



UNION WEST
Financial

Common Money Myth-Conceptions

Myth # 1 Home Equity is a safe investment.

Reality: A home mortgaged to the hilt or totally free and clear provides the greatest safety for the homeowner. Separate as much equity from your home as is feasible into a safe side fund to achieve greater safety of principal.

Myth # 2 Home Equity has a rate of return.

Reality: Equity grows as a function of real estate appreciation and mortgage reduction; however, equity has NO rate of return.

Myth # 3 Mortgage interest is an expense that should be eliminated as soon as possible.

Reality: Eliminating mortgage interest expense through traditional methods eliminates one of your best partners [Uncle Sam] in accumulating wealth and financial security.

Myth # 4 Any and all debt is undesirable.

Reality: Some debt, when managed wisely, can be a positive lever for equity management purposes, by conserving and compounding rather than consuming it.

Ask your bank or credit union if debt is undesirable: your CD [their debt] allows them to make tremendous profits on the difference between what they pay and what they earn!

Myth # 5 Financial security is, to a large degree, achieved when your home is paid for.

Reality: Financial security is usually obtained with adequate liquid assets in a safe environment to cover any liabilities and generate positive cash flow to cover living expenses indefinitely.

You must retain the key to one of the most important assets you have ---- the value of your home equity.



UNION WEST
Financial

Myth # 6 Equity in your home enhances your net worth.

Reality: Equity in your home does not enhance your net worth at all. Separated from your home, however, it has the ability to dramatically enhance your net worth over time. You can effectively achieve a “debt-free” home on your balance sheet while increasing your liquidity, safety, rate of return and maximize your tax deductions.

Myth # 7 Qualified Plans [IRAs, 401ks, TSAs, etc] are the best place to achieve a substantial retirement income.

Reality: Your Qualified Plans, while providing excellent upfront tax savings and tax deferral during accumulation, will be taxed several times more than the benefits you received during the withdrawal [income] and transfer [Death] stages. The longer you wait to strategically reposition your Qualified Plans the larger the tax bite will be.

If you were a farmer, would you rather be taxed on the “seed at purchase” or the “matured crop at harvest”?

There is a sound method of strategically rolling-out your qualified plans distributions whereby you can receive up to \$60,000 annually tax-free!

Myth # 8 Wise investors choose investments that accumulate the most money.

Reality: When considering tax effects, greater growth investments may be inferior to other investments. You must choose investments for retirement that generate the highest net spendable income.