



### **Cash Flow Case Study**

Profile: Teacher/Coach and Floral Manager, mid-30's, Married with 1 child and expecting a second child

Income: \$94,000/year, combined

Assets: \$4,000 in savings account, \$12,000 IRA – no longer contributing

Debts: \$36,000 - \$1225/month

Home Value: \$427,000                      Current Mortgage: - \$246,000  
Current Payment: - \$3,057.00

Recommendation:

**Step 1:** Refinance taking cash out to eliminate “non-preferred” debt.

- Took \$63,000 cash out, used \$10,000 to build a cushion
- Used \$36,000 to payoff the “non-preferred” debt
- Set aside remaining \$17,000 to pay cash for a new vehicle in 4 months when auto lease expires

**Result:** New Mortgage  
1<sup>st</sup> Trust: \$321,000 - \$1,837/mo.

### **Cash Flow Impact (Step 1)**

	Old	New
Mortgage:	\$3,057	\$1,837
Debt Service:	\$1,225	\$ 0
Total:	\$4,252	\$1,837

**Savings** **\$2,415 (diff. in payment + tax benefit)**

Income: \$94,000/year or \$7,833/month \* .65 = \$5,091.67 Take Home Pay

**Savings: \$2,415/month or 47% of total take home pay!**

Time value of Money Invested at 5% Rate of Return

2 Years = \$4,840

4 Years = \$128,031

5 Years = \$164,235

8 Years = \$284,343

15 Years = \$645,503