# THE MONEY ANSWER BOOK
# DAVE RAMSEY
### Commentary by Leo Schreven, all credits go to Dave Ramsey

Our book this month is written by Dave Ramsey. It is called, "The Money Answer Book." I know you're going to enjoy it as it gives many answers to the most practical questions about money and finance. He is best known for his book, "The Total Money Makeover." But this new book is very helpful. As always all credits go to Dave Ramsey and I am providing a commentary.

As with all the books in each month, the greatest challenge is applying what we learn. Remember, personal finance is 80% behavior and only 20% head knowledge. During our time together today, I will not have time to go through every single question in the book.  But I'm going to highlight the most commonly asked questions that I think will be the most helpful to each of you.

The book begins by asking the question, what's the most important financial principle?  Dave feels his answer is so important that without it no other financial principles will work. Getting out of debt, budgeting, saving, and investing, all become easier with this principle. He calls the principle, "contentment." I think it's a very valid principle. We live in a world that is continually trying to disturb our peace through marketing. So we tend to start thinking things like, "I'll be happy when I get that new boat, or car, or house." It is simply not true. Happiness is sold to us today as an event or a thing.  Because of this our finances have suffered. Fun can be bought with money, but happiness cannot.

We live among a bunch of people who are deeply in debt and have no money or savings because their emotions were tricked in this area. Just like drug addicts, people have been conned into believing that happiness will come with the next purchase. The human spirit was not created to obtain peace, contentment, or fulfillment by gathering more stuff. Until your intellect focuses on the fact that stuff does not equal contentment, your finances will always be stressed.

In the next section, Dave deals with debt, credit, and bankruptcy. He starts the section with a couple of quotes that I really like. The first one says, "God gives every bird its food, but he does not throw it into the nest." The next one says, "The haves and have not’s can often be traced back to the dids and the did not’s."  I'll let you chew on that for a while.

Debt is dumb. Most normal people are just plain broke because they're in debt up to their eyeballs. The Bible says, "The borrower is a servant to the lender." If you are in debt, then you are a slave. It takes a lot of willpower, discipline, and courage to slay the debt monster.

The message of debt is, "enjoy now and pay for it later." So one of the most frequently asked questions is, “How do I get out of debt?”

Dave has developed a little process called baby steps to keep it simple. The principle is to stop everything except the minimum payments, and focus on one thing at a time. First, he recommends accumulating $1000 cash as an emergency fund. Then begin getting rid of all your debt except your house. Attack the smallest debt first, while maintaining minimum payments on everything else. Keep stepping up to the next larger debt and pay it off. After the credit debt is taken care of, build an emergency fund of three to six months of expenses. Then start putting 15% of your income into retirement savings. Next pay off your house.

Sometimes people ask the question, why should I pay off my smallest debts first instead of starting with the highest interest rate debt? While that makes sense mathematically, remember what we are changing here is human behavior. When you start knocking off your easier debt, you see results, and that motivates you to keep moving forward.

The real question here is, how badly do you want to get out of debt? If you are not willing to take responsibility, then you cannot be helped. Are you willing to buckle down and work a few 80-hour weeks? If you think that is too hard, you will never get out of the debt you brought upon yourself. Remember, you are not stuck where you are unless you decide to be. Getting out of debt takes getting mad. It takes the willingness to live off rice and beans for a while. It takes getting a second or third job and selling stuff you don't need. If you really want to get out of debt this is what you will do.

Living in debt today is considered normal. You need to be willing to be weird. Weird is when you live sacrificially in the present, pay off your past, and invest in a financially peaceful future. People ask the question, is it okay to buy stuff while I'm still in debt? The answer is no, unless it is an absolute necessity. Being out of debt so your family can live and save is more important than buying that new television. As long as you have what you need to physically survive, very few things are more important than getting out of debt as quickly as possible. Getting out of debt means you are sacrificial, and make painful decisions. Personal finance is 80% behavior. You need to cut out habits that make you spend more.

