

Equidigm

Presents

**A Tale Of Three
Sisters**

A Tale of Three Sisters

This is a story of three sisters, each earning \$75,000 per year. Each sister has \$60,000 in savings and is buying a \$300,000 house.

Sister "A"

Believes in paying off her mortgage as soon as she can.

- 15-Year Mortgage at 5.00%.
- \$60,000 as a down payment.
- \$0 savings left over to invest.
- \$1,898 monthly payment (52% tax deduction in the first year).
- \$1,624 average per month after tax deduction. ²
- Wants to eliminate her mortgage as she is afraid of losing her house.

² Assumes a combined federal/state income tax rate of 28%

Sister "B"

Carries a longer term mortgage than Sister "A",
but adds \$100 per month to her payment.

- 30-Year mortgage at 6.0%.
- \$60,000 as down payment.
- \$0 remaining to invest.
- \$1,439 monthly payment (53% tax deductible in first year).
- \$1,105 average per month after tax deduction. ²
- Sends in extra \$100 per month to eliminate mortgage earlier. Invests the other \$359 per month. ⁴ Account earns a 10% rate of return.

² Assumes a combined Federal/State Income tax rate of 28%

⁴ The monthly cash flow is determined by comparing the minimum payments against Sister "A" minus the \$100 she sends in as an additional payment on her mortgage

Sister "C"

Believes that using her house as a financial tool is a key to obtaining wealth. Sister "C" seeks out the loan with the lowest payment.

- Low payment loan at 1.95%. ¹
- \$30,000 as down payment.
- \$30,000 remaining to invest. ³
- \$991 monthly payment (100% tax deductible in first year).
- \$277 average per month after tax deduction. ²
- Adds \$100 to his monthly investments, plus an average of \$874 per month over five years.
- Account earns a 10% rate of return.

1. This example is based on a payment-driven loan. The minimum payment is based on a rate of 1.95%, whereas the note rate of mortgage is assumed to be 6%. For the illustration above, the index is considered constant throughout the term of the loan - actual results may vary.

2. Assumes a combined federal/state income tax rate of 28%.

3. Assumes a 10% rate of return on investment. Investment results may vary depending on type of investment.

Who made the right decision?

Results after just five years:

Sister "A"	Sister "B"	Sister "C"
Received \$14,787 in tax savings	Received \$19,506 in tax savings	Received \$19,337 in tax savings
Has \$0 in savings and investments	Has \$28,000 in savings and investments ³	Has over \$115,000 in savings and investments

³ Assumes a 10% rate of return. Rate of return may vary based on type of investment.

What if all three sisters suddenly lose their jobs?

Sister "A"	Sister "B"	Sister "C"
Has no savings to get through the crisis	Has \$28,800 in savings to support her ³	Has \$115,000 in savings to tide her over ³
Can't get a loan – even though she has \$121,000.00 in equity – because she has no job	Can make her mortgage payment for 1.5 years	Doesn't need a loan – she can make her mortgage payment for more than eight years
Must sell her home or face foreclosure as she can't make her payments	Doesn't have to panic right away	Has no reason to panic, has plenty of cash on hand

³ Assumes a 10% rate of return of invested funds. Rate of return may vary based on type of investment.

Results after 30 Years

Sister "A"	Sister "B"	Sister "C"
Owens her home outright	Owens her home outright	Has 25 more years remaining ⁶
Has \$787,000 in savings and investments ^{7, 3}	Has \$812,000 in savings & investments ³	Has \$2,510,000 in savings and investments and can retire at will
Can't even begin to think about retirement. Her nest egg is \$1M short.	Did okay, but still is more than \$1M short of her goal.	Sends a check to the bank to pay off her house...if she wants.

³ Assumes a 10% rate of return. Rate of return may vary based on type of investment used.

⁶ Sister "C" refinances every five years, dropping her minimum payment back down to a low 1.95% payment level and starts all over. She continues to invest her cash flow.

⁷ Sister "A" paid house off in 15 years and started investing the savings.

In Summary...

Cash is King: Sister "C" now has more than \$2.5M in savings and investments.

Your best investment is not **IN** your house!

People who understand how money really works choose a big mortgage, use it to create wealth, and never pay it off.

For more information

For a free, absolutely no-obligation analysis of your personal financial situation, please contact the person who introduced you to this, or email us at:

info@equidigm.com