Take Control of Your Equity: Don't Pay Off Your Mortgage!

Make your Equity Work for You!

I know this is not what most of us were taught. The dream for most American's is to have their mortgage paid off the sooner the better, make extra payments. No more house payments, **"Pay off your mortgage, reduce your debt and build up equity."** WHY? Think about it.

Your House is not an Investment Account, so don't treat it like one. Owning your home outright is like stuffing money in your mattress; that money/equity is not 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 doesn'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 liquidity, the safety of principal, you control your Equity.** Do Not add that extra payment each year, or add to your monthly payment, the rate of return on that payment 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, having 30-35% equity in your home makes a lot more sense than having 80, 90 and definitely 100%. Use some of those funds to supplement your retirement income. Remodel the House?

Separate Equity from Real Estate

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

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Home equity is not liquid, as mentioned above. Your home is not an investment. Your equity 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 15, 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.

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 a maximum return at minimum risk.

4. "What about tax consequences?" A tax-advantaged or better yet a Tax-Free Investment will, in the long run, achieve **A higher net rate of return by virtue of its tax benefits**.

"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!

IF YOU WANT SOMETHING TOMORROW, YOU MUST DO SOMETHING TODAY!

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