



# Accelerated Mortgage Payoff- Part 3 Average Daily Balance

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;

# Average Daily Balance

- Used to pay us and to charge us interest;
- We're not taught its implications on managing cash;
- Sum of each day's balance divided by days in the month;
- Goal is to optimize the average daily balance and;
- Deposit money early & pay expenses at the end;

# Let's Start with a Savings Account

Billing		Average			
Cycle	Checking Account	Deposit	Expense	Balance	Daily Balance
1	Income & Mortgage	\$1,593.34	\$1,900.07	\$192.10	\$192.10
2				192.10	192.10
3				192.10	192.10
4				192.10	192.10
5	2nd Income	1,880.00		2,072.10	568.10
6				2,072.10	818.77
7				2,072.10	997.81
8				2,072.10	1,132.10
9				2,072.10	1,236.54
10				2,072.10	1,320.10
11				2,072.10	1,388.46
12				2,072.10	1,445.43
13				2,072.10	1,493.64
14				2,072.10	1,534.96
15	1st Income	1,593.34		3,665.44	1,676.99
16				3,665.44	1,801.27
20	2nd Deposit / Expenses	1,880.00	4,547.78	997.66	2,040.71
21				997.66	1,991.04
28				997.66	1,742.70
29				997.66	1,717.01
30				997.66	<b>1,693.03</b>
<b>Totals</b>		6,946.68	6,447.85		

**Average Daily Balance**

<b>2.00%</b>	Interest Rate		<b>Interest</b>	<b>\$2.82</b>
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# All Expenses are Paid on the 30th

Billing Cycle	Deposit	Expense	Balance	Average Daily Balance
1	Income	\$1,593.34	\$2,092.17	\$2,092.17
2			2,092.17	2,092.17
3			2,092.17	2,092.17
4			2,092.17	2,092.17
5	2nd Income	1,880.00	3,972.17	2,468.17
6			3,972.17	2,718.84
7			3,972.17	2,897.88
8			3,972.17	3,032.17
9			3,972.17	3,136.61
10			3,972.17	3,220.17
11			3,972.17	3,288.53
12			3,972.17	3,345.50
13			3,972.17	3,393.71
14			3,972.17	3,435.03
15		1,593.34	5,565.51	3,577.06
16			5,565.51	3,701.34
20		1,880.00	7,445.51	4,168.17
21			7,445.51	4,324.24
28			7,445.51	5,104.55
29			7,445.51	5,185.28
30	<b>Expenses &amp; Mortgage</b>	<b>6,447.85</b>	997.66	<b>5,045.69</b>
	<b>Totals</b>	6,946.68	6,447.85	

**Average Daily Balance**

<b>2.00% Interest Rate &amp; Earnings</b>	<b>\$8.41</b>
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**198% Greater!**



# Implications

- The greater the average daily balance the better;
- The percent difference is big but dollars are small;
- When managing debt, the dollar difference is big;
- With debt, the goal is to minimize the ADB and;
- Provides us a unique opportunity.

# Traditional Use of a Line of Credit

Billing Cycle	Loan	Withdrawal	Balance	Average Daily Balance
1	Withdrawal	\$2,519.07	\$ (2,519.07)	\$ (2,519.07)
2			(2,519.07)	(2,519.07)
3			(2,519.07)	(2,519.07)
4			(2,519.07)	(2,519.07)
5			(2,519.07)	(2,519.07)
6			(2,519.07)	(2,519.07)
7			(2,519.07)	(2,519.07)
8			(2,519.07)	(2,519.07)
9			(2,519.07)	(2,519.07)
10			(2,519.07)	(2,519.07)
11			(2,519.07)	(2,519.07)
12			(2,519.07)	(2,519.07)
13			(2,519.07)	(2,519.07)
14			(2,519.07)	(2,519.07)
15		-	(2,519.07)	(2,519.07)
16			(2,519.07)	(2,519.07)
20			(2,519.07)	(2,519.07)
21			(2,519.07)	(2,519.07)
28			(2,519.07)	(2,519.07)
29			(2,519.07)	(2,519.07)
30			(2,519.07)	<b>(2,519.07)</b>
		-	2,519.07	
<b>5.00% Interest Rate &amp; Interest Paid</b>				<b>\$ (10.50)</b>

**1 Withdrawal**

**No other activity**

**Average Daily Balance**





# Manage Cash - 1st Savings Scenario

Billing Cycle		Loan	Withdrawal	Balance	Average Daily Balance	
1	Income & Withdrawal	\$1,593.34	\$4,419.14	\$(2,825.80)	\$(2,825.80)	<b>Mortgage + \$2,519.07</b>
2				(2,825.80)	(2,825.80)	
3				(2,825.80)	(2,825.80)	
4				(2,825.80)	(2,825.80)	
5	2nd Income	1,880.00		(945.80)	(2,449.80)	<b>Income Deposited</b>
6				(945.80)	(2,199.13)	
7				(945.80)	(2,020.09)	
8				(945.80)	(1,885.80)	
9				(945.80)	(1,781.36)	
10				(945.80)	(1,697.80)	<b>Expenses Paid</b>
11				(945.80)	(1,629.44)	
12				(945.80)	(1,572.47)	
13				(945.80)	(1,524.26)	
14				(945.80)	(1,482.94)	
15	Income	1,593.34		647.54	(1,340.91)	
16				647.54	(1,216.63)	
20	2nd Deposit / Expenses	1,880.00	4,547.78	(2,020.24)	(977.19)	
21				(2,020.24)	(1,026.86)	
28				(2,020.24)	(1,275.20)	
29				(2,020.24)	(1,300.89)	<b>Average Daily Balance</b>
30				(2,020.24)	<b>(1,324.87)</b>	
		6,946.68	8,966.92			
5.00% Interest Rate & Interest Paid					<b>\$ (5.52)</b>	



