business and you're telling them about why you're excited about real estate and, and that, you know, you're looking at buying your first property or maybe you've been investing for a while and you're looking to, you know, raise $100,000 for your second or third property.

If you're able to understand what their current portfolio is doing and how that current portfolio works, you're going to have a better chance of raising money. So the different investment vehicles out there are like, you know, registered retirement savings plans like RSPs. And I'm sure, you know, most people have heard of these types of vehicles that people invest in. You know, TFSA's, tax free savings account, mutual funds, stocks, and the list goes on. But you know, beyond the training that we're doing, if you guys are able to get an interest in learning about these different types of investment vehicles and just diving deeper, learning how them, how they work, it's going to help you and become, it's gonna help you to become a better real estate investor. And I love this quote. You know, and somebody once said that the one that educates the market place owns the marketplace.

And I love that because you know, if you're out there and you're being a professional real estate investor and you're able to educate people on the different types of returns that they can make and real estate and the different types of strategies that they can do to make more money in real estate, especially by lending you money, you're going to be able to have a higher chance and gaining that a success rate and, and having, and taking bigger strides because you're adding value again to other people. So interest, income and capital gains your lender. So when you're either buying a property whether if it's for a rental or if you're flipping a property, there's essentially two ways that your lender or yourself are gonna make a return. You're either going to make interest income on the money they borrow you. So if they're borrowing you $100,000 and say you're charging them a, an 8% interest on the money, you know, so if you borrow that money for a whole, a one year period, you would have paid $8,000, so 8% per annum on that money, you know, so that eight per $8,000, you know, that's that's actually considered interest income.

If they made $50,000 from their job and they made $8,000 on the hundred grand that they loan to you, and then you paid them back their a hundred grand of principal and then also cut them a check for $8,000, well now if they, their day job, they made 50,000 and they made 8,000 on the interest on the money they borrowed you, well now their income is going to be taxed at $58,000. Right? So knowing this and understanding how this works how it pertains to your investors is gonna be crucial, right? So when you're borrowing money, you're either going to again pay interest on it or are you going to pay capital gains? This really depends on if you're, if they are investing with you and they're just loaning you money, like in the example of the a hundred thousand dollars or they're actually becoming your partner.

So instead of loaning you money, they say, you know what? You know what Manjit I don't, I'm not really looking to make a return or sorry, I'm not looking to make interest on my money. I actually want to become a partner of yours in this property you're buying so that when you're out there and you're actually, you make a profit on flipping that property or do you keep it as a rental for a couple of years and then you sell it down the road, you're going to be parent paying what we call a capital gains tax. And we're going to be going over that in the next few slides and really knowing your niche and how your lender makes a return, whether it's flipping properties, holding rental properties that cashflow or your niches wholesaling which essentially I'm writing an offer to purchase and then really going around and selling that offer selling that offer to purchase or assigning your contractual rights to somebody else.

That's going to determine what kind of return your investor makes. And again, with wholesaling, we're going to be talking a little bit about that in the coming modules. So you understand what that is and, and again, what, what I'm really trying to explain here, sorry, give me one second. What I'm really trying to explain here is you need to know your niche. So if it's a flipping a house or a rental, that's really what's going to help you raise more money because you're going to be a, you're going to be known as an expert in the field, right? Especially when it comes to paying taxes on returns. Because the better you can understand the niche yet that you have picked, you know, whether flipping rentals, wholesaling, even building houses, you're going to learn everything that there is to need to know when it comes to that niche and how you can raise money to get better in that niche.

So we'll, we'll be talking about that too is a, when it comes to learning about the different niches you know what's right for you. Or maybe you already have a niche and you want to get better at that. So interest income. So interest income is created when an investor or a lender loans you money or loans your company, money, money, interest, payments are commonly found. So what I'm saying here is what are other types of vehicles out there other than real estate, other than real estate that produced interest income? Well, those are things like GICs guaranteed investment certificates, which people can buy at banks and credit unions, government bonds or government registered funds like RRSP's or RESP's which are registered retirement saving plans or RRIF's, which are registered retirement income funds or even your day to day banking account.

These are all different investment vehicles that earn interest income. So just like in the previous example, if somebody had loaned you a hundred thousand dollars and you paid them 8% return, now they made 8,000 they loaned you 100,000 you paid the 8% and now you pay them back 108 that eight, 8,000 is considered interest income. Just like these investments that I just mentioned. And interest income in Canada is tax 100% so no matter if you made 8,000 or 5,000, 100% of that income is going to be taxed. So again, in this example, if somebody paid, if somebody has paid $5,000 in interest income in say 2019, that is $5,000 that that whole $5,000 is taxable income and it gets added to their other income, like their job salary that they made in that year and interest income and real estate. So interest income in real estate, this is what we're going to be talking about here.

The beauty about when a lender earns interest from their money they borrow you is that the interest rate is usually high, much higher than if somebody would earn in the market place. So whether if it's investing in a stock or a mutual fund or even a GIC, the great thing is when you're talking to lenders, you're talking to your family and friends and I'll give you a perfect example here. My mom, so my mother, she's actually one of my one of my investors that I've partnered up with over the year. And when I talked to my mom before, she actually had her money in a GIC and her GIC at the bank was locked in and she was making about a one and a quarter percent return. So very, very minimal. Once we were able to unlock that money and she finished her term there, I was actually able to pay her a much higher interest rate and I paid her about 8% return on her money and you know, her, her rate of return like jumped up drastically.

So just like her GIC, I was able to offer a different vehicle, you know, something that I can control. And essentially I used her 60,000. She loaned me to fund the renovations on my flip. And what happened at the end of the project when I sold the property I made the profit, you know, I made the profit of whatever was left over after I paid her back and I paid my own other investor back. You know, I use some of the profits that I made to use that money to pay the 8% interest that I had borrowed on her money. And when I was able to show her that, that when I was able to show her the type of return that you can make and the type of return that I promised her, you know, she was just, she was as our mind with bottles.

She was like, she couldn't believe that you can make that kind of return in your local city. And you know, the vehicle that we chose was real estate. And because I was able to understand, you know, where to find these types of opportunities, essentially, how to buy these types of real estate deals that can produce those kinds of yields. You know, she and other people were able to loan me money because again, they were tired of what they're making right now in the marketplace. So interest income on private loans borrowed to you personally. They usually will range anywhere between eight to 12%. So if you're talking to somebody and they have a either money sitting in their home so they have their house paid off, or maybe they just have savings that are, you know, savings account that's getting like a quarter percent or even a GIC usually people are able to borrow you money.

