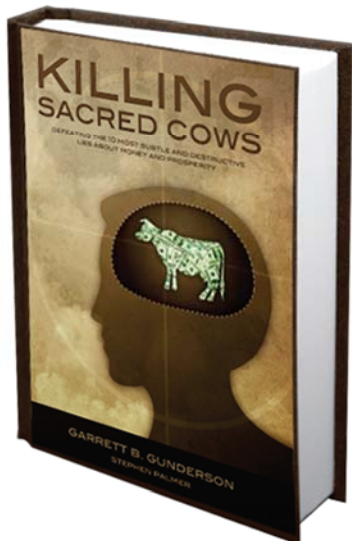




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From Potential to Production

Overcome Fear to Put Home Equity to Work

by Steven Marshall

Home equity represents potential and possibilities. Many homeowners miss out on the potential sitting in their house because they doubt their ability to use that resource wisely. In their new book, "Killing Sacred Cows: Defeating the 10 Most Subtle & Destructive Lies About Money & Prosperity" Garrett Gunderson and Stephen Palmer shined a light on the powerful truths that overcome fear and make a safe, abundant future possible.

Gunderson points out that many alternative investments carry less risk than leaving equity in the home. Carrying a mortgage homeowners to take advantage of a number of tax benefits. However, in order to benefit from these opportunities, homeowners must possess a mindset that allows them to take advantage of their resources — a mindset that naturally leads to increased wealth and prosperity.

The New Reality

Financial realities have changed a lot over the last few decades. Our grandparents' generation viewed tapping into home equity as a desperate measure reserved for the financially distressed. But in today's economy, people have come to realize that accessing the resources trapped in the home can actually make a lot of financial sense. Indeed, when applied wisely, home equity can create wealth just like many other resources that often go unnoticed and underutilized.

Unfortunately, a number of false, limiting beliefs linger, holding people back from their true potential. The term sacred cows refers to the limiting myths, fallacies and misguided

traditions regarding personal finance that keep people from enjoying financial freedom. Many times these show up as clichés that promote fear or inaction due to misinformation and a lack of personal responsibility. In regards to equity repositioning you might hear it is risky and to avoid it, but a better understanding of the true nature of wealth proves that success isn't based on a specific technique. Rather, wealth creation depends on how potential is effectively maximized through production. The bottom line, according to Gunderson, is that efficient use of resources naturally leads to greater opportunities, happiness and wealth.

Defining Debt

Some of the confusion, Gunderson explains in the book, comes from a misunderstanding about the definition of debt. The most common definition of debt is any borrowed money, which is false. Contrary to the common definition, debt is the negative difference between liabilities and assets. It's having more liabilities than you have assets on your balance sheet, and the difference between them.

The best way to understand this is through balance sheets. The purpose of a balance sheet is to itemize one's assets and liabilities and determine if they either have an overall equity position, or a debt position. For example, suppose a person owns a home with a market value of \$300,000 (asset) and owes \$100,000 to the bank (liability). Ignoring every other asset and liability, how much debt does he have? The common definition would say that he has \$100,000 of debt.

The true definition (although strangely ignored and/or unknown by most people) helps us to see that this person has zero debt, and actually has \$200,000 of equity, which is the opposite of debt.

On the other hand, what if a person owns a home with a market value of \$300,000 and carries a mortgage of \$305,000? Again, the false definition of debt says that this person has \$305,000 of debt, whereas the technically correct definition plainly shows that this person only has \$5,000 of debt.

Again, the way to determine our amount of debt is to total our assets, total our liabilities, and then subtract our liabilities from our assets. Equity means that we have more assets than liabilities, and debt means that we have more liabilities than assets.

Once a person understands the proper definition of debt, they can understand how they can leverage resources and increase their cash flow. Why is this knowledge so critical for people to understand? Because countless people are unaware of the potential for wealth creation in their own homes. There is much misinformation surrounding the concept of debt, and it severely limits productivity. Myths surrounding debt result in literally billions of unseen, undervalued, and untapped dollars that, if understood and utilized properly, could drastically increase the wealth of most Americans. There are ways to leverage all of your assets, including and especially your home equity, without ever going into debt.

Profit Centered

Some people are hesitant to tap into their home equity simply because they aren't sure how to turn that equity into

profit. Even if they already understand the general reasons for managing equity, many aren't sure how it applies to their individual situations. For some people, this uncertainty causes them to come up with reasons why they can't, shouldn't, or don't want to explore all of their options. They worry that leveraging home equity wouldn't work out well for them, even if they know it's been a great tool for others.

So how do you overcome that fear? The first step is to take an honest look at the reasons and concerns preventing full equity utilization. Then compare all of your options with equity left in the home vs. invested in vehicles that fit your individual



**“An investment in knowledge always pays the best interest.”
Benjamin Franklin**

needs. A Mortgage Planner can help you explore all of your options.

The way Gunderson sees it, “There aren't risky investments; there are only risky investors.” Educate yourself so that you are not a risky investor, and you won't have to worry nearly as much about making risky investments.

A good financial advisor would never want a client to invest in something that causes the client to worry. There has to be a marriage in every investment. First, it has to make economic sense, and secondly it shouldn't take away from your peace of mind. The best investments are the investments that foster the right mindset, which can be called the Abundance Paradigm. Scarcity is the opposite of the Abundance Paradigm. A scarcity paradigm takes over when fear, doubt or worry dominate the decision making process. These negative emotions create distractions from overall happiness. A mindset of abundance, on the other hand, allows you to focus on opportunities.

An Educated Investment

But what is investing exactly? Investing can go well beyond dollars. Anything that increases the ability to produce is an investment. Gunderson takes an hour each morning to educate himself in every area of life. He sees this as a critical investment. It isn't a financial deposit with a measured rate of return, but it is still an investment. One of the most important investments is to increase the ability to provide value and find lasting happiness. Each of us is our own greatest asset. When we educate ourselves, we are making a wise investment in our own future.

By discovering what makes you happy, and what you really want out of life, you're better able to make wise choices with all of your assets. Take the time to figure out what you really want in life and how to get there — that's the best investment anyone can make. ■

Steven Marshall is the founder of Mortgage Planner and a 14-year veteran of the mortgage industry.



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To arrange a mortgage planning consultation on strategies discussed in this article, please give me a call.