Cash Flow Maximizer

A Simple, Powerful Way To Cut Your Debt… in a Fraction Of The Time

Published by: The National Institute Of Certified College Planners

Copyright © 2013 by National Institute of Certified College Planning

All rights reserved. Printed in the United States of America. No part of this book may be reproduced in any form, by Photostat, Microfilm, Xerography, or any other means, or incorporated into any informational retrieval system, mechanical or electronic, without the written permission of:

The National Institute Of Certified College Planners
121 N. Main Street
Plentywood, MT 59254

Care and diligence have been taken in preparing the data contained herein; however, neither the authors nor the publisher guarantees its accuracy.

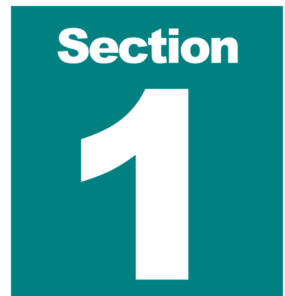
FIRST EDITION

ISBN 0-9725505-9-7

Table Of Contents

SECTION 1: Introduction	3
SECTION 2: The Cash Flow Maximizer Strategy	5
The Cash Flow Maximizer Concept	6
The Line Of Credit (LOC)	7
How The Cash Flow Maximizer Strategy Works	8
SECTION 3: The Conventional Method Of Paying Off Debt	9
SECTION 4: The Cash Flow Maximizer Strategy – A Step-By-Step Blueprint	10
Step 1: Determining If You Have Excess Cash Flow	10
Step 2: Determining The Amount Of Excess Cash Flow	12
Step 3: Determining The Amount Of Your Line Of Credit	14
Step 4: Obtaining Your Line Of Credit	15
Step 5: Implementing The Cash Flow Maximizer Strategy – Month1	17
Step 6: Implementing The Cash Flow Maximizer Strategy – Month 2-11	18
Step 7: Implementing The Cash Flow Maximizer Strategy – Month12	19
Step 8: Implementing The Cash Flow Maximizer Strategy – Month13	20
SECTION 5: The Power Of The Cash Flow Maximizer Strategy	21
Results In Year 1	21
Results From Year 2 – Year 13	22
Using The Cash Flow Maximizer Strategy To Build Wealth	23
SECTION 6: Making The Cash Flow Maximizer Strategy Work	24
SECTION 7: Conclusion	26
APPENDIX A – The Cash Flow Maximizer Worksheet	27
APPENDIX B – Creative Borrowing Strategies	29
Case 1: The Desperate Housewife	30
Case 2: The 401k Condo	31
Case 3: My Own Dorm	32
Case 4: My Own Bank	33
Case 5: Detroit Real Estate Tycoon	34
Case 6: Incentive Stock Options Turned Gold	35

© 2013 National Institute of Certified College Planners. All Rights Reserved



Introduction

With the economy going down the tubes, banks failing left and right, and a major threat of recession is creating panic around the globe. Worse yet, the financial markets are falling apart, the stock market has seen an all-time low, and many investments and retirement plans have been cut in half. Maybe this has even happened to you!

As a result, many people today are hunkering down and tightening their belts. Everyone seems to be cutting back on their spending and reducing their expenses.

- Are you looking for a way to cut costs during these difficult economic times?
- Have your investments or retirement plan taken a beating in the market and you don't know where to put your money?

If so, there's one sure-fire way that you can cut costs, and at the same time get a guaranteed 6%-20% rate of return on your money – pay off your outstanding debt and the ridiculously high finance charges that go along with that debt.

Are you aware of how much your debt really costs you? Let's take a closer look:

Example: The Smith's just recently refinanced their home to take out money to purchase a new car. Their brand new mortgage was $316,500 at a fixed rate of 6.5% for 30 years. Below is a sample of their Truth-In-Lending Disclosure Statement that comes with every mortgage.

Loan Number: 0052789478

FEDERAL TRUTH-IN-LENDING DISCLOSURE STATEMENT
(Real Estate)

Lender (Creditor)
Option One Mortgage Co.
2600 Corporate Exchange Drive
City, State, 45000

Loan Type: Conventional

Borrower(s) Name(s)
John Doe
Salle Doe

Address
10105 State Street
City, State, 52000

ANNUAL PERCENTAGE RATE	FINANCE CHARGE	AMOUNT FINANCED	TOTAL OF PAYMENTS
The cost of your credit as a yearly rate	The dollar amount the credit will cost you	The amount of credit provided to your or on your behalf	The amount you will have paid after you made all payments as scheduled
6.500%	**$403,678**	**$316,500**	**$720,178**

© 2013 National Institute of Certified College Planners. All Rights Reserved

Over the next 30 years the Smiths will pay $403,678 in total finance charges for that mortgage, effectively paying for their home more than 2 times ($720,178 / $316,500)!

If the Smith's could afford to make extra payments on their mortgage they could dramatically reduce the amount they end up paying for their home. Yet most people feel that they can't afford to make extra payments toward their debt. They need all the money they can get.

However, that's not true! You can have your cake and eat it too. You can pay off your debt fast and you can do it with very little change in your current spending habits or financial lifestyle!!

How?

Up until now you had to pay up to $3,500 for the privilege of purchasing a system and software that would allow you to pay off your debt in a fraction of the time, with very little change in your current spending habits or financial lifestyle.

© 2013 National Institute of Certified College Planners. All Rights Reserved

Section 2

The Cash Flow Maximizer Strategy

The Cash Flow Maximizer system is somewhat similar to a bi-weekly monthly payment program, but it works much better. It is a very simple process that only requires a simple calculator and some administrative work. As a result, you can use this Cash Flow Maximizer system to pay off your mortgage and any other debt in a fraction of the time, while dramatically reducing your interest expense and increasing your credit rating (FICO score) at the same time.

Furthermore, if you are an entrepreneur, you can even use this Cash Flow Maximizer system to show your clients and prospects how to payoff any major debt in half the time, generate a client for life, and also get a ton of referrals.

This Cash Flow Maximizer Excel program and step-by-step procedure guide can help you:

- Pay off your mortgage in a fraction of the time and save $100,000 to $1 million in interest expenses
- Dramatically improve your credit score and eliminate your credit card debt in as little as a few months
- Pay off your student loans in record time and save as much as two full years of tuition cost
- Own your business equipment or farm land free and clear in just a few short years
- Dramatically improve your credit rating and cash flow in order to purchase more investment property or foreclosures

You can use the Cash Flow Maximizer system to easily slash the interest costs you pay on any debt. You can virtually become completely debt free in record time with little or no financial impact on your day-to-day spending habits.