And the average return that a real estate investor can pay on that type of return is usually eight to 12%. Now this makes prospecting for money in your real estate projects when much, much easier. So when you pay your prospective lender a better return, it's usually generally safer because you're not just investing in what I call paper assets. You're taking this money and you're investing it in a mutual fund or a stock. Now what if that mutual fund or stock crashes, you know, there is no security on your money in the beautiful part, and I, a high selling feature when it comes to real estate is they're essentially, they're able to see their investment. You know, they're able to go up and knock on it and touch it. And it's a real tangible asset. And I always stress that when I'm talking to individuals in my marketplace, you know, they're able to get a higher, safer return.

Which makes prospecting for your real estate deals and looking for lenders that much easier. No. So capital gains, and we're going to be talking about what capital gains is and how it relates to your real estate business. So capital gains are created when someone profits from a sale of a security such as a stock or a share inside a mutual fund or even in our example a property. So the investor is taxed on the gain in the year that investment is sold. So I'm going to give you guys a breakdown of exactly how that works. So for example, if there's an investor and they purchased a stock or they loaned you money, I sorry, they partnered up with you and they said, you know what? Manage it. I'm going to give you $100,000 to go out and buy this real estate deal. Now say that that same hundred thousand dollars property, you know, you put some renovations in a and you sold it for $150,000 in a year or two.

Well after the 50% of that $50,000 profit, 50% of that $50,000 profit is actually only tax. So in our previous example, if you had made $8,000 or if your lender had made $8,000 on their return, well a hundred percent of interest income is taxed. Now the beautiful thing about capital gains is the government only wants to tax 50% of it. So if you made a $50,000 profit, well if 25,000 of that 50 grand, well you can put it in your pocket, the other $25,000 is going to be taxed at whatever marginal tax rate you are in. So, depending on your income level, a level of a, your other sources of income, if you made $50,000 that year or in this example in this example, if you earned $100,000 from a salary, well that investor would be tax as if they made $125,000 so again, half of the 50% is half of the 50% gains.

So your total tax liability would be $125,000 so again, knowing and understanding this information when you're talking to your lenders, and again educating them is going to go a long ways. So when you're buying and selling real estate, like flipping properties a, when you're buying and selling real estate like flipping properties, you're going to be paying capital gains tax, especially if it's your own money or if it's some, if it's the money of a lender who borrowed you it and they became, instead of making interest on that money, they are a 50-50% owner in the deal in the business. So they're our partner. So if your lender is not loaning you money, like in the previous example, like I said, and is partnering up with you, you would both make a capital gain when you sell that property. Now the capital gain is exempt when you buy and sell your principle residence.

Now, I wanted to add that here because a, the beauty about living in Canada is there's something called the principle residence tax exemption. So I'll give you an example. A few years ago my wife and I were living in our home and we had lived there for four years. So when we bought the property, we bought it for about $200,000 and it was a total dump. So, you know, over the span of four years we chipped away at the property slowly, we added renovations. We, you know, change the cabinets and the counters. And over the 4 year period that property went up in value, you know especially in the fact that we bought that property, like, well under market value to begin with. When we sold that property we sold it for about $320,000. Now, I think over the span of four years, we had calculated, we had spent about 70 or $80,000 of renovations on that property.

So if you do the math, if we were into it for about 270 grand and we sold it for $320,000 that's a huge gain in the property, you know, now, if now, because if that property was, that property was our principal residence, we didn't pay any taxes on that $50,000 because it's our principal residence. Now, if this was the same deal, but it was for our business, you would pay taxes. So the government actually allows you to live in a home. If it is, you are actually living in it and you renovate it and you sell it, you don't pay tax on it. And that's a huge hack that a lot of people do. You know, every, you know, four or five years, they'll go and buy another property. They'll live in it for a little build a little bit, they'll renovate it and then they sell it.

So, but again, as it pertains to your business, when you're flipping a property or you're buying a rental and you're holding it over the few years and you sell it, you're going to be paying capital gains tax. So profits from flipping, you know, how does that actually work? And what you need to know about flipping properties when your paying taxes, when you're raising money when you're working with lenders. So the taxation on flipping homes, if you are flipping homes if you are flipping homes in your personal name, you will be paying capital gains tax as stated previously. 50% of the total gain or the net profit, which you made after paying all of your expenses is taxed. And then it's added to your total income from other sources, like your investments, maybe your job in the year you sell your home. So what we're going to be talking also about here is, you know, when you're flipping a property, you can either flip it in your personal name or you can flip it in a corporation and we'll talk about, you know, the advantages of flipping properties in your corporation because your, your gains or your profits that are sitting inside your corporate bank account, its more tax preferential. So you actually pay much less tax as if you were to just buy it in your personal name. And we'll talk about that and in the previous slides, but I'm, when we're talking about this and your personal name, that's how the profits will work when you're flipping it in your personal name. So some of the things that you need to consider are, if you start to flip a lot of homes, and I don't always say this, you know, when people are coming in, you don't need to have a corporate account right away unless you start really, you know, taking strides you go from like flipping one house to three or four or five or six in the same year, well then you definitely need to look at opening up a corporation. But say if you just did a one off and you're just starting off and it's just the end of the year and you ended up picking up a property and selling it, you know, you don't need a corporation right away.

But if you do start flipping a many homes in your personal name, a lot of that profit can actually be getting eaten, eaten away from taxes. To avoid this, like I mentioned previously to avoid this, you can actually open up or create a corporation and have the corporation doing all the buying and the selling.

So you pay a much lower tax rate on your profits in a corporation. And again, this is something that an accountant who is familiar with real estate investing will be able to help you on this. You know, I always like to add in a disclaimer, we're not, we're not tax accountants, but obviously I know a lot of, I know a lot about taxation when it comes to real estate because we've been in the business for quite a while. But again, this is something that a well-knowledged real estate lawyer who can help you create that corporation.

And also a, an accountant can help you talk about it. Whether, you know, they think if you should open up a corporation just like right now in your business or should you wait depending on the level of activity that you have. And of course, our wish for you is to create a corporation because we want you guys to be doing volume. We want you to not just do one or two renovations or buying rental properties a year. We want you to, you know, get into the double digits eventually. You know, that's where your business is. Systemize and it's running and, and hopefully you're doing it full time. You know, if that's a desire of yours so you and your lender, you and your lender aren't taxed the same when it comes to flipping property. Depending if your lender, again, is a partner where you guys are 50, 50, or if they just borrowed you their money funds and they want to just make interest income on those funds, that will determine how they are taxed.

