

## Risks involved in borrowing to invest

The purchase of securities using borrowed funds is riskier than making a full cash purchase. If you borrow funds to purchase securities, you are required to repay your loan and to pay interest under the terms of the loan even when the value of the securities you purchased has declined.

Some of the risks and factors you should take into account before borrowing funds to invest are outlined below.

### Is this strategy suitable for you?

- Borrowing funds to invest involves risks. You should consider borrowing to invest only if:
  - ✓ you are at ease with risk;
  - ✓ you are not afraid of the idea of taking out a loan to purchase securities that may rise or fall 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 risk tolerance;
  - ✓ you are investing for the short term;
  - ✓ you plan to use your investment income to pay for your basic living costs;
  - ✓ you plan to use your investment income to repay your loan. If this income stops or decreases, you may not be able to pay back the loan.

### You may lose money

- If you have borrowed to invest and your investments fall in value, your losses will be greater than if you had invested your own funds.
- Regardless of whether or not your investments are profitable, you must nevertheless repay your loan, plus interest. To repay your loan, you may have to sell other assets or use money you had set aside for other purposes.
- If you pledge your home as collateral for a loan, you may lose it.
- Even if your investments climb in value, you still may not gain enough to be able to repay your loan.

### Tax effects

- You should not borrow to invest with the sole aim of benefiting from a tax deduction.
- Interest is not always deductible. You may not necessarily be entitled to a tax deduction, and your deductions may be subject to reassessment. Before borrowing to invest, you would be well advised to consult a tax specialist.

**Your representative must discuss with you the risks of borrowing to invest.**