Dave also deals with your credit report. It is interesting today that nearly anyone can get hold of your credit report without your permission. You also have the right to review this at any time. If there is inaccurate information, you can dispute it and the credit bureau has 30 days by law to fix the report if you are correct.

Sometimes people ask, does it help to transfer credit card debt to another card? This may help a little if the credit card has a lower interest rate. But the $100 you are going to save in interest is really not the problem. The problem of course is the debt problem and you want to work on eliminating that as your top priority.

The credit card industry has a thousand tactics to get you to use their financing. For example, 0% interest plans. This often takes place in the automobile industry. This 0% does not save you money because the car loses half its value in the first two years so you have sustained a 50% loss. Zero percent financing has one purpose—to get you into the store to purchase—which just puts you deeper in debt. Then there is e-duction. This allows your monthly payment to be deducted directly from your paycheck. This is not a good idea. All you are doing is working for the credit card company.

Some people want to cash out their 401(k) to pay off their debts. Is this a good idea? The answer is a big No! You will be taxed 40% on the cash you take out. That is the same as taking a loan out at 40% interest. What you and your spouse need to do is deliver pizzas and make an extra thousand dollars a month and you can be debt free in a short period of time without touching your retirement.

What about debt consolidation or companies that promise to clean up your credit? In 99% of cases, debt consolidation does not work. You cannot borrow money to get out of debt! The only way you get out of debt is by changing your habits. Commit to a plan, commit to a budget, get an extra job to start paying off the debt, and live on less than you make. This is not rocket science!

What about consumer credit counseling? In general they do a good job if you have lots of credit card debt. However, they cannot teach you how to manage money which is what you really need to learn. The credit card counselors can negotiate the interest rates on your cards which can be very helpful. This can sometimes result in having extra money to pay off creditors. If you can do this be sure the extra money goes toward paying off the principle not the interest. I always advise people to write out a separate check and write "principle only" on the check. Then legally, they have to do this for you.

A common question that often comes up is, what happens to my parent’s debts after they die? The answer is, any outstanding debt that your parents have when they pass away will go against their estate. For example their home may be sold in order to pay their debts. If however, there is a negative net worth, meaning once everything is sold they still owe more on debt, then you will not be held liable for these debts. You are not responsible for paying off the debts of your parents after they die. In fact, you are not even responsible for your deceased spouse’s debts, including student loans.

Many people ask, how should I handle collections people? It is important to realize these people are just doing their job. You owe them money and they are simply asking for it. The collection industry has a very high turnover rate because they are being paid to be professional bullies. So, some of them break the law when they talk to you—they are trained to make you emotional—they will yell, scream, threaten, and intimidate. The important thing is that you stay in control of the situation. Short, intelligent conversations informing the creditor of where you are is the most helpful. If the creditor starts to harass you, the best place to go for help is the Federal Trade Commission.

Remember my friends, ignoring a problem just makes it get bigger. When you don't pay something you owe, it accumulates collection fees and penalties. Those extra fees are called "stupid tax"—waiting around instead of taking care of a problem. Find a way to pay what you owe.

What about medical bills that pile up and you don't have insurance? Fortunately, medical bills are the most flexible as far as settlement terms and working things out. Most hospitals will work with you when you meet with them face to face

What is bankruptcy? Bankruptcy is a process established by federal law that is designed to give people a fresh start by canceling many of their debts through a court order. When a bankruptcy is filed, creditors have to stop any attempt to collect a debt. Most creditors cannot call, write, or sue you after you have filed bankruptcy. Bankruptcy does not erase child-support, alimony, fines, taxes, and some student loan obligations. Bankruptcy also in most cases does not allow you to keep property when you have an unpaid mortgage on it.