© 2013 National Institute of Certified College Planners. All Rights Reserved

The Cash Flow Maximizer Concept

Most families use their checking account to deposit their income and pay their monthly expenses. At the end of the month, any money that the family has left over is either left in their checking account, or transferred into a savings account.

Most Americans carry a monthly checking account balance from $1,000 to $10,000. Some families carry balances of as much as $50,000 to $100,000, and more. However, this excess money sits in those checking and savings accounts earning very little money. Most have a rate of return of… **0%**!

This traditional method of handling money can be very costly if the family builds up significant balances in their checking and savings accounts, while at the same time carrying substantial balances on their mortgage and credit cards with finance charges ranging from 6% to 20%, and more!

Think of it this way; why would you keep money in a checking or savings account that earns you a rate of return of **0%**, when you can use that money to get a guaranteed rate of return of **6%-20%** or more by paying off your mortgage or credit cards and avoiding the high finance charges?

The answer is simple. The reason most families keep large balances in their personal checking accounts is to create a financial reserve in case of emergencies. However, the Cash Flow Maximizer concept allows you to do both:

1. Keep a financial reserve in case of emergencies, and
2. Use the excess money in your checking or savings account to reduce debt

How can this be done? It's done by the creative use of a bank "*Line Of Credit*".

© 2013 National Institute of Certified College Planners. All Rights Reserved

The Line Of Credit (LOC)

All loans work on the declining balance method. This means that as payments are made, the finance charges (interest) is taken out, and the balance of the payment is applied against the remaining principal of the loan. It's the gradual reduction of this principal that reduces your debt to zero.

Conventional mortgages, business loans, and student loans are all "closed-end" loan vehicles; meaning there is a set period of time in which you make standard payments. This is called an amortization schedule. Once payments are made over that time period, the loan is then paid off.

An "open-end" Line Of Credit (LOC) is similar to a revolving line of credit (credit card). A borrower goes to a bank (lender) and establishes a "line of credit." This line of credit can be a secured line of credit (home equity line of credit), or an unsecured line of credit.

The LOC also has a feature that other loans vehicles do not have: the borrower has the flexibility to use any amount of the line of credit when they need it, and only pay finance charges on the amount they use.

In other words, the borrower can take out a $25,000 LOC, keep $13,000 as a "reserve" that they can use anytime for emergencies, and only pay finance charges on the $12,000 that they used.

Furthermore, some banks allow you to deposit money into (such as your paycheck) and write checks out of (to pay your bills) these open-end loan vehicles. In essence, this LOC account becomes your checking account.

Therefore, depending on the timing of these deposits and check payments, and the excess money you carry in the LOC account; the average daily balance (and the interest you pay on that balance) can be greatly reduced over time. Since the monthly interest payment due on a LOC is based on the outstanding balance, there are no monthly finance charges due if the LOC has a zero balance.

The fundamental strategy involving the Cash Flow Maximizer process is to get you to use your idle cash to work more efficiently for you. To do this you simply shift the balance of your excess cash from a low return bank account to reduce the interest expense (finance charges) of your higher cost mortgage or other debt account.

Below is a chart explaining how the simple Cash Flow Maximizer process works:

© 2013 National Institute of Certified College Planners. All Rights Reserved

HOW THE CASH FLOW MAXIMIZER STRATEGY WORKS

1. The excess money you carry in your checking or savings account does not work very efficient when it earns little or no interest or rate of return.
2. If you used that idle, or excess, money to pay down your mortgage or credit cards, it would be the same as getting a 6%-20% rate of return on that money.
3. Most people feel comfortable carrying a cash reserve for emergencies, even if it earns 0%.
4. If you could use your mortgage as your checking account that you could deposit money into and write checks from, any excess money would gradually reduce your debt and the finance charges you pay on your mortgage.
5. You can't do this with your closed-end mortgage, so you use an "open end" LOC account that functions as your primary checking account. Then you begin the process by advancing a pre-determined lump-sum from the LOC account and applying it to your mortgage account.
6. At the same time you continue to make your normal monthly mortgage payments.
7. Together, these payments dramatically reduce the mortgage balance you owe and thus, the finance charges you pay.
8. Then you continue to use the LOC account as your checking account to deposit money and write checks, while also providing you with an available cash reserve for emergencies.
9. Any excess money (deposits minus checks) that you carry in the LOC account will gradually reduce the LOC balance you owe to $0.
10. Then you repeat this entire process over and over until your debt is paid free and clear.

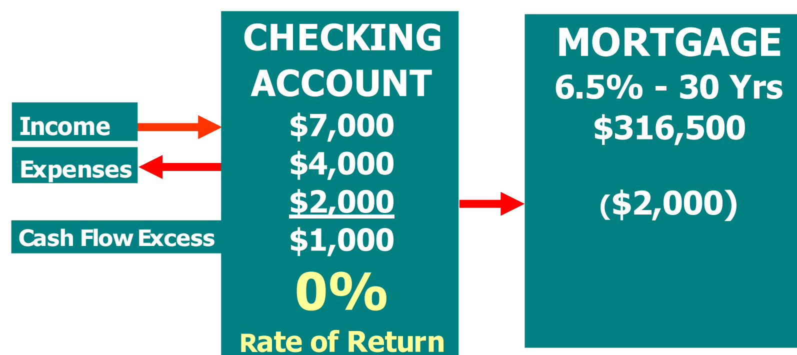
Example: Each month John receives a $7,000 paycheck and writes $6,000 in checks to cover his bills, including his mortgage. His monthly excess cash flow is $1,000. So John takes out an LOC of $25,000, keeps $13,000 in his LOC account for emergency reserves, and sends the other $12,000 to his mortgage company, in addition to his normal mortgage payment. John now deposits his paycheck into the LOC and writes checks from the LOC to cover his bills. Each month the extra $1,000 reduces his LOC balance by $1,000 and at the end of 12 months the balance is $0. John then repeats this entire process until his mortgage is completely paid off.

Note: The larger the dollar amount of your excess cash flow, the faster you can transfer lump sums to pay off your mortgage and reduce your LOC balance. This is how you can <u>use debt to pay off debt</u> and make it work to your advantage. For example, if your excess cash flow is large enough, it's feasible that you could end up using a 10% Line Of Credit to pay off a 6% mortgage and still cut years off your loan.

© 2013 National Institute of Certified College Planners. All Rights Reserved

Section 3

The Conventional Method Of Paying Off Debt



The conventional method that virtually everyone uses to pay their bills is to deposit their paycheck into their checking account and pay their expenses, including their mortgage, credit cards, and other debt from the same checking account.

