

- The tax treatment is also attractive since mortgage expenses, amortization, maintenance and even travel for maintenance purposes are tax deductible.
- If you yourself, as the investor, occupy one of the rental units, you can designate it as your principal residence, making the gain on that unit tax exempt (make sure your books are in impeccable order to prevent questions from the tax authorities!).
- You are in direct control of your investment. Although it's true you can't control market trends, you can nevertheless make certain moves that will have a direct impact on your return.
- Finally, this type of investment can be most gratifying since you, the investor, become very involved in its management – and, as such, in its success.

The cons

- Having tenants isn't always a picnic ... If their credit is not good, they may be negligent in paying their rent. If they have no respect for the property, they may damage it – and it's generally the landlord who ends up paying the costs. However, tenants do have legal rights, which vary from province to province. For more details on this topic, log on to the CMHC site at www.cmhc-schl.gc.ca/en/co/reho/yogureho/fash/index.cfm.
- Better be a handyman. If you can't do repairs and renovations yourself, contractors and other professionals might be nibbling at your profits.
- Some units might remain empty and not bring in any income. Or renting them at a price that will cover expenses might not be easy to do.
- Financing a rental property is more complicated than financing your own home. The down payment is higher (generally 25% of the value of the property). Legal fees, taxes, insurance and other related expenses are also higher than for an ordinary residence.
- When the property is sold, capital gains taxes must be paid, which takes a bite out of the profits. (But the same thing applies to almost all unregistered investments, with the principal residence being an exception).

The risks

Buying rental property is an especially concentrated way of investing in the real estate market. As such, the risk itself is higher than if the same invested amount were well diversified in the market.

As well, as with all other investments, returns are not linear: the value of the property may not grow for several years, and may even drop, as is currently the case with the real estate debacle in the US. Result: profits might vary substantially, depending on when the purchase and the sale are made. Generally, such an investment should be seen as long term, which lessens the risk while optimizing the return.

The lifelong question remains: Should I put less money into my RRSP to invest in rental property? If you are so inclined, the question does come up.

As a financial security advisor, my role is to help my clients weight all the investment options available to them, whether it is an RRSP or some other investment tool. Then, if they intend to invest in rental property, I can shed some light on their thoughts and ideas, and, to the best of my knowledge, help them find the information and resources they need to make an informed decision.

Shall we talk about it?