

# Investment Loans

Maximize  
your  
wealth



With the help of your advisor, you've made solid investment choices and you're well on your way to achieving your financial goals – If you're in a higher income bracket, you're probably looking for ways to maximize your wealth and complement your existing investment strategy.

There are 3 factors to consider as you work with your advisor to make your goals a reality.



## Explore interest deductibility

Did you know that if you took out an investment loan as a way to maximize your wealth, you may be able to apply the annual interest paid on the loan as a deduction against your income?

Generally speaking, interest paid to borrow money to earn investment income is tax deductible. For example, if you borrowed \$250,000 at 4% to invest, your annual interest expense would be approximately \$10,000. All else being equal, taking the \$10,000 deduction would yield a potential tax savings of \$4,641<sup>1</sup>.

You would also have made a lump sum investment of \$250,000, created a \$10,000 potential tax deduction, and reduced your taxable income dollar for dollar, effectively lowering the overall cost of borrowing from 4% to 2.14%.

Here's a simple calculation to show the impact of the interest deductibility of an investment loan.

	Before an investment loan	After an investment loan	Interest deductibility applied	
<b>Taxable income</b>	\$200,000	\$190,000	\$10,000	◀ The taxable income is reduced dollar for dollar by the annual interest paid.
<b>Tax payable</b>	\$71,762	\$67,121	\$4,641	◀ The tax payable and average tax rates are reduced as a result of the lower taxable income.
<b>Average tax rate</b>	35.88%	35.33%	0.55%	

Calculations are for illustration purposes only. Interest is not deductible in all circumstances. For example, if the only earnings your investment can produce are capital gains, you cannot claim the interest you paid. Additional restrictions apply for residents of Quebec. Please consult with a tax specialist for information on deducting interest.

For illustrative purposes only. Actual rates and amounts may differ. The illustration is a hypothetical example and is not intended to project or predict actual results.

# Tell me more about investment loans

An investment loan allows you to borrow money to purchase investments that have the potential to increase in value, and:

- Accelerates savings through an initial lump sum investment
- Interest costs may be tax deductible<sup>2</sup>
- Can be used as a wealth building tool

## What are compound returns?

Compound returns on an investment means that returns are calculated not only on the initial investment, but also on the accumulated growth from year to year. Having a larger initial investment growing for the longest possible time is essential for compounding success.

## Is an investment loan right for me?

Only your advisor can help you determine if investment lending is right for you. In general, investors who may benefit from this strategy will have:

- ✓ A long investment horizon
- ✓ Available cash flow
- ✓ A high risk tolerance

## Our investment loans

We have been offering investment loans for over 20 years. Our Loan products are among the most competitive in the industry and offer:

- Flexible payment options
- Manageable loan amounts starting as low as \$10,000
- Broad fund eligibility
- A wide range of product features
- Fast funding

## What is interest deductibility?

Generally speaking, interest paid to borrow money to earn investment income is tax deductible. When the interest is deducted, it can be an effective way of reducing the overall cost of an investment lending strategy.<sup>2</sup>



While investment loans have the ability to magnify gains, they also have the potential to magnify market losses. Leveraging involves greater risk than purchasing investments using only your own cash resources because it has the potential to magnify investment losses. You are required to repay the loan, including interest, regardless of the investment return. An investment loan may limit your access to credit due to the outstanding debt of the loan. Work with your advisor to understand both the benefits and risks of this strategy.

For your calculations<sup>3</sup>

## Our lending philosophy is simple.

We believe in investment lending and the power it has to help you achieve your financial goals. As a responsible lender, we acknowledge that investment lending is not for everyone.

## About B2B Bank

We believe that all Canadians should have access to independent financial advice. So while we don't sell our banking services directly to you like other banks, we work with your advisor, so they can offer you the products and services you need to reach your financial goals.

Our products and services include:

- Investment and RSP Loans
- Banking Services
- Mortgages
- Deposits
- Investment Accounts and Services

To determine if an investment loan is right for you, speak with your advisor. To learn more about B2B Bank Investment Loans, visit [b2bbank.com/borrowtoinvest](http://b2bbank.com/borrowtoinvest).

<sup>1</sup>Based on Ontario 2014 tax rates. <sup>2</sup>Interest is not deductible in all circumstances. Individuals should consult qualified tax specialists for more information. <sup>3</sup>B2B Bank is not responsible for any investment strategy or calculation in the "For your calculations" section. B2B Bank does not provide investment advice to individuals or advisors and does not endorse or promote any investment products. The dealer and advisor, not B2B Bank, are responsible for determining the suitability of investments for their clients and for informing them of the risks associated with borrowing to invest. B2B Bank acts solely in the capacity of lender and loan account administrator. Any loan approval from B2B Bank should not be construed as an endorsement of any investment choice, program or strategy. All loans are subject to credit approval and borrowed monies are due and payable regardless of the performance of the investments purchased. B2B Bank reserves the right to request additional information or documentation at its sole discretion. The B2B Bank Investment Loan Program is available exclusively through licensed financial advisors. <sup>®</sup>B2B BANK is a registered trademark of B2B Bank.