The next section is on relationships and money. Marriage is a partnership financially and needs to be worked on together. One of your main goals in marriage should be to pass a legacy down to your children and grandchildren. You need to teach your kids how to handle money as well. The earlier you start them the better they will be in their saving, spending, and giving habits. Take every advantage you come across to teach your children financial wisdom.

Your marriage success is much better guaranteed if you are in harmony in your finances. As you know, financial pressure is the number one cause of divorce today. Many of you know I do not believe in prenuptial agreements. I think this is setting yourself up for a disaster and your divorce is already planned. Dave Ramsey also agrees with this. You are a team. Work together. You and your spouse should keep your personal finances in one account, paying and spending everything together.

The question is asked, will my husband or wife's bad credit affect my good rating? The answer is no unless you purchased things together. For example, if you want to purchase a home you will face difficulty because it involves your spouse’s bad credit. But if you have good credit, your spouse's bad credit cannot affect you in your personal purchases.

One of the most pressure-filled issues that come up when counseling broken marriages is a lack of communication in money matters.  Many times I have seen the pain and tears of people in relationships that attempted to hide spending problems from the other spouse.  If the husband goes out and buys a new boat without his wife's permission, or the wife racks up $12,000 in credit cards and her husband doesn't know—this can lead to the greatest stress a marriage can experience.

There are some basic steps that need to be taken.  First, tell the whole truth.  Half the battle is taking responsibility for your actions.  Next, communicate with your spouse and tell them as honestly as you can what has happened, including asking for their forgiveness.  Listen attentively to how they respond.  Then ask your spouse to help you work out a plan to attack the debt using the tools already given.  Next, establish a time every week to stay accountable with each other and keep up this accountability for the rest of your life.  Believe it or not, relationships play a huge role in your ability to become wealthy.

Another question that often comes up is, "should I play the lottery?"  I really shouldn't have to answer this, but I get asked this question often.  Simply understand that your odds of winning the lottery are one in 80 million.  Compare that to a plane crash—your odds are one in 250,000.  Just fix the rule in your mind losing money is not fun.  That's all you do when you play the lottery—you just lose money.

Another question coming more and more frequently is, when my spouse leaves me or divorces me, how do I protect my credit?  In this situation you must take action and remove your name from everything.  This will keep you from being responsible for future charges by your spouse.  Close the accounts immediately and take your name off.  Clean out the bank accounts and take half the money.  For many people, working out their problems is much easier than separation or divorce, so you really need to weigh this carefully.  Look at it with your head, not your heart.  Look at it long term.

One of the most productive ways for parents to get control of their finances is start training their kids how to do it.  This forces the parents to live by the rules they are teaching their own kids.  So you can start your child with an allowance as soon as your child is old enough to understand cause and effect.  Teach your children the value of work and you will build character.  When they are very young, give them three envelopes.  One for savings, one for spending, and one for giving.  Instill in their minds at a very young age how to properly allocate money into all these areas.  As they grow older start teaching them how to achieve measurable goals.  For example, a car.  Don't go out and buy a car for your child.  Teach them how to save for it and buy it themselves.  Teach them what insurance costs.  Teach them how to have a budget for car maintenance and breakdowns.  It is a whole lot easier to learn these habits in childhood than adulthood.

Another frequent question is from parents whose grown-up children have moved back into their home. I personally believe this is a great disservice to your children. By supporting grown-up children who make bad choices you are only fostering their bad habits. On the other hand another frequent question I get is the exact opposite. What about parents who are financially irresponsible? How do I help my parents? I believe the answer to this question is not to try to change your parents. Most parents are set in their ways and don't want to take advice from their kids. The best thing you can do for them is to set an example and hope that they will learn from it. You are not responsible for their lives.

The next section of the book deals with budgeting. A budget is simply a tool that tells your money where to go, instead of wondering where it went. It is basically just a plan. Interestingly, many people report finding more money than they thought they had when they created a realistic budget and stuck with it. When you first create a budget it won't be perfect, and for most people if you keep tweaking it, it will be where you want in three to four months. If you spend your budgeted money on paper before the month begins and do it together, you will find a great degree of financial freedom.

