



## Retirement Case Study

Profile: Professionals, late 40's. Married with 2 children ages 14, & 11.

Income: \$133,000/year, 33% tax bracket

Assets: \$70,000 in bank, \$228,000 IRA, \$50,000 stocks

Debts: \$31,000 revolving - \$1138/month

Home Value: \$350,000                      Current Mortgage: - \$135,000  
Current Payment: - \$1,552.00

Recommendation:

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

- Took \$140,000 cash out, used \$31,000 to eliminate “non-preferred” debt
- Established comprehensive financial plan after we coordinated a trusted, financial advisor
- Financial advisor shifted \$50,000 from bank account and remaining \$105,000 from refinance to investment account
- Financial advisor also rebalanced asset allocations

**Result:** New Mortgage  
1<sup>st</sup> Trust: \$280,000 - \$1,733/mo.

Current mortgage is a 15-year fixed at 5.5% with a payment of \$1,552/mo. Tax benefit is \$205/mo.

New 1<sup>st</sup> Trust mortgage payment is \$1,733/mo., which is \$181 more per month gross. After the tax benefit of the new mortgage, which is \$481/mo., the new, higher mortgage is

\$95/mo. less to have the additional liquidity, safety of principal, earn a rate of return, and maximize tax benefits.

**Cash Flow Impact (Step 1)**

	Old	New
Mortgage:	\$1,552	\$1,733
Debt Service:	\$1,138	\$ 0
Total:	\$2,690	\$1,733

Savings \$1,052 (diff. in payment + tax benefit)

Time value of Money Invested at 6% Rate of Return

2 Years = \$201,464

5 Years = \$282,470

10 Years = \$454,408

Result: In Year 5, client has more enough money in their liquid, safe, side account to satisfy the entire mortgage balance. Under their current, 15-year fixed mortgage, remaining balance in 5 years, would be \$89,795!

**Step 2:** Client is purchasing a condo at the beach as an investment vehicle, but most importantly, allows them to invest in their family by creating cherished memories.

Purchase Price - \$450,000

Mortgage 1<sup>st</sup> Trust - \$360,000

Mortgage Payment - \$1,658  
(incl. taxes/maintenance fee)

Client plans to rent the property 8 months out of the year. Based on collecting \$1900/month in rents, the property will cover the debt service for the entire year and allow them to use 4 months out of the year FREE! Not

only that, but the coastal property should appreciate to the tune of 10% annually, allowing them to harvest additional equity in a few years to acquire additional real estate.

**“How’s your Home Equity working for you locked up in your property?”**