

Property Acquisition

Meet Marie

Homeowner:
Female, Age 62

Location:
Oakville, Ontario

Home Type:
Estate Home

Home Value:
\$10,000,000

Securities Portfolio:
\$15,000,000

Situation

- Marie built and sold a highly successful **software business**, with the goal of retiring and enjoying her life.
- She purchased an estate home in Oakville as her **principal residence**.
- For her investments, **Marie worked with her financial advisor Colleen**, who managed Marie's total **\$15M portfolio**, diversified across public and private equities, hedge funds, and bonds/private credit.
- After a few years of retirement, Marie identified an opportunity in the **Florida real estate market**.
- She planned to **buy, renovate, and rent or sell multiple properties**, while keeping one unit for personal use as a vacation home.
- Marie approached Colleen to explore **financing options for \$4 million in capital**.

Options Colleen presented to Marie

Sell portions of her portfolio

Would trigger tax consequences and be complicated by the lack of liquidity in Marie's private equity and hedge fund lock-ups. Liquidation would likely come from public equities and bonds, requiring a portfolio rebalance with tax implications, and a loss of future returns.

Apply for a construction loan with a bank


Involves a full credit application and proof of income, potentially with a US-based bank, along with mandatory monthly interest payments, and drawdowns tied to project milestones.

Take out a CHIP Reverse Mortgage

Offers a simplified approval process, no monthly payments, and provides funds as a lump sum.



Mapping Marie's options with a decision tree

Decision Criteria	Construction Loan	Liquidate Investment Portfolio	CHIP Reverse Mortgage 
Minimizing taxes	✓	✗	✓
No downpayment required, so investments remain untouched	✗	N/A	✓
Defer interest and principal payments to preserve cashflow	✗	N/A	✓
Simplified lending process	✗	N/A	✓
Loan to value tied to asset value, not income	✗	N/A	✓
Full loan amount available upon approval	✗	✓	✓
Preserves investment portfolio	✗	✗	✓

Recommended Approach for Marie: CHIP Reverse Mortgage

- ✓ A stress-free solution to help Marie acquire properties without triggering capital gains tax, since there's no need to sell securities or disrupt her cashflow.
- ✓ Offers flexibility with no monthly payments and funds available upfront or as needed.
- ✓ A more simplified application process than a traditional construction loan.
- ✓ Helps maintain an intact investment portfolio.
- ✓ The interest charged and loan fees may be deductible if the funds are used to purchase or improve rental properties.¹

¹canada.ca/en/revenue-agency/services/tax/businesses/topics/rental-income/completing-form-t776-statement-real-estate-rentals/rental-expenses-you-deduct/interest-expenses.html



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