Since your mortgage is most likely the largest debt that you carry, the following example demonstrates the conventional method of paying your debt:

> **Example:** Assume you have a $316,500 mortgage at a fixed rate of 6.5% for 30 years. The monthly payment is $2,000.
>
> Let's say each month you receive a paycheck of $7,000, your monthly mortgage payment is $2,000, and your other bills total $4,000. Each month you deposit your $7,000 paycheck into your checking account, and write $6,000 in checks to cover all your bills, including the $2,000 mortgage payment.
>
> At the end of each month you have excess cash of $1,000 laying in your checking account that earns you a rate of return of 0%.

This is how most Americans pay their bills, their mortgage, and other debt. But there's a better and more efficient way to pay off your debt.

© 2013 National Institute of Certified College Planners. All Rights Reserved

Section
4

The Cash Flow Maximizer Strategy – A Step-By-Step Blueprint

The following is a step-by-step explanation on how the Cash Flow Maximizer process works, and how you can make this extraordinary concept work for you.

Step 1: Determine if you have excess (positive) cash flow in your checking account

The first thing you need to do is answer the question below and fill in the amount:

> How much income do you feel that you can contribute to reducing your debt each month? $____________

Everyone has a vague idea of how much extra income they have each month that they could, without changing their current spending habits. This will establish a beginning point in determining your positive cash flow.

> *Note: If you do not feel you have any extra income that you can contribute each month, then STOP HERE. The Cash Flow Maximizer process will most likely not work for you.*

After you complete the above exercise, you now need to drill down into your checking account to get a better feel as to whether or not you have a monthly positive cash flow. To do this you need to get the last 12 months of your checking account statements and record the dollar amount of each month's beginning balance, deposits, withdrawals, and ending balance **in the table below**. If the "Ending Balance" shows a continuous excess (positive) cash flow going through your checking account, then you can proceed to the next step.

© 2013 National Institute of Certified College Planners. All Rights Reserved

CHECKING ACCOUNT

Month	Beginning Balance	Deposits	Withdrawals	Ending Balance
1.	$	$	$	$
2.	$	$	$	$
3.	$	$	$	$
4.	$	$	$	$
5.	$	$	$	$
6.	$	$	$	$
7.	$	$	$	$
8.	$	$	$	$
9.	$	$	$	$
10.	$	$	$	$
11.	$	$	$	$
12.	$	$	$	$

© 2013 National Institute of Certified College Planners. All Rights Reserved

Step 2: Determine the amount of monthly excess (positive) cash flow you have

In order to determine the dollar amount of your monthly positive cash flow, you need to enter the ending balance of the last 12 months of your checking account statements (from the table in STEP 1) **into the table below.** Then subtract each month's ending balance from the previous month's ending balance and enter each month's increase (or decrease) into the table below.

CHECKING ACCOUNT

Month	Ending Balance	Monthly Increase / Decrease
1.	$	xxxxxxxxxxxxxxxxxxxxxxxxx
2.	$	$
3.	$	$
4.	$	$
5.	$	$
6.	$	$
7.	$	$
8.	$	$
9.	$	$
10.	$	$
11.	$	$
12.	$	$
TOTAL	xxxxxxxxxxxxxx	$

Once you have entered each month's increase (or decrease) into the table above, you then need to add the 11 month's increases (or decreases) and arrive at a total. Then divide that total by 11 months (Total / 11) to arrive at an estimated monthly excess (positive) cash flow you have in your checking account.

Enter that result here: $_____________

Now go to STEP 1 where you are asked the question: How much income do you feel that you can contribute to reducing your debt each month?

Enter that result here: $_____________

Compare the two dollar amounts and make a determination as to the average dollar amount of excess cash flow that you are willing to contribute to reducing debt each month and enter the dollar amount below:

© 2013 National Institute of Certified College Planners. All Rights Reserved

Estimated Excess Monthly Cash Flow $____________

Note: If your actual excess monthly cash is less than your estimated excess monthly cash flow, then it will take you longer to pay down the balance of your LOC. If your actual excess monthly cash is greater than your estimated excess monthly cash flow, then you will be able to pay down your LOC much faster.

© 2013 National Institute of Certified College Planners. All Rights Reserved

Step 3: Determine the amount of the bank Line Of Credit (LOC) that you will need to make the Cash Flow Maximizer strategy work for you

Step 3 of the Cash Flow Maximizer process is to determine the amount of the bank Line Of Credit (LOC) that you will need.

1. Use the dollar amount of your **Estimated Excess Monthly Cash Flow** in Step 2 and multiply that number times 12 (ex. $1,000 x 12 = $12,000). This will be the dollar amount that you send once each year to your mortgage company to apply towards the principal of the mortgage. This is in addition to paying your normal 12 monthly mortgage payments.

2. Determine the dollar amount that you would like to keep as a cash reserve for emergency purposes (ex. Thirteen months reserve x $1,000 = $13,000). This amount will then always be available to the borrower in case of emergency.

3. Add these two dollar amounts to determine the amount of the LOC you need (ex. $12,000 + $13,000 = $25,000 LOC.

© 2013 National Institute of Certified College Planners. All Rights Reserved

Step 4: Obtain your bank Line Of Credit (LOC)

Step 4 of the Cash Flow Maximizer process is to secure your line of credit. Many people already have a line of credit tied to the equity in their home. This is called a Home Equity Line of Credit (HELOC). The HELOC is a secured loan, usually a 2nd mortgage on the home.

However, some families may have no equity available to borrow because the value of their home declined significantly during the current economic crisis, or they may have previously borrowed the maximum from their home equity. They may even rent or lease their residence. If this is the case, then you'll need to find a bank that will open up a personal line of credit for you.

There are dozens of organizations that offer both secured and unsecured credit lines to consumers. However, your best bet is to try your own bank first. They know you and your credit history. If they won't give you the line of credit, then you may need to search online.

Some websites will allow you to apply for lines of credit at several lending institutions at once. There are also lenders that specialize in loans to people with less-than-perfect credit. The drawback for most people with low credit (FICO) scores is that you will be charged a higher interest rate.

One of the best places to compare lines of credit is at:
http://www.bankrate.com/

Alternative To Using A Line Of Credit

If you'd rather not use a line of credit, there are alternatives available to implement the Cash Flow Maximizer process. One alternative is to self-fund the process by utilizing your own cash savings in place of the LOC.