Ask the questions, “How much income do I have every month?” (Include everything.) “How much do I have going out in bills every month?” It is literally that simple. You have to have more coming in than going out. From this create a game plan. Write it down. You tell your money what you want it to do. Just give every dollar a name on paper. A budget is there to help you. It is a tool you simply use to your advantage. So stay motivated and don't give up.

Some people, especially young people, can use a simple envelope system. You simply create envelopes for certain expenses—an envelope for groceries, an envelope for clothes, gas, entertainment, etc. When it is gone, it is gone. You don't spend any more. For people that have a debt problem, or poor spending habits, I encourage them to use cash. Don't use credit cards. It's a psychological thing. Spending cash makes it real and it hurts more than using a plastic card. This system works if you have a regular income. Sometimes however, people have irregular income. For those I encourage you to determine your lowest possible income and make your budget based on those numbers. If you make extra money you can save it.

The next chapter is on saving and investing. I find it interesting how Dave Ramsey starts this chapter. He has a quote I would like to read to you.

"It is absolutely okay for a Christian to want to be a millionaire, because as Christians we know that no matter how much we have, we own nothing. We are simply managers of the resources God has given us. If we can manage God's money, whether $100 or one million, we are okay." Dave has certainly got it right!

You all know investing is a very diverse subject. Some people get excited when you talk about it—others get nervous and their first question: "Is saving really that important?" The answer is, “Do you know what it's going to feel like when you wake up at age 65 and you're broke?” Saving for the future is ***mandatory.*** If you don't save, you will always live in debt, you will always be stressed about money and you will always be broke. It has to become one of the top priorities of your life. The advertisers and marketing community try to affect your emotions about this every day. This has to stop. These emotions make us slaves and you can't let others play on your emotions.

Dave goes into some of the basics of investing in stocks, mutual funds and real estate. Since we deal with this at length in the All Power Seminar I am not going to comment too much on this section, however, I’ll make one. A Roth IRA is much better than a traditional IRA because the Roth IRA is tax-free. You have to pay taxes on the growth of a traditional IRA. So, like Dave, I suggest you max out your Roth IRA every year. The same thing with your 401(k)—max it out every year if possible.

Many people have good intentions, but they fail to write specific goals financially. You should have very clear short-term goals for things that you want to purchase in the next month or year. Always check the goals whether they are wants or needs. Ask yourself, If we do not purchase this item this year would it make a big difference to both of us? If we could only purchase one of these items by saving for it this year, which item would be our priority? How much will each item cost? Long-term goals are generally seen as something three years or further in the future. This can be things like debt elimination, retirement, college for kids, wedding expenses, automobile replacement, special vacations, paying off your home, starting a new business, charitable giving, etc. When Tammy and I give a wedding gift, we like to give a long-term investment like a mutual fund. A $250 mutual fund on a couple's wedding day can be worth a quarter million dollars when they retire! That's a whole lot better than buying them a blender.

What if you have a 401(k) with a company that goes broke? The money is still yours, because your 401(k) is not an asset of the company—it is yours. Another growing problem is that one in five people are now cashing out their 401(k) early. This results in major taxes and penalties and you typically end up with half of what you would have received. Never cash out your 401(k) early. It is one of the most foolish choices you can ever make.

The next chapter discusses how you could be a millionaire by making a few smart choices now and avoiding the stupid ones. It begins as young as possible. Beginning in your 20s, let's discuss college. There are four things you should never do when saving for college. Never save for college using insurance. Never save for college using savings bonds. Never save for college using zero coupon bonds. And never save for college using prepaid college tuition.

