Making Your Home Debt Free: A Mortgage Acceleration Review

Do you know the REAL cost of buying your home?

Prepared for:

Brought to you by:

MRW FINANCIAL BROKERAGE

Life Insurance, Annuities and Long-Term Care

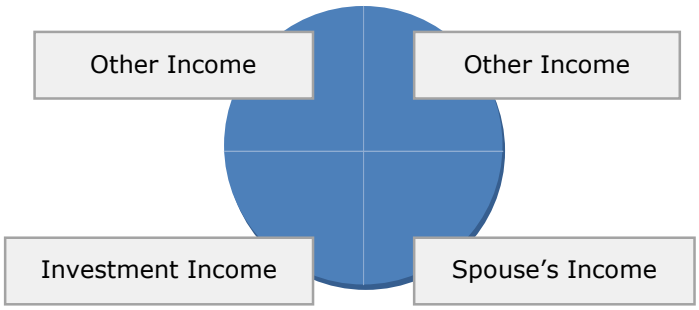
Table of Contents **Page**

Your Earning Power

Your earning power – *your ability to earn an income* – is your most valuable asset.

Few people realize that a 30-year-old couple will earn 3.5 million dollars by age 65 if their total family income averages $100,000 for their entire careers, without any raises.

Earning Power:



How Much Will You Earn in a Lifetime?

Years to Age 65	Your Future Earning Power If Your Family Income Averages:			
	$50,000	$100,000	$250,000	$500,000
40	$2,000,000	$4,000,000	$10,000,000	$20,000,000
35	1,750,000	3,500,000	8,750,000	17,500,000
30	1,500,000	3,000,000	7,500,000	15,000,000
25	1,250,000	2,500,000	6,250,000	12,500,000
20	1,000,000	2,000,000	5,000,000	10,000,000
15	750,000	1,500,000	3,750,000	7,500,000
10	500,000	1,000,000	2,500,000	5,000,000
5	250,000	500,000	1,250,000	2,500,000

The question is, how much of your earning power will be spent on mortgage interest?

The Real Cost of Buying Your Home

Do You Know the REAL Cost of Buying Your Home?

	Principal	Interest	Total Cost
$100,000 30-Year Mortgage 6% Interest Rate	**$100,000**	**$115,838**	**$215,838**
$100,000 30-Year Mortgage 5% Interest Rate	**$100,000**	**$93,256**	**$193,256**
$100,000 30-Year Mortgage 4% Interest Rate	**$100,000**	**$71,868**	**$171,868**

The Interest "Monster" in Your Mortgage

The Interest "Monster" in Your Mortgage Is Substantial!

How Much Could You Save by Paying Your Mortgage Off 10 Years Early?

For Each $100,000 of Home Mortgage

Interest Rate	Principal	Total Cost if Paid in 30 Years	Total Cost if Paid in 20 Years	Savings
6%	$100,000	$215,838	$171,944	**$43,894**
5.5%	$100,000	$204,403	$165,092	**$39,311**
5%	$100,000	$193,256	$158,389	**$34,867**
4.5%	$100,000	$182,405	$151,836	**$30,569**
4%	$100,000	$171,868	$145,435	**$26,433**

It may make economic sense to pay your mortgage off early.

In considering this option, however, keep in mind that interest paid on the mortgage for your principle residence is deductible for federal income tax purposes and for some state income taxes.

Potential Mortgage Acceleration Plan Solution

Without a mortgage, very few of us could afford to purchase our own homes. With a mortgage, however, we can enjoy all the pleasures of home ownership, while paying for our homes over a number of years.

BUT, a mortgage costs a lot of money...adding thousands of dollars in interest charges to the cost of your home over the term of the mortgage.

With a Mortgage Acceleration Plan, you may be able to:

- Save thousands of dollars in interest costs.
- Achieve full ownership of your home in fewer years.
- When the mortgage is fully paid, create an investment opportunity with the funds that would have otherwise gone to pay mortgage interest.
- Enjoy sooner the satisfaction of owning your home outright.

Make Extra Payments Directly to Your Mortgage Company

Mortgage Acceleration Plan Option 1:

Make Extra Payments Directly to Your Mortgage Company

You can pay your mortgage off early by making one extra mortgage payment each year and specifying that it be applied to principal.