Finding out this information is going to help you educate your prospects and help in negotiations. When you're talking about the rate of return, you want to pay your investor. And again, I said in previously, you know, usually people that are loaning you money to buy real estate, they're usually making a anywhere on average between eight to 12%. And why I mentioned this here is really educating and learning about your, your lender is because you don't have to pay them an 8% return. I mean, I've seen people pay as low as, you know, 6%, 5% on the money. I mean, if somebody has been investing in low rate interest vehicles, maybe their mutual funds haven't been doing good or their RSPs aren't doing good, well if they've been only getting a one or 2% and that's all they're used to, and you go around and offer them a five, a 5% or a 6%, I mean, some people jumped for joy, right?

They're happy to see that because they've never made that type of return ever. But if you're, again, I always say everything is negotiable, right? You don't have to pay those eight or 10% returned. But again, this is something that you are able to figure out when you're talking to your lender. And, and what I love about flipping on one of the end off here with is, you know for the past five, six years in our business, majority of the time we've spent in business, has been spent on flipping properties. So, you know, this has been one of the fastest ways that we've actually increased our income and we've seen the incomes of our students increase is by buying discounted properties and be sure that you are working with a good accountant who can help you. Again, keep the most of the profits that you are going to be making if your niche is flipping in your jeans.

In the previous modules in the next, sorry, actually in the second week we're going to be talking about marketing and how you can find the sort of discounted properties in your local marketplace. So on this part of the module we're going to be talking and spending some time talking about rental income and how rental income is worked, works, how rental income is taxed, how appreciation on rental rentals are taxed the mortgage paid down and the refinancing. Again, many different ways of making money by owning real estate, which I love. And obviously your lenders are gonna love when you're able to explain this to them. So multiple ways of earning income from rental I having a rental properties. So having a good understanding of the different ways to create an income for you and your lender is powerful. So being able to explain this clearly will be crucial to your success.

So when you have a rental income, you can actually reduce your taxable income. So the income made from rent paid, you know what I mean? Is when you own a rental income, you're owning that rental. You're going to have expenses every year or every month, right? Every month, every year. Things like, you know, renovating and the upkeep of the property. Well, that rental income, say if you're making $1,200 a rental income from a property, you know that $1,200 is not all that you're going to be taxed on it because you have to deduct things like expenses, you know, expenses that are occur to get the property ready either for rent or while you're owning the property over time. For example, money spent on maintenance, on repairs that all of that is gonna reduce the $1,200 rental income payment. So again, I like to note here that income again is taxed much differently in partnerships and corporations.

So for, for us, all of our rental and all of our rental properties, we actually own in our personal name, and obviously this was at the advice of talking to a field tax accountants and it's actually the total opposite when you're flipping a pro, when you're flipping properties a, you want to buy them. If you're doing, especially if you're doing double digits and you're doing volume, you want to be a flipping properties, renovating properties and selling them corporations. Now when you have a rental portfolio on the other side and you're building up your rental income, you're actually taxed much less on the rental income if you own it in your personal name or your partner's name as opposed of owning it in a corporation. Again, this is something that you guys should really spend time talking to a good real estate tax accountant. So the property appreciation, so owning a rental property, the property, over time, it's going to naturally appreciate of in value over time.

This appreciation is not taxed actually until you sell the property down the road. So at which time, depending if you own it personally or in a corporation, you're going to be paying again, capital gains tax, right? The beautiful part about owning rental properties that just like other investment vehicles or you're taxed on the appreciation of it going up in value over time. But with rentals you're not. It's actually tax deferred, which is, which is amazing. And again for you to understand this and relay this information when you're talking to prospective lenders is huge. When it comes to the mortgage pay down. So again, you're collecting rent every month and now say you have one rental property and you're collecting $1,200 of rent and say your mortgage is $1,000. So you actually only pay tax on the portion, the principle portion of the mortgage payment.

So not the interest portion. And this is really good to understand is if you're you're collecting $1,200, and obviously you want to make sure, like, you know, number one rule of real estate is your rental income needs to be enough to pay off to cover your mortgage payments, to cover your vacancy, to cover your vacancy and your repairs. And if you have a property manager, it needs to be enough to pay your property manager. And then you also need to have a little bit of a buffer, you know, whether if it's 200 or $300 a month per rental property, you know, sitting in a side account. And again, in previous slides in the modules, I'm going to show you how to analyze a deal to figure out, you know, within a matter of minutes how much income a property is going to produce.

So for this example, you know, we're talking about rental income and one of the ways that you make income on a rental is by paying down the mortgage. So for this example, if you had $1,000 mortgage payment and say $300 of that mortgage payment is principle. So money that you're actually paying down and usually on the opposite end, you know majority of your mortgage payment, especially in the first, you know, one to five years of having that mortgage. When you already have that interest payment or a majority of that mortgage payment, it's going to go towards interest. So in this example, if $300 is your principle that you're actually paying down in the mortgage, that's your money that you're paying down and $700 in interest, you actually only pay taxes on the $300 of principal payment. So even though you don't actually see this principle amount, the $300 as savings or as profit sitting in your bank account, you've actually made it in a form of equity.

You know, equity is the difference between what your property is worth at a certain given time. So what it's worth, say today and what you wanted in the mortgage, if you take that and you knew minus what is owed on the mortgage to what the value is today, well that's equity. That's money that's sitting in there, even though you might not see it building up and that it's real, but it's actually has value. You know, and that's what what I call a form of forced savings. Because even though you're paying the styles and dollars every single month to your bank for, for letting them borrow you money on your rental, that $300 is building up in principal a in a form of equity. You know, and the other way that a, you're going to be able to also make income from owning rentals is when you go again, over time, your property is going to go up in value.

It's going to appreciate and value. And over time your renters are going to be paying down your mortgage payment again. This is going to create a gap called equity. Now when you go refinance your property, your rental, you refinance your rental and you take out the cash that you've done from say renovating it in a short period of time, we're owning it over a long period of time. Over the years, the money you take out on that refinance is not taxed since this does not qualify as income to you. No taxes due on the initial cash takeout. If done personally, refinances obviously might on other, they might have other tax implications. Again, check with your accountant and what I mean I'm sort of here. Yeah. What I mean by that is example is say that you've, you bought a property for say $200,000 and a, you know, you either owned it for a year and you renovated it over time and now your property is worth say, $350,000.

Well, in Canada and most banks will loan you 80% of the value of your house. So it doesn't matter what price you bought the property for. You could have bought the house for a hundred grand, you know, but in this example, say you bought the house for $200,000 and you put another $50,000 of renovations. And either whether if it's a one year period, six year period or sorry, six month period, or you've owned the property for five years and now you know your mortgages gone down over time your, your renovations, you put 50 grand and now the bank will actually loan you 80% of the value of the home. Now in our example, say the value of your house at the time of refinancing it is $350,000. Well, 80% of 350,000 is two 80. So if you were to take this property to a bank and get it appraised and you were able to pull out the 80% of that three 50, which is two 80 and now for example, say your mortgage from 200,000, it's say one 90.

