



The #1 Way to Wreck Your Investments

Description

If you have bought a home over the last few years, you probably made a mistake. This is especially the case for people who live in large, expensive cities like the Canadian metropolises of Toronto and Vancouver. Most likely, you have bought something you can't afford and are living beyond your means.

While this is certainly a hard argument to make given the capital appreciation people have seen in their houses over the past several years, the truth is that the risk you have likely taken on is akin to putting all your chips on red at a roulette table; you might make out like a bandit or you might lose it all.

But it likely isn't even your money that you are putting on the table. This money belongs to a lender of repute that has given you the money to place your bet before you can afford it. You heard that right. If you have taken out a loan without all, or at least most, of the underlying cash to buy, I'd argue that *you are living beyond your means and can't afford your home.*

A home is more a liability than an asset until you sell it, unfortunately. Think about it. Unless you are renting a room or your basement, you are not generating any income on your home. It's merely costing you money for upkeep and repairs. There are also property taxes that are a massive wealth-destroying liability that has the added benefit of going up as the assessed value of your house increases.

And don't give me the argument that you are building equity. Even at these low rates, it is entirely possible, even in expensive markets, to rent a home for less than the costs of your interest payments. And even if you are building equity, there are other, probably better ways to do so that are not as highly levered as a massive mortgage. Besides, that home will not be tapped until you sell it far in the future.

Shares of companies like **Fortis** ([TSX:FTS](#))([NYSE:FTS](#)) can be acquired for as little as \$45.50 a share at the current time and generate a [yield of around 4%](#). Instead of paying money to the bank in interest, you can receive tax-advantaged income! **TC Pipelines** ([TSX:TRP](#))([NYSE:TRP](#)), an oil pipeline, also pays a [high dividend](#) of over 5% at the current share price. That's a real, regular return on your capital without the stress of massive amounts of debt.

Besides paying income available for reinvestment or living expenses, these companies have appreciated in incredibly over the years. Over the past 25 years, TC's shares have increased by around 200%. Fortis shares have increased by around 600% over the same period. That increase in

price does not even include dividends and dividend growth. That is a far better return than living in your own home would have provided, even including the massive, debt-driven global real estate bubble that we are currently experiencing.

Even if you want to take advantage of low rates, it is better to borrow to invest than buy your own home. Investment interest on borrowed funds is tax-deductible — something you can't say for your home, other than when you sell it 30 years from now. You can also borrow much less to invest in stocks than you need to borrow to take on a house.

If you are struggling to make ends meet on your home, probably the best move would be to sell it and pat yourself on the back for doing so well. Then take your massive tax-free gain on your primary residence and invest in a combination of blue-chip stocks and GICs and go live off the interest and dividends.

If you are looking to buy a home and you have to borrow from family to scrape together the down payment on top of the massive loan, stop yourself. Tell yourself the truth: you can't afford it. Invest wisely in stocks and GICs and wait until you have the money or a better opportunity comes along. Patience is an old virtue you should probably dust off. Your heart, blood pressure, and family will likely thank you.

CATEGORY

1. Bank Stocks
2. Investing
3. Stocks for Beginners

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:FTS (Fortis Inc.)
2. NYSE:TRP (Tc Energy)
3. TSX:FTS (Fortis Inc.)
4. TSX:TRP (TC Energy Corporation)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Bank Stocks
2. Investing
3. Stocks for Beginners

Tags

1. Editor's Choice

Date

2025/08/27

Date Created

2019/01/16

Author

krisknutson

default watermark

default watermark