



Peter Kinch
presents

Canadian Real Estate
ACTION PLAN

Our goal is to help you achieve yours!

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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

Mission Statement

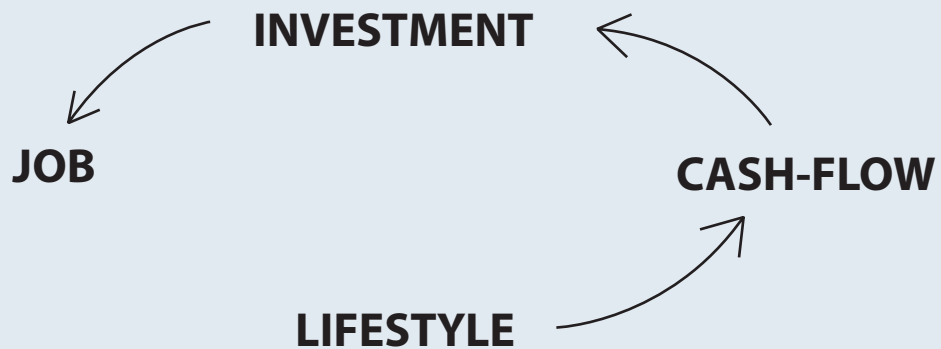
To teach, coach and empower individuals
to accomplish goals that will positively
impact the world.

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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 2015?

Exercise 1:

What are the ages of your children today?

What are the ages of your children in 2015?

How old are you in 2015?

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Where do you see yourself in 2015?

Exercise 2:

What is your vision for 2015?

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 2015?

Exercise 2 cont'd:

The biggest thing that's changed since 2010 is...

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GAP ANALYSIS

By 2015, 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

Determine your GOAL...

Exercise 4:

What is the average monthly cash-flow per door?

\$_____ monthly cash-flow/door

What was your GAP?

Calculate the number of doors you need to bridge your GAP:

$$\frac{\$ \text{_____}}{\text{monthly GAP}} \div \frac{\$ \text{_____}}{\text{cash-flow/door}} = \frac{\text{_____}}{\text{\# doors*}}$$

(*Refer to this as your GAP doors)

Therefore, you need _____ doors at \$_____/door to create \$_____ to bridge your monthly GAP.

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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:

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

**Note: TDS/GDS have now changed at most banks*

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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 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) multi-family.

The "What If" Clause:

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Obstacle 2: Down Payment

7 Down Payment Options:

1. Liquid Assets
2. Real Estate Equity
3. Sub-Prime
4. Private Money - 2nd 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:
2010 Market Update:

4. Private Money - 2nd 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

Let's Build your Personalized 3-Phase Action Plan

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Real Estate Equity

Exercise 6:

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

A) Personal Equity:

$$\left(\$ \frac{\text{value of home}}{\text{value of home}} \times 80\% = \frac{\text{value of home}}{\text{value of home}} \right) - \left(\$ \frac{\text{mortgage}}{\text{mortgage}} + \frac{\text{amount owed on LOC}}{\text{amount owed on LOC}} \right) = \text{Personal Equity } \$ \frac{\text{value of home}}{\text{value of home}}$$

B) Portfolio Equity:

**Refer to DCR Spreadsheet*

$$\left(\$ \frac{\text{value of portfolio}}{\text{value of portfolio}} \times 80\% = \frac{\text{value of portfolio}}{\text{value of portfolio}} \right) - \left(\$ \frac{\text{mortgage}}{\text{mortgage}} + \frac{\text{amount owed on LOC}}{\text{amount owed on LOC}} \right) = \text{Portfolio Equity } \$ \frac{\text{value of portfolio}}{\text{value of portfolio}}$$

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

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

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

Your Potential Accessible Equity: \$ _____

*Note: 80% is now conventional

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Phase 1: 2010-2012

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: 2010-2012

How many doors can you afford today?

Average Purchase Price (AvgPP):

Exercise 9:

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

Calculate your affordable doors:

$$\frac{\$ \text{MPP}}{\text{AvgPP}} = \text{Affordable doors}$$

Today, you can afford to buy approximately _____ doors

How many doors do you need to bridge your GAP? _____
(See GAP Analysis exercise on page 7)

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: 2010-2012

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: 2010-2012

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: 2010-2012

Attracting JV Capital

Things to 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: 2010-2012

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?

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Phase 1: 2010-2012

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: 2010-2012

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: 2012-2014

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: 2012-2014

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: 2014 onwards...

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: 2014 onwards...

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 and use this information for the purpose of illustration the power of real estate.

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Phase 3: 2014 onwards...

Optional Exit Strategies Liquidate & Invest

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Phase 3: 2014 onwards...

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: 2014 onwards...

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 (Variable Income x 40%) ÷ 12 \$ _____

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

.....
Value of Principal Residence \$ _____

Amount of Mortgage 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)	# _____
Short Fall (GAP Doors - Affordable Doors)	# _____
Total Household Income	\$ _____
Principal Residence Mortgage (P + I + T)	\$ _____
Total Monthly Rental Income on Portfolio	\$ _____
Total Monthly Rental Mortgage Payments (Mortgage Payments only on entire Portfilio)	\$ _____

.....

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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Email: clientcare@peterkinch.com

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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™ so that the Mortgage Consultant that you work with can provide you with ongoing coaching in accomplishing your goal.

OUR TEAM:

Bonnie Deck, Mortgage Consultant
Peggy Wong, Mortgage Consultant
Lianne Briggs, Client Care
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

DISCLAIMER:

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