And your renovations, you've spent 50 grand or you can after paying and taking that two 80 to $280,000 of refinance proceeds, you pay off your mortgage, whatever is going on, the time you pay off your renovations and any other expenses that you've had to incur, when owning that property. Well now you've actually refinance the property. You've actually pulled out all of your equity. So again, 80% is what most banks feel comfortable with. They'll give you a loan or a new mortgage at that time of 80%. You're going to take that 80%. You're going to pay off whatever owning, whatever is leftover. Well that's money that you can actually deposit it right in your bank account or use that money to pay off maybe a loan that you borrowed from your investor. And really you can pocket that money.

And because it's it's not considered taxable income, you actually don't pay tax on it. And then again, that's one of the beauties of owning real estate over time. When you refinance a rental, you know, your, there's another way of owning or making money of owning real estate, which I absolutely love. So again, guys always, you know, I can't stress this enough. This is something you, if you don't understand, you either get on the Q and a calls and you ask either myself or somebody on our team or you're going to be asking you know, the questions are getting some clarification in the Facebook group. And again, always be working with a knowledgeable accountant who understands real estate as specifically. So in this part of the module that we're going to be talking about we've talked about, you know, I've kinda vaguely went over investment vehicles.

I've talked about, you know, different types of investments that people can make money in. You know, mutual funds RRSPs, TFSA's, GICs, you know, a lot of acronyms like, and again, they can be confusing. But what I want you guys to do you know, this is something you don't need to stress over a, you're going to be just gaining this knowledge and adding this knowledge on your tool belt. Over the years. And again, the more time you spend learning about these different types of investment vehicles, the more sophisticated that you're going to be in your real estate business. And this is something, again, the better you understand this, the better you're going to get at raising money. You know? So we're going to be diving into it. And again, I'm just giving you the golden nuggets here. There's a lot more things that we could cover here, but I'm going to be just sharing with you things that you need to know and things that have helped us and our students really green, again, traction and also be seen as be seen as professionals in the real estate business and growing your business quicker because you are able to provide an add that value to your lenders.

So understanding vehicles, investment vehicles in your marketplace. So when I talk here, I'm going to be giving you examples of where I've been able to use this sort of investment vehicles with people that I've spoken to about borrowing me money and what sort of investment vehicles that you can also take advantage of them. So equity in a property. So in the previous module I talked about what equity is. Again, it's the difference of what the property is worth today minus, you know, what the mortgage is owing on it. You know, so one of the largest untapped resources of capital I truly believe is home equity. The thing that people don't understand about equity is when you have your home paid off or say you have your home also paid, mostly paid off or almost paid off, you're actually not getting a return on that equity.

So even though your equity is building up over time you are not getting a rate of return on that equity. The only time you actually utilize, or somebody could actually utilize or, or make a return by their home paid off or having equity sitting in their home is if they borrow that equity and they loan it to say, somebody like you. So you can go out and buy real estate and give them a better return. Or if you actually sell your house and go move into somewhere else and then you pocket the cash. You know, those are essentially how you can make a return on your equity. But what I want to talk to you about here is there, there have been individuals that we've spoken to through the years that, you know, had no idea that they can actually borrow the equity sitting in their home.

Again, 80% of the value of their home that the banks, because the banks will borrow you your own equity at such low returns, like 4% or 3% usually whatever the bank prime rate is, it's usually 1% on top. So say if the bank prime rate is about three and a half percent, usually they can borrow that money at prime plus one meaning three and a half plus 1%. That's four and a half percent. Then you can actually unlock the equity that you have in your home. You know, a perfect example, we have a friend of ours, you know, she has she has a great job, doesn't make much, but you know, she has been diligent at paying down her mortgage over the last 15 years. And when I, a few years ago, we were looking at buying a couple of rental properties. Sorry, actually in this example, it was a couple of flips that we were buying and we, we had bought, we were looking at buying one project and I was looking for about 200 and a $200,000 to buy this home cash and to renovate it.

And after speaking with her, we were able to figure out that her property was worth about $350,000 based on some of the comparables that had sold in her area. And after, you know, talking to her a little bit after you know, getting a little bit more information on her mortgage, I was actually able to find out that she only owed about 15 or $20,000 at that time on her mortgage. So, you know, very easily, again, because I've I've known her and we were able to build this trust over time. I started talking to her about some of the benefits of loaning money to people in real estate, you know, specifically myself. So, you know, after talking to her a couple of times, I was able to basically convince her that, Hey, you know what I said, if you you have this money, if you're able to borrow it from me, I'd be more than willing to pay you 8% on your money.

So what I did is I told her at that time to go talk to her local bank and I essentially told it a step by step system, what, what's going to happen? Tell them that you want to refinance your mortgage or get a home equity line of credit, which a lot of banks call and the bank ordered an appraisal on your home. So again, at that time, I think her, her bank mortgage came in, in and around the $350,000, I think it was 335k So 335k, 80% of that was about 268. So she took that 268. And what she was able to do was she was actually able to pay off her $20,000 mortgage that left her about $248,000 of equity. Now, at that time, I only needed about $200,000 so I didn't need to borrow that, all of that money from her that actually the bank gave her an a in a form of a line of credit.

So what she did is she actually loaned me $200,000 because I needed that to buy this rental property that I was looking to buy and fix and sell. And I borrowed that money for about a six month period. So what I did is if you take, and again you take $200,000 you multiply that by 8% that gives you $16,000 now, I only needed that money for about a six months. So what I, what you do just simply for you to understand is if you take that $16,000 and divided by 12 month period it gives you a $1,333 a month. So now again, I said that I only needed to borrow that money for six months. So if you multiply this number by six months, that's $8,000. So what I was able to show her as I borrowed that $200,000 and after I sold the property, which I think it took about six months to buy it fixed and sold it,uI was able to make my profit on the money.

The home sale proceeds came into me. I took that money and paid back or $200,000 plus I cut her a check for $8,000 and like she was mind blown. Like she couldn't believe that this all happened and took place in six months. And she was a perfect example of how there are so many people out in the marketplace and people that are sitting on equity and they have no idea that is just untapped, that they can actually use that money to loan out to somebody like yourself and make a better return. And also the beautiful part is the, the, she made the difference of what she had to owe on the equity and the money that I gave her. So her turn actually ended up being I think three and a half, 4%. But again, she was able to utilize that money because she took that $8,000.

