



**Peter Kinch**  
presents

**Canadian Real Estate**  
***ACTION PLAN***

*Our goal is to help you achieve yours!*

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# Canadian Real Estate ***ACTION PLAN***

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*“Never doubt that a small group of thoughtful  
committed citizens can change the world;  
indeed, it is the only thing that ever has.”*

–Margaret Meade

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## **Mission Statement**

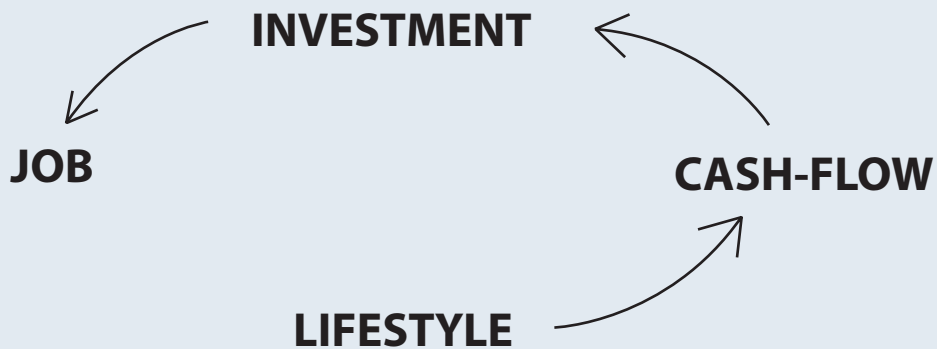
To teach, coach and empower individuals  
to accomplish goals that will positively  
impact the world.

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**Create your Future on Purpose**



**Start with the End Result in Mind**



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## Where do you see yourself in 5 years?

Exercise 1:

What are the ages of your children today?

What are the ages of your children in 5 years?

How old are you in 5 years?

A lot can happen in 5 years. The question is: Are you going to plan and take control it or not?

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## Where do you see yourself in 5 years?

Exercise 2:

What is your vision for 5 years from now?

### ***Remember...***

Your GOALS are not realistic or unrealistic;

Your PLAN to reach those goals may be unrealistic or unattainable.

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## Where do you see yourself in 5 years?

Exercise 2 cont'd:

*The biggest thing that's changed over the past 5 years is...*

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## GAP ANALYSIS

All other things being equal...

Exercise 3:

- A) \$ \_\_\_\_\_ monthly income required\* to achieve your personal goals
- B) \$ \_\_\_\_\_ monthly income from job/non-real estate business
- C) \$ \_\_\_\_\_ monthly income from non-real estate investments

\* (Before tax - don't include inflation)

## WHAT IS THE GAP?

Calculate the GAP:  $A - (B + C) = \text{GAP}$

$$\begin{array}{ccccccc} \$ & \underline{\hspace{2cm}} & - & ( \$ & \underline{\hspace{2cm}} & + & \$ & \underline{\hspace{2cm}} ) = \$ & \underline{\hspace{2cm}} \\ & A & & B & & C & & \text{GAP} \end{array}$$

Your monthly GAP = \$ \_\_\_\_\_

If Real Estate is your investment vehicle of choice, then the results you get from those investments must bridge your GAP.

Therefore...

Real Estate must produce \$ \_\_\_\_\_ /month in cash-flow in order for you to achieve your goal.

**\*FOOTNOTE** The more carefully you think through and project these figures into realistic estimates, the better your plan will be.

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## GAP ANALYSIS

Real Estate Investments produce 1 of 2 things...

1. Capital Appreciation
2. Cash-flow

*\*It is important to understand the cause and effect of each Real Estate Investment decision you make.*

Play it out like a Chess Game

1. Don't make a move unless you know what the next move is going to be.
2. Plan out your next 3 moves in advance.
3. Always analyze your worst case scenario.  
What if... ?

*Notes:*





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## GAP ANALYSIS

15 - 20 years later...

\*Recalculate the monthly cash-flow at approximately \$500/door to forecast monthly cash-flow in 15-20 years when the mortgages are paid off.

$$\frac{\$500}{\text{cash-flow/door}} \times \frac{\text{# doors}}{\text{# doors}} = \$ \frac{\text{monthly cash-flow}}{\text{monthly cash-flow}}$$

How much cash-flow/door can you get?

## Obstacles

The good news is... There are only 2 Obstacles...  
The bad news is... There are 2 Obstacles...

What are your Obstacles?

