



SHAH FINANCIAL PLANNING INC.

Keeping You Informed on Tax & Investments

Greetings!

Real Estate vs Mutual Funds

With the real estate market on fire, and low interest rates continuing to add fuel to that fire, Investors think rental properties are the "instant wealth creation" plan for the future.

To help you present alternatives, I have attached a piece on the BMO Monthly High Income II Fund comparing it to the TSX and various real estate markets across Canada since its inception in 2002, highlighting the funds historical out-performance.

The real estate leverage factor - we certainly recognize that the real kicker with real estate is the leverage factor involved as most will borrow, by way of mortgages and lines of credit to fund real estate purchases, enhancing the return on their actual out of pocket investment. Keep in mind, to create a more even playing field, this can be also be achieved or simulated using a margin account, line of credit or an investment loan for investing in the BMO Monthly High Income II Fund to make things more apples to apples.

Comments:

1. In the [attached](#) comparison we used BMO Monthly High Income II Fund F-Class to get the lowest possible fee comparison vs the indexes which have no fees
2. Fees! - keep in mind that mutual funds include fees / MERs - the indexes do not include fees and it might be an interesting exercise to discuss the "MER" on a rental property to put things into perspective for those considering rental property
3. MER equivalent on a rental property could be in the 2.5-3%+ range (if factoring heat, hydro, property tax, repair bills, mortgage interest etc.) oh.....and it's an asset that's not liquid and has a back-end transaction fee if you do want to liquidate it
4. Don't forget to include how much time may be required on the part of an investor in dealing with rental property (what's someone's time worth?) That should be factored into the real estate MER, but is often not considered.....
5. Finally, the income provided by BMO Monthly High Income II Fund is highly tax efficient

6. F-Class MER = 0.75%
7. Fund - BMO Monthly High Income II Fund

Ultimately we wanted to provide you with some insight into the historical performance of the BMO Monthly High Income II Fund to help you to understand how well the fund has done in delivering capital appreciation and perhaps more importantly steady consistent income. This fund has been, and continues to be, a great "tenant" within client's portfolios and hasn't missed a \$0.06/month per unit rent cheque since its inception in 2002.

Thanks for your continued support, please let us know if you have any questions or if there is anything you're working on that we can help with.

**TFSA [Tax-Free Savings Account] @ 1.85%
RRSP Loan @ Prime + 0.50% TFSA Loan @ Prime + 1.0%**

We are at your service. If you require further information/assistance, please do not hesitate to contact your [financial advisor](#) at Shah Financial Planning Inc.

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Head Office's Hours

**Monday to Friday ► 9:00 am to 5:00 pm
Thursday by Appt ► 5:00 pm to 6:00 pm**

***No Inner Peace Without Financial
Security***

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