She used that $8,000 to pay the interest on borrowing the 200 from her line of credit. And she made the difference, you know, again, this was money that was otherwise just sitting there and it was untapped again. You know, this is something why I'm telling you this is because I want you guys to start thinking of people that you know, that you know, might have their houses paid off or have most or have, you know, some of their house paid off. And you know how you can start utilizing some of this. And again, in the previous and the modules that are coming up, I'm going to be showing you on what to say to these people how to answer their questions until you actually have money being transferred over to you so you can go out and buy real estate. The other thing the other investment vehicle that we want to cover here is savings accounts.

You know, there are so many people in in North America that they just have money sitting in their savings account, paying, you know, a quarter percent, very low returns. And a lot of people don't think this, but there's a lot of money actually sitting here at banks and at credit unions. So this is again, something that you guys, when you're out there and you're prospecting, think of people that you know, have these sort of funds that are just sitting there and really doing nothing. A lot of people just are very good savers, but you know, they're sitting and waiting for a rainy day that really never comes. Right? A GICs, a guaranteed investment certificate. So, you know, this is probably the biggest investment product that is sold by most banks and credit unions. And again, I showed you and I told you in the previous example my mom, you know, she had her GIC at that time.

It was locked in for a certain amount of time and we actually had to wait for that term to expire with the bank. But after I did that, I was able to borrow her money, or sorry, borrow the money that was sitting in the GIC at 60 grand. And I was able to use that to fund a renovation project on one of our flips and I was able to pay again my, I paid my mom an 8% return. You know, I returned that money to her when the property sold and she was very happy with the return. But again, there are so many people out there with GICs. And, and those GICs, they have no idea how GICs actually work and because that's all they know, they just keep that money there. You know, not, they're not bad people, it's just they haven't been educated and it's not until your educated enough to go in and talk to these people about the returns that they can make a from their money that's just sitting in a GIC in real estate.

And that's where you really start seeing your business grow. So again, when it comes to GICs money is either locked in for a series a certain amount of time. Usually that term is 30 months to about 10 years, which I've seen the max GICs locked in a, some GICs are redeemable, meaning you can take them out at any time and some aren't. Returns are guaranteed a when the bank gives it. And that's probably one of the big reasons that people leave their money in a GIC because they love the word guaranteed, even though they don't realize that they're paying or they're making a very low return on their money. And they're also after paying taxes on that return because again, GIC is a interest income type of vehicle. So 100% of the growth you make on in a GIC, even though it's a very low, it's taxed.

So the average returns I've seen anywhere between one to 3%. Again, very low return. This is something that if you focus and start looking for these people and start prospecting and talking to your inner circle, you will find a lot of type this type of money. Other investment vehicles that I've actually used in a number of our students have used are borrowing money from people's government, registered savings plans. And the most common type of registered savings plan the most common type is an RRSP registered retirement savings plan. So this is account holders. You usually have stocks or they have mutual funds that are invested in these types of our retirement counts. Again, they are paying sub par returns and you might be somebody that has, you know, an RRSP or a government registered savings plan.

So again, in this module and the previous ones, I'm going to be showing you how you can unlock a and show people how they can actually use their government registered savings plans and loan that money to you to get a better return. So we're going to be breaking down home equity. So, you know, from the previous slide, I'm going to be taking you through a step-by-step step-by-step system and really educating you when it comes to home equity and approaching people that have their houses paid off or they have their homes also paid off. So what I I love this because I heard one of my mentors say this, but he, what he calls equity sitting in a home. He calls it idle, meaning it's really not doing nothing. It's just sitting there. And again, you know, really people only benefit from the equity on their home is if they sell their property and they, they sell their property and the pay off their mortgage or maybe their mortgages, they have no mortgage and they pocket that cash or they actually borrow against their home and they loan you that money.

So most people, again, don't realize this, but having your home paid off or almost paid off is not getting them ahead. Lenders as a lender, a lender can actually borrow you their equity in exchange to sharing some of the profits or making interest income in your property. Whether if it's flipping or you're building a home or you're using that money to put a down payment on a mortgage, you know, your lender can actually write off the interest on the money they borrow you to invest. And this is, you know, probably one of the best kept known secrets for Canadians. The, you know, CRA, the government actually says that if you borrow money, so again in terms of your lender borrowing money for, from their equity from the bank. So if you're borrowing money and you're paying interest on that loan, because you will be, because it's in a form of a home equity line of credit, the interest portion on the loan actually becomes tax deductible.

And that's another way that you can actually educate and show people and really let them know that, Hey, you know what, you're going to be borrowing me money and I'm going to be going out and buying real estate and investing in a flipper, a rental. But the great thing is the interest that you're paying on that money that you're borrowing from your line of credit. Well, Hey, that's tax deductible. You know, and again, this is something where working with a very good accountant is going to be able to show you this. And also, you know, again, learning about how this works is going to help you be crucial to your success. Especially if you've decided that borrowing and approaching people that have equity in their homes as one of the vehicles that you want to learn or use to raise money, it's going to be very proficient.

So what is the return on equity? Like I mentioned previously, the rate of return that you make on having your home paid off is actually zero. There is no rate of return because, and meaning because it's considered idle, not invested anywhere and you aren't making it work for you. It really is just sitting there and it's growing with appreciation over time. So once you borrow that money and you invest it in real estate, your equity then actually has a chance to grow. So your investor or your lenders money actually has a chance to grow. And again, borrowing at low returns or sorry, borrowing at low rates at the bank which were actually in a low a bank, a bank borrowing rate right now, which is amazing. So this is like one of the best times in history to, you know, borrow money from the bank either if it's just a mortgage or if it's refinancing it, refinancing a home and borrowing that money.

You know, a great time to take advantage. You can borrow at low rates with the bank. And again, most banks will loan you a or will loan. You're a lender, 80% of the 80% of what the value of the home. So what we call that loan to value or LTV. So if you're a home, again example, if your home is worth about $300,000 at any given time today, tomorrow, whatever your appraisal comes in at and if that home is paid off, you can actually borrow 240 grand. So you would actually get that $240,000 in a form of a line of credit for say if that property is paid off. And if it's not paid off, you still get the two 40, you just minus what you owe on the mortgage and you keep the difference. And that difference is what somebody can actually loan to you.

So you can go out and buy the flip. You're looking to do pay for the renovations you're looking to do on a property or maybe you get them to apply for a mortgage and you guys are 50, 50 partners and they use that money, that equity that they just borrowed as the down payment. You know, and again, we're going to be going over a lot of this, but that is the beauty. I want you guys to start thinking who do you know that has equity in their homes? So savings account. So we're going to be talking a little bit about savings account especially when it comes to banks and credit unions and how that works. So your average bank savings rate, the average bank savings rate is actually a mere 1%. And you can see that because there's a, you know, especially like if if you grew up and you remember opening up your first bank account, and I remember this like it was the other day, but you know, you opened up your bank account and you see, you know, you have, you've had an increase in the amount of money.