> **Example:** Assume you have $12,000 in savings just sitting in a simple savings account earning minimal interest. You could open up a money market account and deposit this $6,000 of this $12,000 into the new account. Search around for the best interest rate and be sure that the account allows you full access to your money. What this does is essentially replace the money you would have borrowed in the form of a LOC. This $6,000 savings will be used to make your lump payments against your mortgage principal. Now, instead of paying interest on a LOC, the excess monthly cash flow earns you money at the same time you're reducing your mortgage principal.
>
> You will still deposit your monthly income into the money market

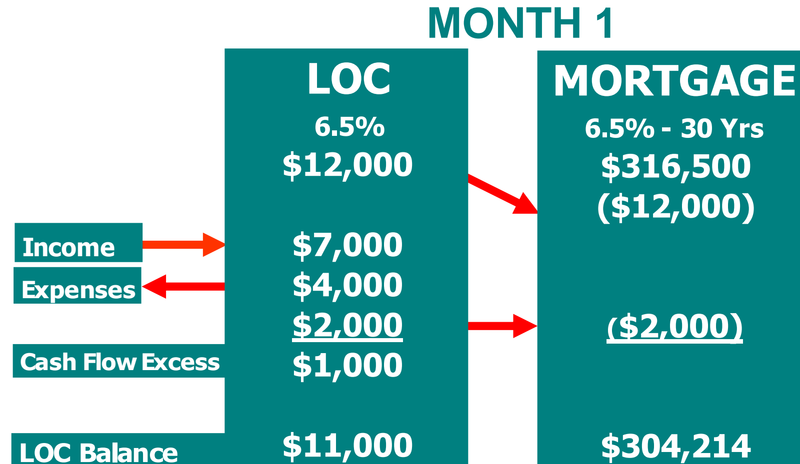
© 2013 National Institute of Certified College Planners. All Rights Reserved

account. However, all your bills will be paid from your regular checking account, and then once each month you write one check from the money market account to cover the total amount of that month's bills.

The excess monthly cash flow will allow you to build the money market account back up to the original amount, after making a lump payment against your mortgage principal, and you merely start the process all over again.

© 2013 National Institute of Certified College Planners. All Rights Reserved

Step 5: Implement the Cash Flow Maximizer Strategy in MONTH 1



As we discussed previously, the Cash Flow Maximizer method of paying your mortgage, or any other debt, provides a better use of your excess monthly cash flow by using it to pay down the average daily balance of your debt, rather than leaving the money lay in a 0% return checking account. Paying down 6.5% debt is better than getting a 0% return.

In this example, let's assume we take out a $25,000 Open-End Line Of Credit (LOC), leave $13,000 in the account for an emergency reserve, then withdraw $12,000 from the LOC and use that money to make a lump sum payment of $12,000 to your mortgage company.

> Note: This $12,000 payment is in addition to your normal monthly mortgage payment. When you make this payment be sure to let the bank know that the payment is to be applied to the loan's principal.

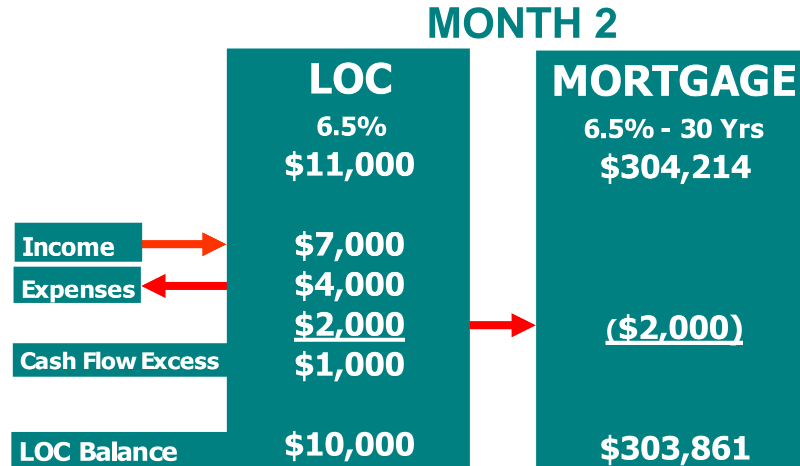
Although the total dollar amount of your income (paycheck) and expenses (bills) will always fluctuate from month to month, in this example let's assume that each month your income is $7,000, your mortgage payment is $2,000, and the total of your other monthly bills is $4,000.

Each month you will deposit your $7,000 paycheck into the LOC, instead of your checking account. You will also write a $2,000 check to pay your mortgage, and checks totaling $4,000 from that same LOC to cover all your bills. This LOC essentially becomes your checking account.

Therefore, in the first month, the $1,000 excess cash flow will effectively reduce the LOC balance from $12,000 to $11,000 and the balance owed on the mortgage has been reduced from $316,500 to $304,214.

© 2013 National Institute of Certified College Planners. All Rights Reserved

Step 6: Implement the Cash Flow Maximizer Strategy in MONTH 2



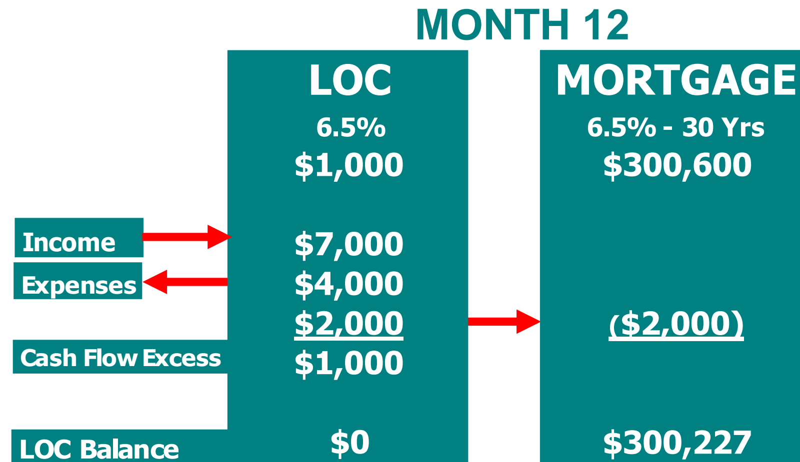
In Month 2 you follow the same procedure and deposit your $7,000 paycheck into the LOC and write $6,000 in checks from the LOC to cover your $2,000 mortgage payment and the other $4,000 in bills. The $1,000 excess now reduces your LOC to $10,000.

The balance owed on the mortgage is now $303.861.

This exact same procedure is repeated for months 3 through 12.

