

The Big Lies About the Loan on YOUR Home!

*Practical Tips to Enhance Your Financial Freedom
From The Desk Of Joe & Bonnie Tufo*

We grow up hearing things over and over so much that it makes them seem true. Here are some of these things you should consider...

Paying off the loan on your home makes it safer. Okay, there are two brothers that both own \$500,000 homes. John owes \$100,000 and his brother Bill owes \$450,000. Both brothers get sick and cannot pay their loans. The interesting thing is that once you have paid all that money in to build up equity, you cannot get a loan if you mess up your credit and cannot work. So which of the two do you think the mortgage company will “work with” – granting time and extensions? Bill! John has a large equity and the lender knows they will get paid if they take that house back. Now who is safe?

The equity in your house is a good investment. John and Bill’s houses go up 10% or \$50,000 in a year. Who made the most? They both make the same amount of money. Having equity does not make you money. In fact, Bill made \$50,000 on \$50,000 of capital and his return is 100% for the year. John, who has the big equity, only made 10% on his investment.

It is easier to borrow on your house than any other asset. Why not take out that equity and invest it at a rate of return higher than the cost of the money?

If you used \$50,000 of your equity to buy a place costing \$500,000, say a four-plex, and it went up \$50,000, your rate of return on your investment that you drew out of your house would be 100% and lending rates are mostly under 8% on the home you own nowadays! That is positive leverage! Just do us one favor: If you draw out the cash from your home’s equity to first pay off your credit cards, please hide them in ice in your frig so you won’t run them up again! You need to use that money to pay off the cards then buy property so you won’t be in an endless cycle!

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