Say you had 50 bucks sitting in your account or a a hundred dollars and you saw your, you know, you saw a 20 cents added or, or 50 cents added to your money. And, and really that's where your 1% is. You know, it's very, very low return. This is the minimum balance. And this is usually, this 1% is usually given a after having a minimum balance sitting there, you know, depending on your bank's rules. So people with these types of funds are amazing savers. You know, again, they, these are people that are just naturally good savers and usually people who are saving this money for a rainy day fund, that usually doesn't ever happen. You know, the beauty about having people that have money sitting in a savings account is it's very liquid. Meaning if you come across a potential lender like this who has capital available, they can actually loan you that money very quickly because essentially it's not tied up anywhere.

It's just sitting in their account and it's just a matter of cutting you a check. So where to find this money. So generally speaking, people that have this sort of funds are usually a little bit older. You know, maybe they're your senior citizens, people that are retired you know, your grandmother, right? Like people like this. And we've actually raised money from these sorts of people too. And, and what I love about this is because again, most people, it's not that they're totally against investing or investing in real estate per se, it's just because no one's ever educated them. No one's ever even approached them, or no one's ever talked to them about, you know, some of the benefits of investing or loaning money, and again, isn't until like, you know, the power of suggestion. Somebody actually mentions it. Usually that is you, that people start being open to the idea and then it comes down to just educating them.

And also these people you have to understand, they're usually very conservative in nature. So be sure that you understand, Oh, sorry, be under be sure that they understand the ins and outs before they commit to lending money to you and take the extra time if needed to make sure that they are comfortable with loaning you money and investing in real estate in general, you know I find these types of people that, you know, you do have to spend a little bit of extra time with. So again, you know, when it comes to real estate, you don't wanna just borrow money from anybody on the street or anybody says that I want a loan to you because you know, again, they could be a silent investor, but then they can also be calling you every other day and asking how the project is going.

Again, that's not always good either too. So again, be sure who you're talking with and also always be asking yourself, you know, is this somebody that I want to be working with? So that's when it comes to savings account. So we're going to be talking a little bit about a G I CS and I want to give you the breakdown of a GIC or a guaranteed investment certificate. You probably know somebody who has one or you might've had one yourself. And I want to give you kind of the breakdown because again, this is an amazing tool that if utilize that you can go out and buy you can borrow this sort of money, especially if it's a redeemable GIC or if it's a GIC that's almost done its term that, so you can go out and approach these types of people. So again, this is probably one of the biggest bank selling products out there.

And this is because your every day banking client puts their money in a GIC either because that that's all they know about or that's something that they are comfortable with or that's something that their banker just suggested them doing. You don't really, they never questioned it. They do all their banking, their, their mortgages, their, you know, they, they know the person they'd been going there and seeing that banker for, you know, 10 plus years and, and they trust them. Right. And so they're going to take their advice. This money is usually usually locked in or it's redeemable. So if a potential lender, so if a potential lender's money is any locked in term, that term is usually, again, usually anywhere between five or sorry, one to five years. And if it is locked in, it is honestly nearly impossible to access those funds unless it's a dire emergency.

And I know this from firsthand experience cause I've I've actually talked to people in lenders in the past that had this type of money that actually had a sudden a significant amounts of capital. But because the banks rules don't allow you, and sometimes they do, but for the most part I've seen, they don't they're going to do everything in their power to, to keep that money there because obviously the bank is leveraging that money, the GIC money. And you know, obviously going out and making more for them for themselves, you know, so these products pay interest income, meaning that you make the, the return that you make on it or the return that your lenders are making on it is 100% taxable. They pay very low rates of returns. A returns are guaranteed, however they pay low rates or returns on average, one to 3% you know, in 3% on the high end.

This, and the good thing is this makes moving that money this makes moving that money from your lenders GIC to your project way easier because on average, again, the return that somebody can make by borrowing you money to buy real estate is usually about eight to 12% per annum. And I'm going to leave you here with this blog too, that I actually wrote not too long ago on our website. So you want to pause this video and click on this link and I actually give you a real life example of a GIC that we were able to borrow. And what was the outcome of that? Again, you know, understanding these things are going to really help you in the business.

So at this point, I'm going to actually give you guys a, as we're working through the different investment vehicles, I'm going to be talking about GICs because you know, even when it comes to real estate investing, you know, this is a huge untapped source for most investors, most real estate investors don't even know you can actually use these types of funds to borrow. And I'm going to give you a breakdown of exactly how that is and how that works. And so, again, the most common register, the most common government savings plan that I've seen is an RRSP. So what is a government sorry, a government financial account. So you can actually hold different sort of investment inside your GIC or sorry, inside your RRSP what an RRSP is essentially just a umbrella. It's an umbrella that has tax benefits of it. And it's an, it's an umbrella that you actually use to use to invest in GICs or bonds or even mortgage loans, which we're going to be talking about or mutual funds or other products.

So these are all products that you can hold within your government savings plans. So the contribution, so when it comes to contributing in a G I in an RRSP or a different type of government registered savings plan, the contributions, so meaning the money that you're putting it in every single month, say if it's $100 or if it's a $200, those contributions are actually actually tax deductible, meaning that you can use that contribution to lower the taxable income that you will pay in that year. And that's probably one of the big reasons that people invest in these sort of investment vehicles, the government vehicles, because the government or CRA allows you to deduct that income made in the account and also the taxes. So the money that's growing in the account, it actually grows tax deferred, you know, it grows tax free. However, when you do withdraw that money, usually down the road, when you're ready for retirement, you're fully taxed on the growth.

And again, a lot of people don't understand this. Or you know, they're maybe not aware of this, of how these are, how these government vehicles work. And again, this is probably a right up there, I would say with equity in a home is probably the largest untapped market for capital that really a lot of real estate investors don't really understand or take advantage of. And we're going to be a breaking down this and showing you how this works, right. And you know, registered savings plan holders can loan you money in a form of a mortgage. And what I mean by this is you know, a while back we were looking at different we were looking at different opportunities and at that time I started maximizing our, I was almost untapped of my current resources with my lender. So borrowing money from a home.

I had used some money that was currently recently redeemed in GICs and I was just thinking, and I was like asking people around and I'm like, you know, what else, where else can I go out and borrow money from? And, and I had a, a, a mortgage broker telling me that, that, you know, you can actually use RRSP's or government registered plans and people can actually loan you that money. So transferring it from one institution, say if it's your local bank and your lenders money is sitting there and their RSP, well they can actually transfer you that money and because it's called a transfer and kind, you're not paying taxes on it. And once that money's transferred to a trust company that they can actually use the trust company can actually loan you that money and you can actually go out and buy that real estate project.