© 2013 National Institute of Certified College Planners. All Rights Reserved

Step 7: Implement the Cash Flow Maximizer Strategy in MONTH 12



Using the same exact procedure from month to month, by MONTH 12 the $1,000 of monthly excess cash flow has now reduced your $12,000 LOC to $0 and the balance you now owe on your mortgage has gone from $316,500 to $300,227.

Now you can start the same exact procedure all over again in MONTH 13 (second year).

> Note: By paying $12,000 down on the primary mortgage, you will obviously dramatically reduce the principal and the interest that would have been paid on the loan over the long 30-year term. Having made this payment, you will now have to pay the interest cost on the declining balance of the LOC, until the LOC balance is $0. The key is how quickly you can pay down the LOC. And remember, using the CASH FLOW MAXIMIZER procedure, you will NOT have to change your spending habits, which makes this a very powerful strategy.

© 2013 National Institute of Certified College Planners. All Rights Reserved

Step 8: Implement the Cash Flow Maximizer Strategy in MONTH 13

MONTH 13

	LOC	MORTGAGE
	6.5%	6.5% - 30 Yrs
	$12,000	$300,227
		($12,000)
Income	$7,000	
Expenses	$4,000	
	$2,000	($2,000)
Cash Flow Excess	$1,000	
LOC Balance	$11,000	$287,853

In Month 13 (second year) you have paid back the entire $12,000 LOC and you can now repeat the exact procedure (as you did in MONTH 1) by withdrawing $12,000 from the LOC and making a lump sum payment of $12,000 into the primary mortgage.

Using the dollar amounts in this example, if you repeat this 12 month process explained in **STEP 5 through STEP 8,** your entire mortgage will be completely paid off and you own your home free and clear in 13 years… not 30 years!

Now let's take a look at the power of the Cash Flow Maximizer process and how your mortgage is reduced over those 13 years.

© 2013 National Institute of Certified College Planners. All Rights Reserved

Section 5

The Power Of The Cash Flow Maximizer Strategy

Results in YEAR 1

Conventional Method vs. Cash Flow Maximizer

YEAR 1

Month	Balance Owed On LOC	Income	Bills Incl. LOC Costs	Mortgage	LOC To Mortgage	Cash Flow Maximizer Mortgage Balance	Conventional Mortgage Balance
January	$11,000	$7,000	$4,000	$2,000	$12,000	304,214	$316,214
February	$10,000	$7,000	$4,000	$2,000		303,861	$315,926
March	$9,000	$7,000	$4,000	$2,000		303,507	$315,637
April	$8,000	$7,000	$4,000	$2,000		303,150	$315,346
May	$7,000	$7,000	$4,000	$2,000		302,792	$315,054
June	$6,000	$7,000	$4,000	$2,000		302,431	$314,760
July	$5,000	$7,000	$4,000	$2,000		302,069	$314,464
August	$4,000	$7,000	$4,000	$2,000		301,705	$314,167
September	$3,000	$7,000	$4,000	$2,000		301,338	$313,868
October	$2,000	$7,000	$4,000	$2,000		300,970	$313,568
November	$1,000	$7,000	$4,000	$2,000		300,600	$313,266
December	$0	$7,000	$4,000	$2,000		300,227	$312,962

Here's a table demonstrating the Cash Flow Maximizer process and a comparison of the month-end mortgage balance using the Conventional Method with the Cash Flow Maximizer Method. As you can see at the end of the first year, if you used the conventional method of paying this mortgage you'd owe a balance of $312,562 vs. $300,227 using the Cash Flow Maximizer method.

© 2013 National Institute of Certified College Planners. All Rights Reserved

Results From YEAR 2 – YEAR 13

Conventional Method vs. Cash Flow Maximizer

YEARS 2-13

Year	Cash Flow Maximizer Mortgage Balance	Conventional Mortgage Balance
2	$282,866	$309,188
3	$264,341	$305,506
4	$244,575	$301,232
5	$223,486	$296,672
6	$200,985	$291,807
7	$176,976	$286,615
8	$151,360	$281,078
9	$124,027	$275,166
10	$94,865	$268,861
11	$63,750	$262,133
12	$30,550	$254,954
13	$0	$246,633

Again, if you repeat this same Cash Flow Maximizer process year after year, the interest savings and home equity buildup begins to accelerate. In this example, using the Cash Flow Maximizer method you will completely pay off your original $316,500 mortgage in 13 years. If you used the conventional method to pay off your mortgage, you would still owe $246,633 after 13 full years, or 78% of your total mortgage ($246,633 / $316,500).

© 2013 National Institute of Certified College Planners. All Rights Reserved

Using The Cash Flow Maximizer Strategy To Build Wealth

Cash Flow Maximizer
Investment Accumulation
From Loan Payoff To Retirement

Age At Loan Payoff	53
Age At Retirement	65
Additional Retirement Funding	
➢ Cash Flow per year	$12,000
➢ Monthly Mortgage Payment	$2,000
➢ # Years to Retirement	12
➢ Rate Of Return	5%
Balance At Retirement	$595,663

After 13 years your home is completely paid off! Now let's say that you're 53 years old and you have 12 more years until you plan to retire at age 65.

Now you can use the same Cash Flow Maximizer process and invest the $12,000 draw from the LOC, plus your $2,000 monthly mortgage payment that you will no longer be paying, to build additional wealth for your retirement.

In the above example, if you invest the $12,000 draw from the LOC plus your $2,000 monthly mortgage payment, at a rate of return of just 5%, after 12 years you will have an additional $595,663 that you can use for your retirement by age 65. How powerful is that!

© 2013 National Institute of Certified College Planners. All Rights Reserved

Making The Cash Flow Maximizer Strategy Work

Now let's take a close look at how you can make the month to month process of Cash Flow Maximizer work for you. Please understand that the exact numbers used below are not important because everyone's personal finances are different. It's the concept that either does or does not work.

Remember: **The Cash Flow Maximizer concept will only work for you if you have the discipline to use it and have an excess monthly cash flow idly sitting in your checking, or savings, account.** While you are going to have unexpected expenses that will change the dollar amount of excess cash flow you have available from month to month, overall you should have a positive cash flow to make the strategy work.

