

WELCOME TO BELL SPAGNUOLO LEGAL OFFICES

April 3, 2006

HOW TO BECOME MORTGAGE FREE FASTER

Paying off Your Mortgage Faster

Our clients tell us that one of their highest financial priorities is to reduce or pay off their mortgage as quickly as possible. The faster our clients reduce the outstanding balance on their mortgage, the more they will save in interest charges. This is particularly important as mortgage interest is not tax-deductible in Canada (unless the mortgage is for a business purpose). Mortgage payments are made with money that our clients have already paid tax on – after tax dollars.

We have searched for various articles on how to pay off a mortgage quicker and the best that we could find is published by the Government of Canada. The article mentions accelerated payments, increasing the amount of the payment, making extra lump sum payments and paying extra on your payment dates.

To view this article, please visit http://www.fcac-acfc.gc.ca/eng/publications/mortgages/HowToPayMortgageFaster_e.asp.

Making Your Mortgage Tax Deductible

As stated above, mortgage interest is not tax-deductible in Canada. Mortgage payments are made with money that our clients have already paid tax on – after tax dollars.

The exception to a mortgage not being tax-deductible is if the money is borrowed for a business purpose, in other words, to create more money. Generally, interest on borrowed money is deductible if the money is borrowed to earn investment or business income.

To make the interest deductible on an existing mortgage on your house, you must have income producing assets. The idea is to take these assets and swap them for mortgage debt. Being lawyers, we do not want to give advice on our website without giving you this disclaimer: **DO NOT DO THIS WITHOUT TALKING TO AN ACCOUNTANT**. If you need accounting advice, call us and we will refer you to an accountant.

Once this asset swap is completed, you will own an equal amount of investment assets, and you still have a mortgage on your home. But because you borrowed against your home (in the form of a mortgage) in order to buy assets that create wealth, the interest on your mortgage is now tax-deductible. You have just given yourself a giant tax break.

Please remember the Income Tax Act may be changed at any time by the federal government. The information above is accurate as of the date of writing but please review the government website or discuss your situation with your accountant to ensure the proper amount of taxes are being paid. If you do not have an accountant, we would be happy to refer you to our partners, The Newport Group, Chartered Accountants, part of Bell Spagnuolo Professional Services (www.newportgrp.com).

The information you obtain at this site is not, nor is it intended to be, legal advice. You should consult a lawyer for individual advice regarding your own situation.

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