So now instead of going to your local bank or paying interest on your lenders equity and your lenders savings, well now you can actually pay the interest right back into your lenders, RRSP account or RESP or whatever that government vehicle is. And it actually works the same because they can't use the money that you're paying in a form of a mortgage, whether it's 8%, 10%, 6%, whatever you have agreed to, but it actually grows way quicker because now what you've done is not only have you given your lender a better return on their government registered fund in a form of a mortgage, but you've also given them more security on their money. So the money is actually secured by the actual real estate deal itself. Again, it's tangible. Your lender can see exactly where their money is growing going and they can actually drive up to the house and see and like touch it and be like, yep, that exactly where my money is.

And that is a huge selling feature when you're approaching people with government registered products. And it's just a matter of a lawyer who draws up a mortgage just like any bank would. And then they transfer over those funds from their current institution, say if it's RBC or if it's TD a to a trust company. And because it's considered a transfer in kind, that money is actually not tax because you're not really cashing out your RRSP, you're just transferring it to another trust company. The good thing is higher returns and they're more consistently, and again, depending on who your lender is, again, everything comes down to relationships so you can negotiate whatever terms or whatever interest rate you want with your lender. So here we're going to be talking a little bit about, I want to spend some time and educating you guys on the common real estate terms that you're going to have to learn and terms that you're going to actually see other real estate peers, people in the group using.

And if you have a better understanding of these terms it's just going to help you in the business to, to be more valuable in the sight of people that are wanting to borrow you money and also for your own self. You know, being, being able and talking talking the school of real estate, it's really gonna help you again, right? Understanding this, and again, this is something that's going to be even drilled in even by executing and taking action on those things that you need to do daily. So some of the most common real estate terms that you're going to probably be using and hearing a, the first one is called ARV or what we call after repair value. So an ARV or after repair value. This is something a, what we say, what a property will be worth on the market.

And it's usually after renovations or updating it. So this is a term that people who flip properties use a lot. You know, when they're buying a property, they want to know what the ARV is because that's going to determine what the property is going to sell for on the market. And how do you get that? Well, that takes us to our second term comparables. How you find the ARV is by getting a list of homes that have recently sold, which you can compare your property to once the renovations have been completed. So, you know, you want to be comparing apples to apples and how do you get comparables to see the value of, say, your subject property after renovations are done well, a realtor on your team can give you comparables in your requested area. Again, working with one or a few good realtors is going to be huge, a huge, crucial part of your success because, you know, having a realtor that you can call that you're comfortable with calling that is able to give you this sort of information that is able to email you comparables on a subject property that you're maybe looking to write an offer on to determine what the ARV is going to help you out immensely.

You know, another term we use as skin in the game, and this is something that refers to the amount of money that you put down or in a deal itself. Usually lenders will sometimes ask this or sometimes they want to see this. They want to know that, Hey, you know what, I'll give you the money to buy this real estate deal, but I want you to put some money in yourself. You know, whether if it's 10% down or 20% down. And and usually they'll ask this and they call this skin in the game. And again, when I'm, when I'm talking about this, you don't really need to have any skin in the game when you're out there and you're building your business in real estate because if you get to the point that you can borrow 100% of the money, so 100% of the money that you can raise to buy the real estate, renovate it, flip it and that, that's going to grow and scale your business much better.

And that is our desire and wished for you to actually not have any skin in the game if you don't need to. But you know, to borrow and raise 100% of the money where you're going to be able to scale your business and still provide that better return. But again, if you hear that a lender saying it, you know what it is, loan to value. So again, we talked about this in the previous examples, but essentially banks and other lenders use the loan to value ratio to assess the risk. So the higher the loan devalue, the more risk to a lender. So essentially again, when you're buying a rental property, the banks want a, they'll borrow you the money at 80% loan to value, meaning that 20% needs to be your money or your lender's money, right? Due diligence. So people say this like, Hey, have you done due diligence on the property?

Or Hey, I just wrote an offer on the property. Well now I need to do due diligence, meaning I need to do further investigation into the property to determine if I actually want to buy this property or not. What are those, some of those due diligence items, while they could be liens that are on title, meaning a lawyer will able to be able to pull this information for you. If you're looking to buy a prospective property you want to make sure that there are no liens. So you know, maybe they've owed money on their credit cards and like MasterCard put a lien on their property or maybe the, maybe a contractor did work on a property that you're looking to buy a years ago and maybe that homeowner didn't pay that contractor. Well now they put a lien on that property, meaning that this Mount of money needs to be paid before somebody buys it.

Or before somebody would even want to buy it. Because I mean, nobody should be buying a property if the property has liens on it. You want to make sure those liens are paid off. And, and one way you can actually do that is you know the amount of money that you bring to your lawyer to buy the house. If it is essentially a good deal while you can pay for those lanes. But again, you want to be able to do the due diligence and figure it out this information and it can be every, any, anything from you know, foundation work required. Looking at the renovations that are required, getting, getting some contractors in there to figure out, you know, what a par property is going to cost to renovate. These are all things when it comes to due diligence, another very common term that you're going to heal it here in real estate, especially when it comes to rental properties specifically, it's called cap rate and what a cap rate is.

It's a calculation used to compare one property to another and calculated. So how it's done, it's calculated by dividing your annual net operating income. And I'm going to be explaining what an NOI is so you'll understand that. So your net operating income is the income that is leftover after paying your expenses, right? It's the net income that is there for you to operate the property. So for example, if your net operating income was $30,000 and you divided that by the purchase price, so what you're buying it at that would give you a cap rate of 10%. Now, generally speaking, a cap rate of, in my experience, a cap rate of seven plus seven or eight plus usually is a better purchase. And on the flip side, higher cap rates are usually found in more like lower end type of areas of, of different cities, you know, so you know, maybe they have a little bit more crime and, and usually you're going to find a higher cashflow in those areas because the, the purchase price in those types of areas are usually lower, thus having your cap rate and your rental income much higher.

You know, so again, this is something to be aware of, but I mean on the most basic level, you know, this is something that you're going to be able to use when you're renting, when you're buying and you're determining a rental properties to buy. And again, I'm going to be sharing some formulas with you guys and some Excel sheets where you're going to be able to determine and figure out what a cap rate is on the property and a matter of minutes, you know. So here's an example. Like I said, a, another thing that you're going to be using a lot, especially when you're working with lenders, is a lenders going to be asking you, or people are always going to be talking and saying, Hey, what is the ROI? What's the return on investment? And this is used to compare one investment to another. So basically it measures the amount of return that an investment relative to other investment costs.