So let's look at an example of the month to month process you would need to go through to make Cash Flow Maximizer personally work for you:

Month	Beginning LOC Balance	LOC Transfer To Mortgage	Monthly Deposits To LOC	Monthly Mortgage Payment From LOC	Other Monthly Bills Paid From LOC	Ending LOC Balance
January	$25,000	($12,000)	$8,500	($2,570)	($4,200)	$14,730
February	$14,730	-	$8,500	($2,570)	($4,750)	$15,910
March	$15,910	-	$8,500	($2,570)	($5,020)	$16,820
April	$16,820	-	$8,500	($2,570)	($8,550)	$14,200
May	$14,200	-	$8,500	($2,570)	($4,120)	$16,010
June	$16,010	-	$8,500	($2,570)	($3,250)	$18,690
July	$18,690	-	$8,500	($2,570)	($3,460)	$21,160
August	$21,160	-	$8,500	($2,570)	($4,300)	$22,790
September	$22,790	-	$8,500	($2,570)	($4,210)	$24,510
October	$24,510	-	$8,500	($2,570)	($5,600)	$24,840
November	$24,840	-	$8,500	($2,570)	($4,700)	$26,070
December	**$26,070**	-	$8,500	($2,570)	($7,020)	**$24,980**
January	$24,980	($12,000)	$8,500	($2,570)	($4,000)	$14,910

In the above example you establish a "Line Of Credit" for $25,000. $13,000 of this $25,000 credit line will be kept available as a reserve for emergencies.

© 2013 National Institute of Certified College Planners. All Rights Reserved

You then access $12,000 of this line of credit and send it to the bank to pay against the principal of your mortgage (or any other debt you choose). Remember, this is in addition to your normal monthly mortgage (debt) payment.

Now let's say you get paid twice each month and each paycheck totals $4,250. Since this LOC works the same as your checking account, you will have your two paychecks (totaling $8,500) directly deposited into this LOC account, instead of your normal checking account.

Next you will utilize the check-writing ability of your LOC to pay your mortgage payment. For this example, we assume your mortgage payment is of $2,570 each month.

Finally, you will also use the check-writing ability of this LOC to pay your other monthly bills. If your LOC account comes with a book of checks similar to your primary checking account, you can use these checks to pay all your bills. If your LOC account only comes with a few checks, you can write one check each month from the LOC account to your primary checking account to cover these other monthly bills, and then pay these bills from your primary checking account.

The dollar amount of your other bills will naturally fluctuate up and down each month. In our example the total monthly bills, excluding the monthly mortgage payment, range from a low $3,250 in June to $8,550 in April.

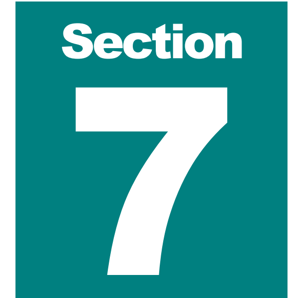
> *Note: The total amount of your other monthly bills includes the monthly cost of carrying a balance in your LOC account.*

Now let's look at the running balance of your LOC account for the next twelve months. From January through March you gradually reduce your LOC each month and start to build up your line of credit again from $13,000 ($25,000 - $12,000) to $16,820.

In April a sizeable amount is due to pay the balance owed on your IRS taxes. This reduces the balance in your LOC account to $14,200. Then in May you start to build your LOC balance back up again until November when your available credit is now $26,070. Theoretically, at this point you could start the Cash Flow Maximizer process all over again and transfer another $12,000 from your LOC account to the bank to pay against the principal of your mortgage (or any other debt you choose).

However, December is coming up, so you forgo an additional $12,000 transfer of money until you have your final spending results for the Holidays. Then at the end of December your LOC balance is $24,980, so you can begin the Cash Flow Maximizer process again in January. You continue this Cash Flow Maximizer process and the monthly balancing of your LOC account until your debt is paid off.

© 2013 National Institute of Certified College Planners. All Rights Reserved



Conclusion

To make the Cash Flow Maximizer process work you need to have:

1. Financial discipline, and
2. Positive monthly cash flow that you can apply consistently to your debt.

If you do not consistently have extra cash flow then you have need to buckle down, create a budget to cut costs, then be responsible and follow through to achieve your final goal. When you own your home free and clear in a few years, or you've paid off all your credit cards, or added thousands of dollars to your retirement; you will be happy you made the extra effort.

The real danger is that you can be tempted to increase your credit card spending, or even worse, spend the money that you have reserved in your LOC for emergencies to take a vacation or buy a new TV. You need to avoid this temptation, or you'll end up defeating the entire purpose of Cash Flow Maximizer. In fact, you could put yourself into deeper debt that would be almost impossible to recover from.

Using an inexpensive money management software program such as Quicken, could give you the financial discipline to avoid some of these temptations. This software can make it much easier to identify money that is being wasted and can now be saved.

Financial discipline and a positive cash flow are the keys to make Cash Flow Maximizer successful. Another major advantage to Cash Flow Maximizer is the fact that it can help you dramatically increase your credit (FICO) score, which will help you get lower interest rates and higher credit limits on any future borrowing.

Good Luck!

.

© 2013 National Institute of Certified College Planners. All Rights Reserved

APPENDIX A

The Cash Flow Maximizer Worksheet

The following the Cash Flow Maximizer worksheet allows you to record your own personal financial information and track your monthly results.

© 2013 National Institute of Certified College Planners. All Rights Reserved

2009	Beginning LOC Balance	LOC Transfer To Mortgage	Monthly Deposits To LOC	Monthly Mortgage Payment From LOC	Other Monthly Bills Paid From LOC	Ending LOC Balance
January	$	$	$	$	$	$
February	$	$	$	$	$	$
March	$	$	$	$	$	$
April	$	$	$	$	$	$
May	$	$	$	$	$	$
June	$	$	$	$	$	$
July	$	$	$	$	$	$
August	$	$	$	$	$	$
September	$	$	$	$	$	$
October	$	$	$	$	$	$
November	$	$	$	$	$	$
December	$	$	$	$	$	$
2010						
January	$	$	$	$	$	$
February	$	$	$	$	$	$
March	$	$	$	$	$	$
April	$	$	$	$	$	$
May	$	$	$	$	$	$
June	$	$	$	$	$	$
July	$	$	$	$	$	$
August	$	$	$	$	$	$
September	$	$	$	$	$	$
October	$	$	$	$	$	$
November	$	$	$	$	$	$
December	$	$	$	$	$	$
2011						
January	$	$	$	$	$	$
February	$	$	$	$	$	$
March	$	$	$	$	$	$
April	$	$	$	$	$	$
May	$	$	$	$	$	$
June	$	$	$	$	$	$
July	$	$	$	$	$	$
August	$	$	$	$	$	$
September	$	$	$	$	$	$
October	$	$	$	$	$	$
November	$	$	$	$	$	$
December	$	$	$	$	$	$

© 2013 National Institute of Certified College Planners. All Rights Reserved

APPENDIX B

Creative Borrowing Strategies

© 2013 National Institute of Certified College Planners. All Rights Reserved

Case 1

The Desperate Housewife

A desperate 43 year old housewife was going through a terrible divorce. Because of unscrupulous lawyers, new state laws regarding alimony, and a husband that left the country with his money and his new girlfriend; she was left with very little money to raise her two children. To make things worse, because she had no job, she knew that her credit would soon go from good to bad. But three of the items her husband did leave her were an existing home equity line of credit on her home and two credit cards with a low balances.

