



Kevin O' Leary Warning: By Age 45, Your Mortgage Should Be Paid Off

Description

Canadian businessman and famous TV personality Kevin O' Leary has some good advice for people wanting to break free from debt bondage. His instruction to achieve financial freedom is to accelerate debt payments. In particular, O' Leary says your mortgage should be paid off by age 45.

The advice to retire all debts makes perfect sense. Make it your goal to be debt-free and stop building a mountain of debt. You don't want to work your whole life just to cover your payables. Instead, aspire to [secure your financial future](#) after retirement.

Invest in income-generating assets

People with long-term financial goals should think about investing before spending. If you don't have debts to pay, you can save to have money for investments. After paying off their mortgages, some people purchase residential investment properties.

The motivation is different in acquiring a property that is not intended as the main family residence. Their purpose is to buy an asset that would appreciate in value over time and simultaneously produce a steady income stream.

The residential investment property should have both [income generation and capital growth potential](#). But there is the possibility your investment will not produce the desired income due to vacancy. Your chosen property should be in an area that could sustain you financially.

You also need to be aware of the responsibilities as a landlord. There are costs to consider, like maintenance and renovation to keep the property attractive to tenants. The pressure can be overbearing. But you have the option to invest in real estate investment trusts, or REITs, and generate income just the same.

Invest in REITs

You can [be a shadow landlord](#) by investing in **Boardwalk REIT** ([TSX:BEI.UN](#)) and **Pure Multi-Family REIT** (TSX:RUF.UN).

Boardwalk owns and operates low-rise, mid-rise, and high-rise apartment buildings in Alberta, British Columbia, Ontario, and Saskatchewan. To date, the \$2.1 billion open-ended REIT has over 28 million net rentable square feet of space that can accommodate 33,000 residential households.

The REIT pays an annual dividend of 2.44%, which can set you off in your quest to build the passive income you need. You will basically be a part-owner to the best-quality multi-family communities in the provinces mentioned.

Pure Multi-Family REIT is another interesting option that can deliver passive income without the pressures of being a “true” landlord. The \$773.2 million REIT is Canada based but the owned properties are luxury resort-style apartments situated in the U.S. Sunbelt area.

With this REIT, your exposure will be in attractive and newer institutional quality U.S. multi-family real estate assets. The area of concentration was chosen because of the stable income generated. Pure Multi-Family has been averaging a cool \$47.1 million in the last four years. The five-year average dividend yield is 6.36%.

Take O’Leary’s advice to heart. If you’re not debt-free after age 45, you diminish your propensity to save and miss the opportunity to invest in income-producing assets like the REITs.

CATEGORY

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