**1. Qualifying**

**2. Down Payment**

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## Obstacle 1: Qualifying

### TDS/GDS RULE:

<b>GDS</b> <b>Max 32%</b>	Verifiable Employment Income <b>PLUS</b> 50% - 80% of Rental Income	* Mortgage Pymt * Taxes * Condo fees <b>plus...</b>
<b>TDS</b> <b>Max 40%</b>	Verifiable Employment Income <b>PLUS</b> 50% - 80% of Rental Income	* All other debts * Credit Cards * Lines of Credit * Other Mortgages * Car leases

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## Obstacle 1: Qualifying

### PORTFOLIO STRATEGY:

Exercise 5:

**TDS RULE:** Banks don't want you to spend more than 40% of your verifiable income on your monthly debt commitments.

*(This is referred to as your monthly Debt Servicing Limit)*

**Verifiable Income x 40% ÷ 12 = monthly Debt Servicing Limit (DSL)**

Calculate your DSL: \$\_\_\_\_\_ x 40% ÷ 12 = \$\_\_\_\_\_  
verifiable income monthly DSL

Your monthly DSL: \$\_\_\_\_\_

*\*This is your total Portfolio*

Personal Monthly Debt		Portfolio Monthly Debt	
Principal Residence Mortgage:		Total Monthly Rental Income (TMRI):	
Property Taxes:		TMRI x 70%:	
Credit Cards: <i>(3% of outstanding balance)</i>		Subtract Total monthly mortgage P+ I: <i>(P+I is principal + interest)</i>	
Debt on Credit Bureau: <i>(Other than credit cards)</i>		Total Cash-flow/month:	
Lines of Credit:		Multiply by 12 months:	
TOTAL Personal Monthly Debt:		Annual Portfolio: <i>(Surplus / Deficit)</i> *	

Each bank has their own way of calculating/determining this. This chart is for illustration purposes.

- For a JV, you need to add both debts + income of all parties on title.
- Your Personal Monthly Debt CANNOT be HIGHER than Your Monthly DSL.
- Add surplus income to verifiable income to recalculate DSL.
- If deficit, add to personal monthly debt.

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## Obstacle 1: Qualifying

Impact of Cash-flow:

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## 2010 - Market Update

### New CMHC Rules and Cap Space

**Old Rule:** 80% offset up to \$1.5 million in rental properties with Trust Companies.

**New Rule:** 50% add back.

**Bottom Line:** Math doesn't work after 2 properties.  
Eliminates many Trust Companies as players.  
More volume shifted to Chartered Banks.  
Cap Space becomes new issue.

**\*Critical Point:**  
Order in which you choose your banks is now critical.  
Don't waste a favour.

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## Obstacle 1: Qualifying

Know your CAP — Play it like a Chess Game:

1. Don't make a move unless you know what the next move is going to be.
2. Plan out your next 3 moves in advance.



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## Summary:

1. Keep debts in line.
2. Make sure you make enough income to qualify.
3. If you don't make enough to qualify, consider shifting focus to commercial (5 + units) and/or multi-family.

The "What If" Clause:

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## Obstacle 2: Down Payment

Down Payment Options:

1. Liquid Assets
2. Real Estate Equity
3. Sub-Prime
4. Private Money - 2<sup>nd</sup> Mortgage
5. Vendor Take Back (VTB)
6. Joint Venture (JV)
7. Flips (banks don't really want to touch flips, but private MICs love them)

1. Liquid Assets:

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## Obstacle 2: Down Payment

2. Real Estate Equity:

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## Obstacle 2: Down Payment

2. Real Estate Equity cont'd:

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## Obstacle 2: Down Payment

3. Sub-Prime:  
Market Update:

4. Private Money - 2<sup>nd</sup> Mortgage:

(Interalia Mortgage:)

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## Obstacle 2: Down Payment

5. Vendor Take Back (VTB):

6. Joint Venture (JV):

7. Flips:

**\*INVESTOR NOTE:** Recycle Down Payment

# **Build Your Personalized 3-Phase Action Plan**

# Real Estate Equity

### Exercise 6:

Calculate your Potential Accessible Equity: *Market value x 80%\**

### A) Personal Equity:

$$(\$ \text{value of home} \times 80\% = \text{ } ) - (\$ \text{mortgage} +$$

\_\_\_\_\_ ) = Personal Equity \$ \_\_\_\_\_  
amount owed on LOC

### B) Portfolio Equity:

*\*Refer to DCR Spreadsheet*

$$(\$ \text{value of portfolio} \times 80\% = \text{ } ) - (\$ \text{mortgage})$$

+ \_\_\_\_\_) = Portfolio Equity \$ \_\_\_\_\_  
amount owed on LOC

C) \*Potential Accessible Equity:  $(A + B)$

*\* You still need to qualify in order to access this equity*

$$\text{\$} \frac{\text{ }}{\text{(A) Personal Equity}} + \text{\$} \frac{\text{ }}{\text{(B) Portfolio Equity}} = \text{\$} \frac{\text{ }}{\text{Potential Accessible Equity}}$$

Your Potential Accessible Equity: \$\_\_\_\_\_

\*Note: 80% is now conventional



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## Phase 1:

### How many doors can you afford today?

#### Seed Capital:

Exercise 7: Treat it like a business

What is your Seed Capital? Seed Capital is the amount of money you're willing to invest.