The whole concept of college is a controversial subject. Obviously there are numerous careers that you cannot achieve without it. The challenge is the absurdity of going into debt $80,000 through student loans before you even begin your career. Obviously things like grants and scholarships and keeping your GPA high helps. I am personally in favor of doing college now online or through a local community college which will save you thousands of dollars. Again I realize there are exceptions where you have to be in a class setting or hands on to achieve your degree. But I think the biggest mistake that many people make is that they think their diploma will be their ticket to a successful life. As we have discussed in the All Power Seminar 99% of college degrees give you a traditional job where you trade time for money, which is the worst way to ever get ahead in life. I think student loans are an absolute waste. It is far better to take a year or two off, build a business that provides residual income, and then use that money to pay for college. I know this goes against everything you've ever heard, but it will keep you from being in debt like everyone else as well.

The education IRA is the same thing as an ESA or education savings account. The ESA is basically buying a mutual fund that has the name ESA on it. You can contribute up to $2000 per child each year. You can have several ESA's but the total can only be $2000 a year contributed per child. The money will grow completely tax-free when it is used for higher education.

Then there are several 529 Plans. The first is prepaid college tuition. I encourage you to never do this. The rate of return is based on the inflation rate, which is around 6 or 7%. That's a horrible rate of return for a long-term investment. The other types of 529's allow you to invest up to $10,000 annually. The money is controlled by a company and they invest based on your child's age. The problem with this is you have no control over where they invest it. There is also a static plan, which is very similar in the way it operates.

Then there is the UTMA or "Uniform Transfer to Minors Act." This is also known as a UGMA. In this you've opened a mutual fund in your child's name, and you become the custodian of the money. At age 21 this money belongs to your child and is in their control. The UTMA will basically grow tax-free, but as your child gets older the fund starts to get taxed at a child's rate. Of all the investments this is my favorite. The reason is you have control, it grows tax-free, and there is a good rate of return. If you start while your child is young, by the time they reach age 18, you can have a small fortune. It is also a wonderful lesson as they grow up.

In the next chapter Dave Ramsey deals with the issue of stewardship. Dave is a devout Christian, as many of you know. He follows three principles. Save, spend, and give. Many people forget about the giving part. Dave then discusses the tithing issue as a Bible principle. I don't need to say a lot about this because, again, we teach it in the seminar. What most people miss in tithing are the three principles. First, if we don't return tithe we are stealing from God. That's very serious. Second, the Bible says God curses us if we don't return our tithes.  Many people wonder why their life is so hard.  Well, life is hard if you're under a curse.  That's really a very foolish choice.  The third reason is you also miss the abundant blessings of God being poured out on you that He promised.  Sometimes people ask if it is it okay to deduct   tithe on tax returns.  The answer is absolutely yes.  The Bible tells us to be good stewards of God's money, so take the deduction.  Why give it to the government when you could use it for God or your family?

Let's take a look now at insurance.  Insurance is very important to your financial health.  For example, life insurance.  I always encourage people to get term life, not whole life.  The term life needs to be about 10 times your salary.  Health insurance is mandatory.  Medical bills were the top listed reason when people filed for bankruptcy.  Health insurance is not cheap, but it can be affordable.  You may want to look into a health savings account sometimes known as an HSA.  This is basically an insurance plan with a tax-free saving account that allows you to save up for your deductible.  The premium is usually a lot lower than traditional insurance and the deductible is much higher.  For normal healthy families this is a good alternative.  One important rule no matter which plan you go with is, "low premiums equal high deductibles."  This is the way to go.

Let's take a moment and look at all the different kinds of insurance.  Health insurance—everyone should have.  Automobile insurance—this is required by law in most states, you have to have it.  Life insurance—I encourage everyone to have the term life insurance 10 times the amount of your current income.  Disability insurance is one that is often overlooked—however, I have seen many cases of people who have no income because they become disabled.  When you're over age 60, I recommend long-term care insurance.  Homeowners or renters insurance is mandatory.  Life insurance for your child—I do not recommend—I think it's a rip off.  It is better to get a $10,000 or $15,000 rider on your own policy.  For your home insurance—more and more companies are doing away with replacement cost insurance—I encourage you to shop around and make sure you are dealing with a company that will replace your home and everything in it.

