Don't Pay Off Your Mortgage!

Increase it! Bigger is Better!

Equity can't help pay for college expenses, vacations etc. or more importantly increase your retirement income. This isn't what we were taught, the dream for most American's is to have their mortgage paid off and the sooner the better. "Pay off your mortgage, reduce your debt and build up equity." Why?

Your House isn't an investment vehicle, so don't treat it like one. Owning your home outright is like stuffing money in your mattress; that money/equity isn't making you money.

The Rate of Return on Equity is Zero

No matter where your property is located, the return on equity is always the same – zero!

> *Equity grows as a function of real estate appreciation and mortgage reduction:*
> *A mortgage won't stop you from building equity in your home.*

Keep your Equity out of your Real Estate

Real Estate equity is no safer than any other investment whose value is determined by a market, which we have no control. Moving your equity out of your home can achieve safety of principal. Don't add that extra payment each year, or increase your monthly payment to reduce the principal, the rate of return is zero.

Not paying down your mortgage can increase your Liquidity, increase your flexibility, and provide you a rate of return, while maximizing your tax benefits. There is value in controlling your Equity!

> *Separate as much equity from your home as is feasible to achieve greater*
> *liquidity, safety of principal, along with funds to supplement your financial income.*

Separate Equity from Real Estate

Liquidity > The most important reason to keep equity separated from property.

2139 N.W. MILITARY HWY, SUITE 100 | SAN ANTONIO, TX 78213
OFFICE: 210-679-1530 | CELL: 210-213-5899 | FAX: 210-519-2875
chris.kelm@kelmgroup.com | kelmfinancialservices.com

Home equity is not liquid, as mentioned above. Your home is not an investment. Your equity is an investment that should be providing you a rate of return, preferably on a tax advantaged basis. Allow your mattress money to earn a rate of return.

Tax Deduction: Take Whatever Benefit Washington Gives You!

A mortgage is Cheap Money: In fact, it's the cheapest money you can borrow. Where can you borrow hundreds of thousands of dollars for 30 years or in some cases 40 years?

The Real Costs of Tax-Deductible Interest: Assumption 35% Tax Bracket

Interest Rate	4.00%	5.00%	6.00%
Less Tax Benefit	-1.40%	-1.75%	-2.10%
Effective Interest Rate	2.60%	3.25%	3.90%

Eliminating mortgage interest expense through traditional methods eliminates one of your best partners in accumulating wealth and financial security.

Putting yourself in control of your home equity

If I were your Financial Consultant and offered a particular investment for your consideration, you would likely ask the following questions:

1. Would my money be safe?" Is the investment guaranteed and insured? What element of safety is inherent in the investment?

2. "How liquid would my money be?" In other words, you would want to know how easily you could access your money at any given time if you needed it. Liquidity is probably the number one consideration for any prudent investment.

3. "What rate of return can I expect?" Most people are usually willing to give up a little safety to get a little return. Even depositing money in a bank requires that we give up some safety to obtain some rate of return. We all want maximum return at minimum risk.

4. "What about tax consequences?" A tax-advantaged investment will, in the long run, achieve **A higher net rate of return by virtue of its tax benefits**.

Many of you have probably heard the adage: "There are two kinds of people in the world: those who pay interest and those who earn it." This is true to an extent, but more correctly, the adage should say: "There are three kinds of people in the world: those who pay interest, those who earn interest, and those who pay interest to earn greater interest"- just like highly profitable banks and credit unions!

Exit Planning Institute. CENTER FOR TAX STRATEGIES & RESOURCES ATPI AMERICAN TAX PLANNING INSTITUTE
2139 N.W. MILITARY HWY, SUITE 100 | SAN ANTONIO, TX 78213
OFFICE: 210-679-1530 | CELL: 210-213-5899 | FAX: 210-519-2875
chris.kelm@kelmgroup.com | kelmfinancialservices.com
SAN ANTONIO DALLAS