Calculate your Seed Capital: *Accessible Equity + Liquid Assets*

\$ \_\_\_\_\_ + \$ \_\_\_\_\_ = \$ \_\_\_\_\_  
Accessible Equity                      Liquid Assets                      Seed Capital

Your Seed Capital\*: \$ \_\_\_\_\_

*\*How much of this money are you willing to invest?*

#### Maximum Purchase Price (MPP):

Exercise 8:

What is your Maximum Purchase Price (MPP)?

(The Maximum amount of Real Estate you can buy with your Seed Capital)

Calculate your MPP: *Seed Capital x 5 \* Residential | Seed Capital x 3 Commercial \*\**

*\*assuming 20% down*

\$ \_\_\_\_\_ x 5 = \$ \_\_\_\_\_  
Seed Capital                      MPP

\$ \_\_\_\_\_ x 3 = \$ \_\_\_\_\_  
Seed Capital                      MPP

Your MPP: \$ \_\_\_\_\_

\*\* If CMHC Commercial, it is possible to get 85% financing therefore multiply seed capital x 6.

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## Phase 1:

### How many doors can you afford today?

Average Purchase Price (APP):

Exercise 9:

What is the Average Purchase Price (APP) of your target Real Estate? \$ \_\_\_\_\_

Calculate your affordable doors:

$$\begin{array}{ccccccc} \$ & \underline{\hspace{2cm}} & \div \$ & \underline{\hspace{2cm}} & = & \underline{\hspace{2cm}} \\ \text{MPP} & & & \text{APP} & & \text{Affordable doors} \end{array}$$

Today, you can afford to buy approximately \_\_\_\_\_ doors

How many doors do you need to bridge your GAP? \_\_\_\_\_  
(See GAP Analysis exercise on page 8)

### What is your Shortfall?

Exercise 10:

Calculate your affordable doors:

GAP DOORS - (existing doors + affordable doors) = shortfall # doors  
(see pg. 8)

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## Phase 1: How do you overcome your Shortfall?

What are you going to do in the next 18 months to overcome your Shortfall?

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_
5. \_\_\_\_\_
6. \_\_\_\_\_

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## Phase 1: Attracting JV Capital

Use your Seed Capital to develop CCI:

C \_\_\_\_\_

C \_\_\_\_\_

I \_\_\_\_\_

Make yourself attractive to Joint Venture Partners:

- Systemize the Process
- Be a student of the process
- Become proficient at these 3 things:
  - a) Finding the deal
  - b) Finding the Joint Venture Partners
  - c) Bringing the 2 together

Focus on what you're becoming in the process, not on what you're buying.

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## Phase 1: Attracting JV Capital

Things I bring to the Table:	Things I need to work on:
Expert Knowledge	
Good Team	
Familiarity of area	
Time	
Confidence, Credibility, Integrity	
Successful Track Record	
Presentation	
Finding the Deal	

NOTES:

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## Phase 1: **Attracting JV Capital**

Break into groups. Make a list of everything that is required to close a deal:

If you do all of this and your JVP only has to write a cheque, have you earned your 50% of the deal?  
Absolutely.

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## Phase 1: Attracting JV Capital Homework Assignment #1

### On your next deal:

Create a diary / journal of the step by step process.

NOTES:

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## Phase 1: Attracting JV Capital Homework Assignment #2

What would you need to see in the other person before you would ever consider giving them your money?

*(make a list of 10 things:)*

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_
5. \_\_\_\_\_
6. \_\_\_\_\_
7. \_\_\_\_\_
8. \_\_\_\_\_
9. \_\_\_\_\_
10. \_\_\_\_\_

Characteristics of an ideal JV partner:

### End of Phase 1:

How many Properties did you buy in Phase 1?

What is your remaining Shortfall?

#GAP DOORS - (Pre-existing doors + doors purchased with seed capital) = remaining shortfall  
(page 8)

( \_\_\_\_\_ + \_\_\_\_\_ ) = \_\_\_\_\_

If you do all of this and your JVP only has to write a cheque, have you earned your 50% of the deal?