So it's going to measure the amount of, in of the return that you make on your investment, you know, relative to what are the other costs of the investment. Now had an example of this is essentially saying if you bought a property in you, your return that you made on that property after say the house was sold, you made $20,000 but the cost of the investment was $200,000 well, essentially what you would take is the amount that you made. So your profit 20,000 divided by the cost of the investment, which two, which was $200,000 that gives you a 10% return on investment. And again, my experience, I usually look for double digit returns. And your lenders, especially if they're sophisticated, they're also going to be looking for investments that are making them at least 10% return on their investment. And again, these are things for you to understand when you're going out there and you're looking at different investments or sorry, different properties to buy, you want to make sure that they're producing these types of a ROI.

So it's a much easier sell when you're approaching somebody equity. Again, you know, I think we talked about this enough, but really it refers to the amount that the home is worth today. In comparison to what is owed on the mortgage. So it's the difference in the amount, sorry, the difference in the amount equals the equity example. The home value is $300,000, but your mortgage is two 50 at the time. So your equity is actually $50,000 and cashflow. So the cashflow is the amount of money that is left over every month after the rent. So from the rent minus all the expenses, including the mortgage payment taxes that you got to pay on the property utilities, if you pay utilities on the property, the property insurance, the maintenance on the property, the repairs on the property and any vacancy. So if you're putting away 5% of the gross rent that comes in and you're putting it away for vacancy, you know the amount that's leftover after all of this, that actually is called your cashflow.

So that's the amount of money that you're actually saving and making on the property. Just from that. A preapproval letter. So this is something that is signed and obtained from a bank confirming the approval in a dollar amount of what they would lend you to buy a home. So again, if you're looking at buying a rental property or your lender, you're getting your lender to qualify for the rental property, which I would highly suggest you do if you've actually found a lender who has a 50m or say $200,000 and they've they've told you that they want a loan or partner up with you. Well that lender needs to actually go to a bank now and actually get preapproved. That bank is going to look at their income. They're going to look at other debts that they own and they're going to be able to tell them if they are preapproved to buy a property.

Usually they will tell you that, Hey, you know what? For example, we'll loan you up to $300,000 in a mortgage or two 50. But having that preapproval letter is crucial because then you can actually, you can actually have that peace of mind now that if you found a rental property that you would be able to buy or your lender would be able to buy the rental property in a certain amount. And usually these preapproval letters are usually good for 90 days. And the other term we're going to be talking about is appreciation. And again, I think we talked about this too, you know, essentially the appreciation represents the increase in value over time on a property. So generally speaking, homes will increase on a rate of one to 2% a year, conservatively. And the last one we're going to be talking again, this goes back down to your previous example here.

We, where was it here we talked about the cap rate. So on the bottom here we talked about how a cap rate is used. A cap rate is used to compare one property to another and its done by dividing the annual net operating income by your purchase price. So how do you come up with that net operating income? Well, this is what we're going to be talking about here. So your net operating income, this refers to income from a property generated annually after deductions like property tax, a property mortgage or your property management maintenance repairs. So this calculation does not include your mortgage payment. I got a note there that's definitely really important to know. It does not include your mortgage payment. So for example, if the annual income from a rental property was $60,000, but your total expenses were $20,000, your NOI or your net operating income is actually $40,000.

So again, very, very good to understand. And what I'm going to also leave you guys if you want to I actually have a pin up here. So if you go right here, there's actually a a document that is going to be in the resources that I highly recommend you guys print out. And I want you guys to read this, you know, almost a kind of on a day to day basis and get familiar with this. So it really gets ingrained in your, in your head. So you can, you can always refer back to this, especially when you're talking to lenders, you're talking to other real estate investors. It's gonna help you become a well-rounded, sophisticated real estate investors. So you guys can yeah, print this, print this off in the resources tab. And again, it's very, very important here. So we'll go back here and yeah, we're going to end off the video here and I'm going to be talking to you guys about you know, some of the things that I want you guys to be doing as we end off the modules in week one of the training.

Like again, I told you to print out the most common real estate terms and start getting familiar with them. So that's the action step for this module. And also I want you guys to, you know, we covered a lot of ground in this video. You know, there was a lot of stuff in, you're probably gonna have to probably go back and watch this a couple times to really understand what I'm saying and using, you know, some of the examples that we had and you know, at the end of the day there is so much capital, there's probably more money today in the marketplace that you have access to then probably any other time in history. And when you're going out and you're, you're looking at working with lenders and raising money, it can get overwhelming. But really what I want you guys to really keep it simple, you know, with all of the strategies that I mentioned that you can go out and borrow money.

I really want you to pick one or two strategies, whether if it's a, when you're working with lenders, if you're going to be working with people that have or approaching people that have equity in their home or if they're, if they have underperforming government registered products like an RRSP or if you're going to be talking to people that have GICs or savings that are like underperforming or even mutual funds that are, you know, getting very low risk returns or maybe they're not even making money on their mutual funds. Again, you know, so many different types of strategies, but I recommend you guys pick one or two. Again, focusing on those two strategies, putting that as part of your goals. Maybe your goal this year is to raise your first hundred thousand dollars from an investor or maybe you've been doing this business for a while and you want to really kick it up a notch and you want to raise half a million dollars.

Well, what are one or two strategies that you're going to focus on and start building up a nest egg of money from lenders that you can go and call upon and have access to that money when a deal comes available. You know, some of the best opportunities that I've, I've ever purchased to this day is just having money in having money and having lenders committed. And when somebody brings me an opportunity, whether whether we were looking for a property or not, whether it came just from a call from a realtor that I worked for or worked with a few years ago, or maybe it's from a call from a homeowner, maybe that got our letter two years ago and, but because that I had access to money and that I had a nest-egg, I was able to take advantage of these opportunity where otherwise I would have lost out on it because I didn't have the funds.

But again, you know, it doesn't matter what stage you are in the business, everybody starts at the beginning when you know you don't have capital just like I started and it just like a lot of our other students started. But the biggest thing is here finishing off the week a module three, week one, I want you guys to pick a tool of those. Write out your goal. You know, whether you know it's a hundred or 500 or whatever the dollar amount is. It doesn't matter. The biggest thing is you write it and you start taking action. And in the coming weeks I'm going to be showing you guys on script. So in module three we're going to be talking about or starting in week three, we're going to, we're going to be talking about working with lenders, how to approach lenders, what to say to them, how to handle objections. So you guys are going to be getting everything you need on this training module to take action. So again, guys, I'm very excited to finish off week one of the program and we'll see you guys all on week two. Thank you.