

# Alberta Doctors' Digest

## Sponsored Article: Looking to purchase an investment property?

For physicians, buying a second home is a common way to invest. If you're thinking about this, here's some things to consider when making this decision.

### How will you use this property?

You may be looking into a vacation home, or perhaps a rental property that you'll use occasionally. Start by considering all the things that will go into this decision. Is this property easy to rent or share? More importantly, is this property in a community that permits short-term rentals? You may want to ask around and see how the local homeowners feel about rental guests.

Perhaps the bigger question is around what you want out of your retirement and if this property will give you that. If you have children, they may play a big role in your decision. If your children are older and starting to grow their own families, you may want to ensure that there's enough room for them to visit, or even use the space independently.

### How does this investment measure up financially?

Besides the price of the property itself, consider things like renovations and upgrades. Have you investigated all the other expenses to run this property? How much are the land taxes, property fees, insurance, cleaning, outdoor maintenance? Moreover, are you eligible for any tax deductions with a second property? It's important to budget for these things and ensure that they won't have a negative impact and affect your overall financial goals.

There may be other financial aspects that you may not have considered, such as landlord-tenant laws, taxable rental income, property management costs, fluctuating markets, resale, and the legal duties and expectations of a landlord.

You will need to consider your options for financing. To help you access equity to buy a second property, consider the Scotia Total Equity Plan (STEP).



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With the flexibility of a STEP, you're in control to mix and match mortgages, lines of credit, credit cards, and more to create a plan that works for you

### **What is the Scotia Total Equity Plan (STEP) and how can it help me?**

If you need money to fund a down payment on a second property and you don't want to cash out investments, with STEP you may borrow up to 80% of your home equity. A STEP allows you to finance a purchase using the equity of your primary residence. If you earn rental income from this property, you can deduct expenses such as the interest paid on the borrowed funds. For physicians who pay the highest marginal tax rate, the higher loan-to-value ratio can help offset the rental income you earn and reduce your taxes payable.

With the flexibility of a STEP, you're in control to mix and match mortgages, lines of credit, credit cards, and more to create a plan that works for you. You can use your home equity whenever and however you need it. We understand that as a physician you have unique financial needs. Scotiabank home financing advisors can provide expert advice and help you choose the right mortgage solution customized to meet your needs. Together with MD Financial Management, we can develop a holistic financial plan to build your wealth.

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