She also had a positive attitude and an idea.

When she was in Mexico on vacation, she came across a vendor who made the most beautiful kit leather handbags she'd ever seen with an absolutely exquisite design. So she contacted the vendor and bought five of these handbags. She then had a friend show her how to set up an E-Bay account and promoted the five bags on her E-Bay account. They were sold in two days and about a week later those five purchasers came back to her with other friends who wanted one of these extraordinary handbags. So she drew $5,000 out of one credit card to buy more of the handbags from the Mexican vendor. She planned to shift the balance of the credit card back and forth to her other credit card. Each time she did this within the 30-day time period to avoid finance charges. After she sold those bags on E-Bay, she set up an arrangement with the Mexican handbag vendor for future purchases on credit using an International Bank Line Of Credit.

She then got powerful testimonials from her five customers and loaded them on her E-Bay site. In 9 short months she built her sales up to $84,207. She started her business using this unique balance shifting concept, with $0 in borrowing costs. Today she is a thriving businesswoman who sells several products online and has built up a $250,000 credit line.

© 2013 National Institute of Certified College Planners. All Rights Reserved

Case 2

The 401k Condo

Fred and Clarissa were both 45 years old and their only child had just graduated from college. Fred and Clarissa were now empty nesters. At that time they had accumulated a total of $100,000 in their company retirement account (401k) and their home was worth $200,000. Since their daughter was now out of college, they were going to start contributing $1,500 per month into their 401k plan for the next 20 years until retirement. If they stayed on track and earned a 7.2% on their money, at the end of 20 they would have almost $1.2 million in their 401k account to live on. Their retirement would be golden.

But Fred heard some alarming news! He was watching the Suze Orman show on TV one night while she was discussing company 401k plans. Suze was explaining how the 401k was taxed when employees withdraw their money to live on. It seems as though their 401k be fully taxed like their current paycheck and not at capital gains tax rates like stocks and mutual funds. Worse, any withdrawal from the 401k account would be counted into the provisional income calculation to calculate the tax liability on their social security benefits. As a result, Fred and Clarissa would be taxed on 85% of their social security benefits in retirement. So instead of just one hand, Uncle Sam would have both hands in their pocket.

To make matters worse, Clarissa's sister and her husband were selling their condominium that sits on a nice lake with beautiful scenery for $200,000. It was a steal deal. It would be the perfect retirement home for them in 20 years, but they could not afford the down payment; nor could they afford the monthly payments on two residences.

Then Fred had an idea. First, he got a $20,000 home equity line of credit (HELOC) on their home. Their credit was outstanding and they had the available equity in their home. The $20,000 from the HELOC was used for the down payment on the condo.

Second, Fred and Clarissa discontinued their $1,500 per month contribution to their 401k and used the money to make the monthly payments on the condo purchased from Clarissa's sister. They made payments for one year on the condo then refinanced the condo to pay off the $20,000 HELOC.

Fred and Clarissa can now enjoy vacations and weekends in that condo for the next 20 years, not wait until retirement when it would certainly be more expensive. Then it twenty years, they can sell their current home at an estimated $500,000 and live in the condo full time during retirement. This entire $500,000 sale would be tax free under current IRS regulations. They would also have their 401k account, which would increase in value from $100,000 to $400,000 at 7.2%. This would be fully taxed.

So at retirement, instead of ending up with $1.2 million that is fully taxable, Fred and Clarissa would have $400,000 that is fully taxable, $500,000 that is completely tax free and a condo that they can use forever. It was the perfect trade-off for Fred and Clarissa because it wasn't ever "all about the money" to them.

© 2013 National Institute of Certified College Planners. All Rights Reserved

Case 3

My Own Dorm

Three years ago Richard and Judy sent their daughter to college and upon visiting her they discovered that they were unhappy with the on-campus living facilities. They were looking to purchase off-campus property to house their daughter and two friends in the following year, but they didn't have the down payment.

Purchasing and selling campus real estate can be tricky, but very rewarding. Done correctly you can use the child as the "property owner", then write off a bunch in taxes, pay for all the student's Room and Board costs, and turn the property over at a profit after college.

Richard and Judy's credit was great and they had plenty of equity in their home, so they took out a $25,000 home equity line of credit (HELOC) and used the $25,000 as a down payment on an off-campus house.

Their daughter would be in school for another three years, so they structured their property loan so that their daughter was able to co-sign on the mortgage with Richard and Judy. The parents received an income stream from the rentals of the rooms to the daughter's two friends. This income stream was paid to their daughter as wages for "managing' the property. As a result, there were no taxes on the rental income stream. The daughter used these wages to pay for some of her tuition.

Then two months after their daughter graduated from college, Richard and Judy sold the off campus property for a nice profit and paid off both the mortgage and the $25,000 HELOC. With income from the rentals, all the available tax write-offs, and the net profit from the sale of the off-campus property; the entire cost of college for their daughter was $0. In fact, they actually made money. Better yet, their daughter leaves school with a high credit score, because her name was on the mortgage when it was paid off and the mortgage is the #1 payment looked at when establishing a credit rating.

© 2013 National Institute of Certified College Planners. All Rights Reserved

Case 4

My Own Bank

The sad truth is that equity in your home does not build or enhance your net worth. Another truth in the lending world is that banks will only loan you money, if you can prove you don't need it.

Jamie is a 32 year old successful entrepreneur. He dropped out of college when he was twenty one to start his own business. At that time his mother and father gave him $20,000 to put as a down payment on a house. It represented the cost of his last year in college because they wanted him to begin his life with his own home investment.

By 2005 Jamie's home had appreciated considerably and he had over $100,000 in equity in the property. But Jamie was smart and realized that $100,000 in unused equity does not earn him a thing. He was considering using that available credit to buy a new business.

Then Jamie ran into his friend Mark who is an insurance agent. He explained to Jamie that his original $20,000 down payment on his house was given to the bank, and THEY got to invest it. His money was working for the bank. Mark stated that Donald Trump once said, "I'd rather have a million dollars in my pocket and be in debt a million dollars, than have zero dollars with no debt." The point he was trying to make to Jamie was that wealthy individuals beat inflation, taxes, and the high cost of borrowing by creating their own "Mini-Bank" and then borrow from themselves.