For budgeting purposes, you may find it easier to achieve the same results by making 26 bi-weekly mortgage payments per year, instead of the usual 12 monthly payments, if your mortgage company will accept bi-weekly payments.

Features of this option that you should evaluate include:

- There may be one time and/or monthly fees associated with a bi-weekly mortgage payment plan.
- If you have an emergency or opportunity, you can only recover the extra funds paid to the mortgage company by selling your home, refinancing or taking out a second mortgage.
- Once the extra payments are applied to principal, they cannot be applied to current mortgage payments if you suffer a financial setback.
- The funds needed to complete your mortgage acceleration plan may not be available if you die or become disabled prior to paying off your mortgage.

Use Life Insurance Values to Pay Your Mortgage Off Early

Mortgage Acceleration Plan Option 2:

Use Life Insurance Values to Pay Your Mortgage Off Early

Instead of making extra payments to your mortgage company, consider purchasing a cash value life insurance policy.

You own and maintain total control of the life insurance policy. **Assuming required premiums are paid when due**, here are features you should consider:

- If you die before your mortgage is fully paid, the policy's death benefit can be used by your family to pay off the mortgage, assuming sufficient life insurance is in force at your death.
- Alternatively, the policy's cash value may be sufficient in the future to retire your mortgage early, through a policy loan, withdrawal or policy surrender.*
- If not used to pay your mortgage off early, you have the flexibility to borrow or withdraw funds from the policy's cash value in the event of an emergency, business opportunity or for other needs, such as college education funding or retirement.*
- If you become disabled and the policy has the waiver of premium benefit, the policy remains in effect as though you were paying the premiums.
- The policy's cash value accumulates tax deferred.

** Withdrawals and loans will reduce the policy's death benefit and cash value available for use. Policy surrender will result in the loss of life insurance protection. Any policy guarantees are subject to the claims-paying ability of the issuing insurance company.*

Mortgage Acceleration Plan Action Checklist

The Analysis…

- ☐ Decide how many years early you would like to pay off your mortgage.
- ☐ Determine the mortgage balance for the year in which you wish to pay off your mortgage.

To Implement a Life Insurance Plan…

- ☐ Select the type of cash value life insurance policy you wish to purchase. Before purchasing a variable life insurance policy, carefully review the contract and underlying fund prospectuses, which contain information relating to investment objectives, risks, charges and expenses.
- ☐ Design the life insurance policy such that it will produce sufficient cash value to retire your mortgage in the desired year or pay off your mortgage if you die prematurely, assuming required premiums are paid when due.
- ☐ Establish insurability.
- ☐ Arrange for payment of premiums.

You Can Manage Your Finances…

It's by managing your finances that you write the story of your life. You are both the author and the story's principal character. Resolve to perform what you ought.

-- Benjamin Franklin

Important Information

The information, general principles and conclusions presented in this report are subject to local, state and federal laws and regulations, court cases and any revisions of same. While every care has been taken in the preparation of this report, VSA, L.P. is not engaged in providing legal, accounting, financial or other professional services. This report should not be used as a substitute for the professional advice of an attorney, accountant, or other qualified professional.

Life insurance contracts contain exclusions, limitations, reductions of benefits and terms for keeping them in force. All contract guarantees are based on the claims-paying ability of the issuing insurance company. Consult with your licensed financial representative on how specific life insurance contracts may work for you in your particular situation. Your licensed financial representative will also provide you with costs and complete details about specific life insurance contracts recommended to meet your specific needs and financial objectives.

Before purchasing a variable life insurance policy, carefully consider the contract and the underlying funds' investment objectives, risks, charges and expenses. Both the contract prospectus and the underlying fund prospectuses contain information relating to investment objectives, risks, charges and expenses, as well as other important information. The prospectuses are available from your licensed financial representative or the insurance company. You should read them carefully before purchasing a variable life insurance policy.

U.S. Treasury Circular 230 may require us to advise you that "any tax information provided in this document is not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding penalties that may be imposed on the taxpayer. The tax information was written to support the promotion or marketing of the transaction(s) or matter(s) addressed and you should seek advice based on your particular circumstances from an independent tax advisor."