In the next section Dave Ramsey deals with retirement and estate planning.  He brings up an interesting statistic here.  Do you know that the average American spends $32 a month playing the lottery?  If that $32 were invested in retirement over a working lifetime that same person would have $1 million in the bank!  Everyone knows they need to save for retirement and yet it is amazing how few people plan for this.  At a minimum, you need to save at least 15% of your income every month.

While you are thinking about retirement it is also good to look a little farther ahead and think about estate planning.  Estate planning isn't just for wealthy or rich people.  If you plan on dying, you need to plan on how you're going to pass on your stuff.  We all gather stuff along life's journey—some more than others. Whether you've had little or a lot you need to write it down and plan what to do with it.

It's never too late to start saving for retirement. Let’s say you are 40 years old now and you and your spouse fully fund a Roth IRA at $6000 a year. If you do that you will have about $1 million tax-free when you retire at age 65. Pretty simple isn't it? If you own your own business and are self-employed, you can use a SEPP. That is a Simplified Employee Pension Plan. With this you can save up to 15% of income each year and the money you save is tax deductible. The Roth IRA I believe should be your first investment plan. The reason is, it grows completely tax-free. If you save $1 million in a Roth IRA it is all yours. If you save the same amount in a 401K, you will have to pay about $250,000 in taxes. That's a big difference. You can save $3000 a year in a Roth IRA per person, or $6000 a year per married couple. There is only one thing better than this and that is companies who match your 401(k) investments. Some match only a few percentage points, others match 100%. This is totally free money to you and I always encourage you to take that first.

The question comes up, should I prepay for my funeral? The answer is no. Let's say you are 40 years old and you put $3000 in to prepay your funeral. The odds are that you will live to age 90. If you took that same $3000 and invested it for that amount of time in a simple mutual fund you have over $1 million when you die.

Let's take a moment now and also discuss your will. A will is simply a document by which you designate who will receive your property after death and many other important things such as who will handle your estate, who will be the guardian for your children, and who will be the beneficiary. I believe this is one of the most important things you can do. A recent survey found that 74% of Americans with children do not have a will. In the simplest terms that is plain stupid! Without a will the state decides who will raise your children after you die. The state decides what happens to your money. So, get a will done! I also encourage you not to do the will by yourself. Get a good attorney. Have him draw up a mirror will. That way if one of you dies the surviving spouse will get everything. Every state has different laws, that is why you need to get an attorney in your state.

I get a lot of questions about living trusts. In a nutshell, you create this trust during your lifetime where you retain control over your assets that are placed in a trust, but you no longer own them. There are some circumstances and individuals for whom a living trust is useful. It has some advantages. There are no tax advantages except that you can avoid probate tax depending on your state. Studies show that a living trust does not make sense economically unless you have assets over $400,000. You should also be aware that they require a lot of work. Again check with a qualified attorney in this area and be aware that many who recommend living trusts are more interested in generating fees than in objective estate planning. Just keep your eyes open.

In the next section of the book David deals with automobiles. He starts out with two great quotes. The first one is, "The worst car accidents happen on the show room floor." And the next one is, "I'm not against toys, just against toys eating your lunch. If you can't pay cash, you can't afford it."

People today have a love affair with their cars. Where else in the world can you find people who are flat broke living paycheck to paycheck with two vehicles in their driveway less than two years old? Only in North America! The average monthly car payment is $378. If you have only one car payment, you're shelling out almost $5000 in one year. Invest that $378 each month in a good growth stock mutual fund from age 25 to 65 and you would be worth more than $4.4 million! A one-time $25,000 investment sitting for 30 years in the same way will give you almost a half-million dollars! Cars drop over 40% in value in the first two years. What else could you invest in that could fall that fast? Leasing a vehicle is even worse. Even Consumer Reports says that leasing a vehicle is the biggest rip-off in America. But, if you always wanted to have payments and you want to live like all the normal people who are broke, then by all means lease a car.

