



Make Your Mortgage Interest Tax Deductible!

In years past it was always said that the best thing you could do for your financial future was to pay off your home mortgage as quickly as possible. Because your home mortgage is likely to be the largest debt you ever have, there seems to be some merit to this way of thinking. It insures that you have a place to live and that no matter how low your income might drop, you will still have your home. However, what worked in the past may or may not still be a good idea today.

You might be surprised to learn that many of the wealthiest people in Canada today have mortgages on their primary and vacation homes. They choose to leverage their debt and invest money in other areas while leaving their low interest mortgages in place rather than paying them off. If you think about it, if you have plenty of money to pay off your mortgage should you choose to, then it makes sense to invest that money where it will earn you more money if you can. If you should ever need to pay off your mortgage you could simply write a check and be done with it.

When you borrow money for your home, which is considered a registered asset here in Canada, the interest you pay is not tax deductible. However, borrowing to invest in a non-registered asset is tax deductible. This means that once you have equity in your home, you are able to borrow against it and invest that money. By doing this you are able to write off the mortgage interest you pay against that equity which was borrowed. And, at the same time you are able to grow your wealth with the borrowed money. This gives you both a tax advantage as well as the ability to grow your net worth.

There is always some risk involved when you choose to use your home equity and invest it elsewhere. However, if you are able to safely invest it at a rate of return higher than your mortgage interest, you are getting a nice tax break and increasing your wealth at the same time! And, once you're net worth hits a certain point, your mortgage is no longer a real concern because you can pay it off at a moment's notice.

In this time of historically low mortgage interest rates, it can be to your advantage to use the equity in your home to invest. You can build your wealth and get a nice tax break at the same time.