# Manage Cash Using Savings Scenario 2

Billing Cycle		Loan Payment	Withdrawal	Balance	Average Daily Balance	Checking Account	Average Daily Balance
1	Income & Withdrawal	\$1,593.34	<b>\$2,519.07</b>	\$ (925.73)	\$ (925.73)		
2				(925.73)	(925.73)		-
3				(925.73)	(925.73)		-
4				(925.73)	(925.73)		-
5	2nd Income	1,880.00		-	(740.58)	954.27	190.85
6				-	(617.15)	954.27	318.09
7				-	(528.99)	954.27	408.97
8				-	(462.87)	954.27	477.14
9				-	(411.44)	954.27	530.15
10				-	(370.29)	954.27	572.56
11				-	(336.63)	954.27	607.26
12				-	(308.58)	954.27	636.18
13				-	(284.84)	954.27	660.65
14				-	(264.49)	954.27	681.62
15	Income	1,593.34		-	(246.86)	2,547.61	806.02
16				-	(231.43)	2,547.61	914.87
20	2nd Deposit	1,880.00		-	(185.15)	4,427.61	1,335.42
21				-	(176.33)	4,427.61	1,482.67
28				-	(132.25)	4,427.61	2,218.90
29				-	(127.69)	4,427.61	2,295.06
30	Expenses		6,447.85	(2,020.24)	<b>(190.77)</b>	-	<b>2,218.56</b>
		6,946.68	8,966.92				
5.00% Interest Rate & Interest Cost					<b>\$ (0.79)</b>		<b>\$ 3.70</b>

**ADB**

**92.4% Less!**



# Allow for Mortgage Payment on the 15th

Billing Cycle		Loan	Withdrawal	Balance	Average Daily Balance	Checking Account	Average Daily Balance
1	Income & Withdrawal	\$1,593.34	\$2,519.07	\$ (925.73)	\$ (925.73)		
2				(925.73)	(925.73)		-
3				(925.73)	(925.73)		-
4				(925.73)	(925.73)		-
5	2nd Income	1,880.00		-	(740.58)	954.27	190.85
6				-	(617.15)	954.27	318.09
7				-	(528.99)	954.27	408.97
8				-	(462.87)	954.27	477.14
9				-	(411.44)	954.27	530.15
10				-	(370.29)	954.27	572.56
11				-	(336.63)	954.27	607.26
12				-	(308.58)	954.27	636.18
13				-	(284.84)	954.27	660.65
14				-	(264.49)	954.27	681.62
15	Income	1,593.34	<b>1,900.07</b>	-	(246.86)	647.54	679.35
16				-	(231.43)	647.54	677.36
20	2nd Deposit	1,880.00		-	(185.15)	2,527.54	765.40
21				-	(176.33)	2,527.54	849.31
28				-	(132.25)	2,527.54	1,268.87
29				-	(127.69)	2,527.54	1,312.27
30	Expenses		4,547.78	(2,020.24)	<b>(190.77)</b>		<b>1,268.53</b>
		\$6,946.68	\$8,966.92				
5.00% Interest Rate & Interest Paid					<b>\$ (0.79)</b>		<b>\$2.11</b>



# Our Opportunity

Withdrawing the \$2,519 costs us just \$.79;

- Applying it to our mortgage saves us \$6,545;
- Using our income reduced our LOC cost by 92.4%;
- We're using income to refinance debt;
- One caution - know your LOC's billing cycle.

# The Interest Rate Doesn't Matter!

At 5 percent our cost is just \$.79;

- At 10% our cost will be \$1.59;
- At 15% our interest cost increases to \$2.38;
- At 20% our interest cost increases to \$3.18!
- A low average daily balance of \$190.77 is the key.

# 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 . . .

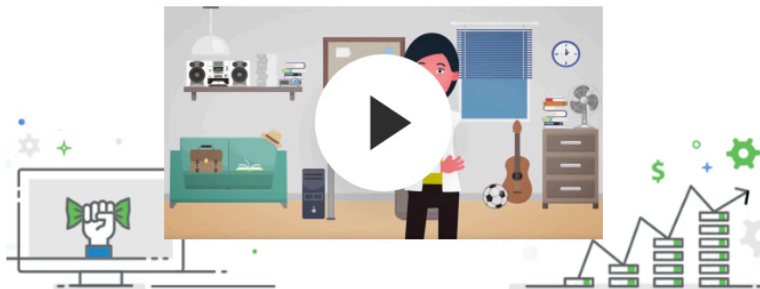
- The mortgage will be paid off in 15 years;
- \$107,915 in interest payments will be avoided;
- Build \$86K in savings in 15 years before taxes and;
- Build \$1.1 million savings in 29 years!

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

Regain financial  
freedom.

Save thousands of dollars  
in interest by putting your  
income to work.

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**Thank You!**