RISKS OF BORROWING FOR PURCHASING INVESTMENTS[1]

Here are some risks and factors that you should consider when borrowing to invest:

Is it right for you?

- Borrowing money to invest is risky. You should only consider borrowing to invest if:
  - You are comfortable with taking risk.
  - You are comfortable taking on debt to buy investments that may go up or down in value.
  - You are investing for the long-term.
  - You have a stable income
- You should not borrow to invest if:
  - You have a low tolerance for risk.
  - You are investing for a short period of time.
  - You intend to rely on income from the investments to pay living expenses.
  - You intend to rely on income from the investments to repay the loan. If this income stops or decreases you may not be able to pay back the loan.

You Can End Up Losing Money

- If the investments go down in value and you have borrowed money your losses would be larger than had you invested using your own money.
- Whether your investments make money or not you will still have to pay back the loan plus interest. You may have to sell other assets or use money you had set aside for other purposes to pay back the loan.
- If you used your home as security for the loan, you may lose your home.
- If the investments go up in value, you may still not make enough money to cover the costs of borrowing.

Tax Considerations

- You should not borrow to invest just to receive a tax deduction.
- Interest costs are not always tax deductible. You may not be entitled to a tax deduction and may be reassessed for past deductions. You may want to consult a tax professional to determine whether your interest costs will be deductible before borrowing to invest.

Your advisor should discuss with you the risks of borrowing to invest.

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[1] Rule 2.6 of the Mutual Fund Dealers Association (MFDA) requires that all investors be provided with a risk disclosure document addressing leveraging when opening a new account, when a recommendation is made to an investor to borrow or when Lincluden becomes aware of an investor borrowing for the purpose of investment. The MFDA is the recognized self-regulatory organization for mutual fund dealers in Canada. This Rule and the Member Regulation Notice (MR-0074) establishing the form of this notice can be viewed on the MFDA's web site at www.mfda.ca.

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