You should only buy a new car if you are very rich. Most people should buy a used car that is at least two years old and pay cash for it. If you currently have car payments, and you can't pay it off in 18 months, then you need to sell the car and get rid of the debt. You have to remember that the most profitable thing for a car dealer is the financing contract. The second most profitable item is his repair shop. The third most profitable item is the extended warranty he offers you. And the fourth most profitable thing is the actual sale of the vehicle. Buying a used car avoids most of this. Also many sellers are anxious to sell because they have gotten themselves into a hole financially. You can often pick up a very good deal. You can walk away with a car that is like new, with only 30,000 miles on it, from one owner who took good care of it, at half the price of a new car. Now that makes sense! Avoid extended warranties. Eighty-seven percent of the cost of the warranty is in the dealer's favor. That means that 87% of what you think is covered in your warranty is not.

The final section is on real estate and mortgages. Real estate can be a major part of your wealth building if you do it right. I do not encourage people to purchase a home until they have an emergency fund of at least $25,000, and are debt-free. I also encourage people to never do more than a 15-year mortgage. I also strongly recommend putting down at least 20% in order to avoid the PMI.

There is a lot of controversy about whether or not you should pay off your home. For example, Dave Ramsey recommends paying it off as soon as you can. Robert Kawasaki teaches the opposite. I'm going to take a few minutes here to diverge from the book, and share some of my personal insights in this. I agree with Robert Kawasaki that your house is not an asset—it is a liability. Let's say you have a house that is worth $400,000 that is paid in full.  That is the same as having $400,000 sitting on the kitchen table doing nothing.  We call that a dead asset.  Your home equity is dead and not working for you.

Why not invest your home equity and have it make money for you?  Let me give you a couple examples.  You could get an interest-only mortgage.  Get the largest amount possible, for the longest time possible, at the lowest fixed rate possible.  Make sure the rate is fixed.  The purpose of this is to lower your income taxes.  Assume that your loan is for $300,000 at 6% interest.  That equals $18,000 per year.  $8000 of this is tax savings every year.  Do that for 30 years at 15% return compounded annually and you have $3.9 million saved.  Next, take the money you would have been paying on principle, which would be about $500 a month and invest that at 15% compounded.  This would give you an additional $3.5 million in 30 years.  Statistics show that homes double in value every 26 years so the appreciation on your home is another $300,000.  Now add it all up.  The total is $7.8 million.  At this point you pay off the $300,000 loan and you still have $7.5 million.  You can use this strategy whether your home is paid for or not.  You have lower monthly payments, you invest the difference from the lower payments, 100% of the monthly payment is tax deductible, property taxes are tax deductible, and inflation works in your favor.

A second strategy is to consider a home equity line of credit.  Generally a bank will give you a line of credit up to 80% of your home's value.  So take out the maximum loan and invest the money at a much higher interest rate.  From your investment returns, you pay the interest and leave the rest invested to keep compounding and supplementing your income.

I recommend that you purchase a book we carry at All Power Seminars titled, "80 Proven Ways to Become a Millionaire" by Paul Damazo. He has two chapters in this book on real estate and home mortgages.  These two chapters alone are worth the price of the book.  You can order the book online at our website www.allpowerseminar.com, or call our office at 888-811-5663.  Our Canadian friends may ask, will this book apply to us?  The answer is, about 95% of it will.  Some of the numbers may vary, but the principles work for Canadians in most cases.  This is the single best book I know of on the market today.  If you read it and apply it you cannot help but become wealthy.

Okay my friends, that's another book of the month!  I look forward to our phone call at the end of the month, where we can talk and share more about these things.  Till then, thank you so much for being a supporter of our ministry and part of our family.  May God bless you through this month and shine His favor upon you.

Leo