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## Phase 2: Options:

What is your remaining Shortfall?

1. Continue to use JV Capital to overcome remaining Shortfall from Phase 1
2. Sit and hold
3. Create economies of scale by shifting portfolio into small multi-family investments

NOTES:

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## Phase 2: Commercial vs. Residential

1. Loan to Value
2. Interest Rate
3. Lender Fee

dictated by...

1. Age & Quality of Building
2. Cash-flow
3. Prevailing Vacancy Rates
4. Borrower

NOTES:

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## Phase 3: What are your options?

1. Continue with Phase 2 until you have reached desired # of doors
2. Sit and hold
3. Move some of the portfolio into larger multi-family units (larger apt buildings)
4. Exit Strategy - Liquidate & Consolidate

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## Phase 3: Liquidate & Consolidate:

**\*DISCLAIMER:** This is a hypothetical scenario that may not always work. It is dependent on market conditions and will have capital gains implications. Please consult with your accountant. This information is for the purpose of illustrating the power of real estate.

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## Phase 3: Optional Exit Strategies Liquidate & Invest

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## Phase 3: Optional Exit Strategies Living Off the Interest

\$ \_\_\_\_\_ @ 6 % = \$ \_\_\_\_\_

\$ \_\_\_\_\_ @ 8 % = \$ \_\_\_\_\_

Annual Passive Income

Work hard, Build it up, Create ➡ Liquidate, Invest, and Enjoy

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## Phase 3: My Next Step is...

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## Summary Page for Mortgage Coaching

Name: \_\_\_\_\_ Date: \_\_\_\_\_

Email: \_\_\_\_\_ Phone: \_\_\_\_\_

.....

Monthly Cash Flow GAP \$ \_\_\_\_\_  
A - ( B + C )

GAP Doors (# of doors needed to bridge your GAP) # \_\_\_\_\_

.....

Monthly DSL (Verifiable Income x 40%) ÷ 12 \$ \_\_\_\_\_

Total Monthly Personal Debt \$ \_\_\_\_\_  
(Taken from the impact of Cashflow worksheet)

.....

Value of Principal Residence \$ \_\_\_\_\_

Amount of Mortgage and/or Line of Credit \$ \_\_\_\_\_

Portfolio Value \$ \_\_\_\_\_

Amount of Mortgage and/or LOC on your Portfolio \$ \_\_\_\_\_

Liquid Assets (List what they are) \$ \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Seed Capital (Money you're willing and able to invest) \$ \_\_\_\_\_

MPP (Maximum Purchase Price) \$ \_\_\_\_\_

APP (Average Purchase Price) \$ \_\_\_\_\_

*Continued on next page*



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## Summary Page for Mortgage Coaching Cont'd.

Affordable Doors (MPP ÷ APP) # \_\_\_\_\_

Shortfall (GAP Doors - Affordable Doors) # \_\_\_\_\_

Total Household Income \$ \_\_\_\_\_

Principal Residence Mortgage ( P + I + T )  
(principal + interest + taxes) \$ \_\_\_\_\_

Total Monthly Rental Income on Portfolio \$ \_\_\_\_\_

Total Monthly Rental Mortgage Payments  
(Mortgage Payments only on entire Portfolio) \$ \_\_\_\_\_

.....

Please fax or email a copy of this summary page to Peter Kinch's office or a PK Approved Broker™ before your next purchase so that we can coach you through the process.

***Don't leave your future to chance!***

By providing us a copy of this summary sheet you will give us the opportunity to analyze your next mortgage in the context of your goals.

*Our goal is to help you achieve yours.*

**Toll free: 1-866-988-8326**

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## Message from Peter

It has been our pleasure to assist you in the preparation of The Canadian Real Estate Action Plan.™ We realise that the process can be confusing and complicated at times, so please feel free to call or email us at any time should you have any questions. Our team of Mortgage Consultants will be happy to answer any inquiries you have regarding your mortgage financing requirements. Please remember that we see this as just the beginning of our working relationship with you. Our goal truly is to help you achieve yours and as such, we encourage you to share your plan and your goals with our qualified team of professionals. Before you make your next purchase, please send us a copy of your Canadian Real Estate Action Plan™ summary so that the Mortgage Consultant that you work with can provide you with ongoing coaching in accomplishing your goals.

### OUR TEAM:

Bonnie Deck, Mortgage Consultant  
Peggy Wong, Mortgage Consultant  
Lindsay Lyons, Office Administrator

We look forward to helping you with your mortgage financing needs in the future.

Peter Kinch, AMP  
President  
PETER KINCH MORTGAGE TEAM

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**Notes:**