



Chapter

SEVEN

TAX AND LEGAL ISSUES

TAXATION:

A key success factor in building and retaining personal wealth requires you to possess the right mix of tax-efficient assets.

At PCM, we associate our luxury homes as the main contributing asset in building tax-efficient wealth. We all know that, over time, real estate acts as a hedge against inflation. As wealth is created through the appreciation of your home, any gains realized on the eventual sale will be tax-free to you.

In Canada, your principal residence is one of the only assets in which you will ever be able to shelter future gains, from income tax. So why not invest your money in a PCM built asset that you can shelter from tax, while receiving years of enjoyment and pleasure?

Let me illustrate with an example:

A couple has \$10 million in wealth, allocated as follows:

- \$1 million home in Lorne Park
- \$6 million invested in mutual funds, bonds, stocks
- \$2.5 million in shares of a privately held company
- \$0.5 million invested in a rental property

The couple's wealth is split proportionately between them and they are both subject to top tax rates in Canada.

This couple could increase their net worth significantly by selling their current home and reallocating \$3 million of their wealth from institutional investments, such that \$4 million (40%) of their wealth is now invested in a PCM luxury home.

If \$4 million is invested in a PCM luxury home in south east Oakville, for example - where this particular area of the GTA has seen a historical 9% annual appreciation in property value – the couple will increase their net worth by \$320,000 per year (\$4 million x 9%, less property taxes of say \$40,000). The net increase of \$320,000 is tax-free.

If the couple remains in their \$1 million home in Lorne Park - which has experienced a 6% annual appreciation in property values - the couple will only realize an increase of \$50,000 in their net worth each year, from that property (\$1 million x 6%, less property taxes of say \$10,000).

The remaining \$3,000,000 of wealth currently allocated to institutional investments would need to generate \$503,731 in interest income, or \$358,090 in dividends, to place them in the same economic position as the after-tax wealth created on a \$4 million home in south east Oakville. This would require the institutional investments to achieve a pre-tax return of 16.8% on the interest bearing instruments, or 11.9% on the dividend paying securities. When working through the numbers it is clear that the allocation of wealth invested in tax-efficient assets is going to have a significant impact on the creation and retention of your wealth.

Why let your broker earn your money and have all the fun. Gain enjoyment from your new PCM luxury home as you increase your tax-efficient wealth.



LEGAL ISSUES:

Building a custom home is a serious investment that requires nothing is left to chance. It is essential that the client understands exactly what is set out in the legal contract before signing because, unfortunately, there are individuals who will manipulate situations and take advantage of clients, at every turn.

At PCM we take every step to insure that the client understands the contract in its entirety before signing and we take every precaution to guarantee a smooth legal process from the purchase of the property to the completion of the home.

Experienced and professional lawyers are hard to come by. When seeking sound legal advice, we have found the lawyers at McKechnie, Jurgeit, and MacKenzie to

excel in offering professional legal counsel and services that are unparalleled. They operate with integrity, are meticulous in their handling of legal documentation, and provide exact and detailed advice. The last thing a new homeowner wants to discover is a construction-lien on the newly purchased property, or an issue with the transfer of the title to the property. It is the responsibility of the lawyer to insure that every detail and every cost is appropriately laid out and understood before the buyer enters into the agreement.

One fact that quickly sets lawyers apart is availability. Customer service is often neglected by lawyers and can quickly lead to weeks of frustration. Providing the best service at PCM is precisely what we strive for and so we direct our clients to lawyers who operate in the same professional manner

