



Accelerated Mortgage Payoff Additional Principal Payments - Part 2

Keep Your Dollars Working 24/7

Scenario Overview

- 375K Mortgage at 4.5% for 30 Years;
- \$6,946.68 deposited each month;
- \$6,447.85 in monthly expenses;
- \$498.83 left after bills are paid and;
- \$10K in savings.

30 Year \$375K Loan at 4.5%

- Over 30 years, payments will total \$684,025;
- Interest payments will total \$309,025;
- Additional payments shorten the loan's life and;
- Half of the loan will be paid in 19.75 years;

Loan Amortization

- We are charged interest daily;
- Additional payments enables us to avoid interest;
- Additional payments shorten the loan's life;
- The most interest is paid in the early months of the loan and;
- The faster the loan is paid, the faster you can grow savings.

Loan Amortization

Period	Interest Payment	Principal Payment	Principal Balance
Month 1	\$1,406.25	-\$493.82	\$374,506.18
Month 2	\$1,404.40	-\$495.67	\$374,010.51
Month 3	\$1,402.54	-\$497.53	\$373,512.98
Month 4	\$1,400.67	-\$499.40	\$373,013.58
Month 5	\$1,398.80	-\$501.27	\$372,512.31
Month 6	\$1,396.92	-\$503.15	\$372,009.16
Month 7	\$1,395.03	-\$505.04	\$371,504.13
Month 8	\$1,393.14	-\$506.93	\$370,997.20
Month 9	\$1,391.24	-\$508.83	\$370,488.37
Month 10	<u>\$1,389.33</u>	<u>-\$510.74</u>	\$369,977.63
Totals	\$13,978.33	-\$5,022.37	

If at the end of Month 1 . . .

A payment of \$6,428.62 is made . . .

- \$1,406 will be applied to interest;
- \$5,022 will be applied to principal;
- \$12,572 in interest has been avoided and;
- 9 payments have been skipped.

An extra \$12,572 . . .

- Can be invested to earn more than 4.5%;
- Can be used for your emergency fund;
- Can be used to save for college education;
- Can be used as a down payment for a vehicle;
- Can be used for an investment property.

In Our Scenario in Year 1 . . .

- After our bills are paid, we have \$498.83;
- We're using the line of credit to borrow \$12,995;
- The cost of borrowing \$12,995 is \$130;
- We're avoiding \$26,878 in interest;
- The loan has been shortened by 21 months.

Why just \$130?

- For lines of credit (LOC), banks use either the average daily balance or the daily interest charge;
- We're thinking smarter and keeping the balance low;
- Income is shifted to the LOC as a loan payment;
- Living expenses are scheduled to the end of the LOC's billing period;
- Timing minimizes the average daily balance (ADB). The lower the ADB, the less interest is paid.

Over 12 Months, would you . . .

- Spend \$130 to make \$20,537 in principal payments:
 1. paying an additional \$12,995 in principal;
 2. enabling you to pay off the loan 21 months earlier;
 3. saving \$26,878 in interest payments and;
 4. building a savings balance of \$14,045 . . .
- Or grow savings to \$21,132 earning \$354 in interest at 2%?

Choose the first option and . . .

- The mortgage will be paid off in 15 years;
- \$107,915 in interest payments will be avoided;
- Build \$86K in savings in 15 years before taxes and;
- Build \$1.1 million savings in 29 years!

Solution uses a \$15K Line of Credit at 5% interest.

Why This Works . .

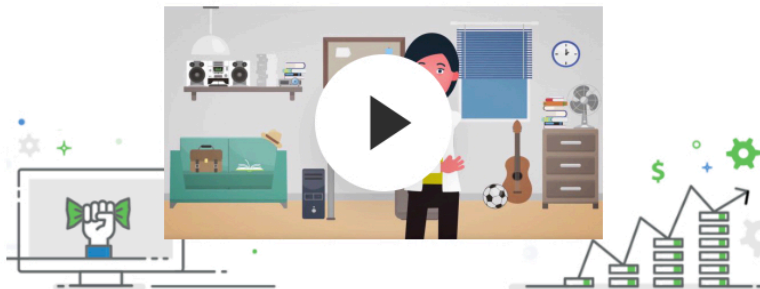
The loan is being refinanced at less than 3% interest!

- LOC is used to make additional loan payments;
- Income is being deposited in the LOC ASAP;
- Expenses are paid at the end of the billing period;
- This dramatically lowers the average daily balance;
- The interest paid on the LOC is \$130 for the year

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Thank You!