Mark explained to Jamie that the concept of creating your own "Mini-Bank" to borrow from yourself is simple. Basically, you fund as much money as fast as you can into a specially designed tax-advantaged insurance policy (Mini-Bank) that allows you accumulate money without paying taxes on the growth. Then when you need it you can borrow the money from yourself… tax free. This Mini-Bank also legally protects your wealth from money vultures.

> Example: you borrow the money from yourself (Mini-Bank) to purchase any item, then you pay yourself back the same principal plus the interest (say 12%) that you'd normally pay to the bank or credit card companies. This profit (12%) is then used to continue building your wealth. You also never have to pay taxes on your profits (12% interest) because you're paying yourself back. Banks and credit card companies must pay taxes on the 12% interest that you pay to them.

As a result of their conversation, Jamie refinanced his home mortgage to remove the $100,000 equity and used it to fund his own (Mini-Bank) that could earn him as much as a 7% rate of return. If Jamie retired at age 65, the $100,000 alone would be worth **$932,000**. But he decided that he would also add an extra $1,000 per month to his Mini-Bank. As a result, at age 65 Jamie will now have **$2.4 million** in his Mini-Bank that will be entirely tax-free and Uncle Sam and any other creditors can never touch for any reason.

The shaky future for U.S. Stocks is creating need for investment safe havens like this.

© 2013 National Institute of Certified College Planners. All Rights Reserved

Case 5

Detroit Real Estate Tycoon

The job market has rather bleak outlook for Detroit. Jobs are scarce and people were leaving the area in droves. In addition, the sub-prime mortgage fiasco has taken its effect on Detroit and home foreclosures are on the rise.

Jeffrey had a job in the maintenance department at Ford Motor Company. At 50 years old he wonders how long he can keep his job, yet he is too young to retire. He has some money in his retirement and a rental property that he received from the estate of his deceased father. He was at a crossroads as to what to do with his financial life.

The good news was that Jeffrey was good with his hands and increased the value of his current rental property with just a few remodeling upgrades. He also knew that there would soon be sheriff sales coming up on foreclosed properties that he could pick up for a song. He could remodel these properties and sell them for enough profit to put money away for retirement.

However, Jeffrey did not have a lot of money to invest. He already had used $10,000 of a $40,000 home equity line of credit (HELOC), plus $30,000 in credit card debt to remodel his current rental property. In order to buy more property, Jeffrey needed to clean up his financials.

To do this Jeffrey first paid off his outstanding credit cards with the $30,000 balance on the HELOC. He was spending $1,000 per month for that $30,000 of high cost credit card debt and an extra $30,000 on his HELOC at 5% would only cost him an additional $300 per month. That freed up $700 per month ($1,000-$300) in additional cash flow, which Jeffrey invested in a bank CD.

Jeffrey waited two months to be sure the credit cards companies would report the transaction to the credit bureaus. Then he went to his bank and refinanced his current mortgage and the $40,000 HELOC into a new mortgage. This cleaned up his financials dramatically. At the same time he also obtained a new $25,000 HELOC from the bank.

About ten months later, the perfect deal appeared for Jeffrey. A house worth around $250,000 in a top neighborhood with great schools came up in the Sheriff's auction. It was bought on speculation by the original owner and they could no longer make the payments. The house needed some work, so Jeffrey was able to outbid other bidders and bought the rights to the house for $118,000.

Jeffrey needed a 20% down payment ($23,600) to get approved for the mortgage. Since he already had $7,000 in cash saved up in his bank account ($700 x 10 months) from eliminating his credit card payments, he only needed about $17,000 to close the property deal. Jeffrey then used the other $8,000 ($25,000 - $17,000) from his HELOC line of credit to make the necessary improvements.

After seven months, Jeffrey sold the house for $259,600 and is well on his way to becoming the Detroit real estate tycoon by using the money to purchase two other foreclosed properties.

© 2013 National Institute of Certified College Planners. All Rights Reserved

Case 6

Incentive Stock Options Turned Gold

There comes a time in everyone's life where opportunity knocks that is too good to pass up, yet sadly you must because you don't have the money to take advantage of that particular opportunity.

Such was the case with Cliff in 2004. He was an executive with an Internet company that was publicly traded. In his new contract, his company awarded Cliff with an incentive stock option (ISO) to buy 10,000 shares of company stock. At the time the company stock was being traded at $9.00 per share.

However, three mitigating factors had created a roadblock and kept Cliff from taking advantage of these stock options:

1. He had two children in private colleges (twin freshmen daughters) that was sucking up virtually all of his cash flow
2. His company was on the verge of announcing a major product innovation that could easily drive the company's stock to double the current market price in the next three to six months.
3. If you exercise and sell the stock options within 2 years from the time they are granted, you must pay ordinary wage taxes on the exercised price, instead of capital gains tax.

Cliff was facing a dilemma. He did not have the $90,000 cash to exercise the stocks options immediately. He needed all his available cash to fund his kid's college educations. Furthermore, his income level put him in a high tax bracket of 42% (33% federal and 9% CA state tax).

Cliff could immediately borrow the money to exercise the options, but then he would have to make monthly payments on that loan over the next two years before he sold them, in order to take advantage of the capital gains tax. If he waited and the stock rose dramatically, he would need even more cash to exercise the stock options. If sold the options at the higher exercise price, but before the two year limitation; he would then get charged ordinary income taxes of 42% on the gain, rather than capital gains tax of 15%. It truly was a desperate dilemma.

Here is Cliff's strategy: Real estate in California had shot up over the years and by 2003 the value of Cliff's home went was $921,000. Since his credit was great, he still had enough equity in his home to get a $100,000 home equity line of credit (HELOC) from his bank. He used $100,000 from the HELOC to exercise (buy) the options at the market price of $9.00.

Six months later, Cliff's company launched their new product and the stock price jumped from $9.00 to $15. Cliff did not exercise (buy) the stock until his two-year time period was past in 2005. At that time he the exercised (bought) the stock and simultaneously sold it for $25 per share, netting him a profit of $160,000 ($25 per share x 10,000 shares = $250,000 - $90,000). This also saved him $43,200 in taxes (42% ordinary income tax - 15% capital gains tax = 27% x $160,000 = $43,200).

The net profit and tax savings Cliff made paid for his twins college educations.

© 2013 National Institute of Certified College Planners. All Rights Reserved