ARCADIA HOMEOWNER

MEET Scott & Joalice Ryan

WHO'S WHO IN REAL ESTATE

TOP 10 REASONS TO SECURE LIFE INSURANCE

HOW THE AFFLUENT MANAGE HOME EQUITY

JUNE 2019 ISSUE #146 $6.95

WWW.HOMEOWNERMAG.COM

Edge Of The World Vacations

EXPERIENCE THE EDGE

- World Wide Destinations
- Resort Exchanges
- No Maintenance Fees
- No Resort Assessments
- Weekly Getaways
- Nightly Bonus Time

EDGEOFTHEWORLDVACATIONS.COM
Sales@Edgeoftheworldvacations.com

Call for a quote today!

775.841.6326

Advertise with us...

Phoenix | Scottsdale | Denver | Miami | San Diego

PUBLISHER/CEO: Bryan Johnson
WRITERS: Bryan Johnson, Russell Hathcock, Holly Brauer
PHOTOGRAPHY: GARY HELLAND
GRAPHIC DESIGN: Daniela Engstrom - BreadcrumbCreative.com

FOR ADVERTISING INQUIRES:
Advertising – Bryan@HomeownerMag.com | 480.295.9050

BULLDOG MEDIA GROUP, LLC:
2864 E Cathy Drive, Gilbert, AZ 85296

Copyright ©2019 Homeowner Magazine is published 12 issues yearly. All rights reserved. Reproduction of whole or part of any text, photograph or illustration without writtem consent from the publisher is strictly prohibited. The opinions expressed in this publication are those of the authors and do not necessarily reflect the views of Homeowner Magazine.

For information on advertising, editorial, or general inquiries call 480.295.9050.

PROPERTY MANAGEMENT

- Referrals 100% Protected (when it's time to sell the home we refer your client back to you)
- Rates as Low as $75 monthly
- 25 Years in Business
- Professional Full Service Property Management
- $300 Referral Fee (Paid for each property referred)

YOUR CLIENT WILL ENJOY

- Quick Leasing
- Top Rent
- Thorough Tenant Screening
- 12 Month Tenant Guarantee
- 24/7 Online Access

WE BUY PROPERTY MANAGEMENT ACCOUNTS!

If you are ready to exit property management, we can help and will pay top price.

- Individual Property Management Accounts
- Entire Property Management Portfolios
- Entire Property Management Companies

Offers will be made within 72 hours of receiving all the information needed and we can close within 30 days of acceptance.

2018 NARPM Phx Metro Past President

2018 SEVRAR Property Management Committee

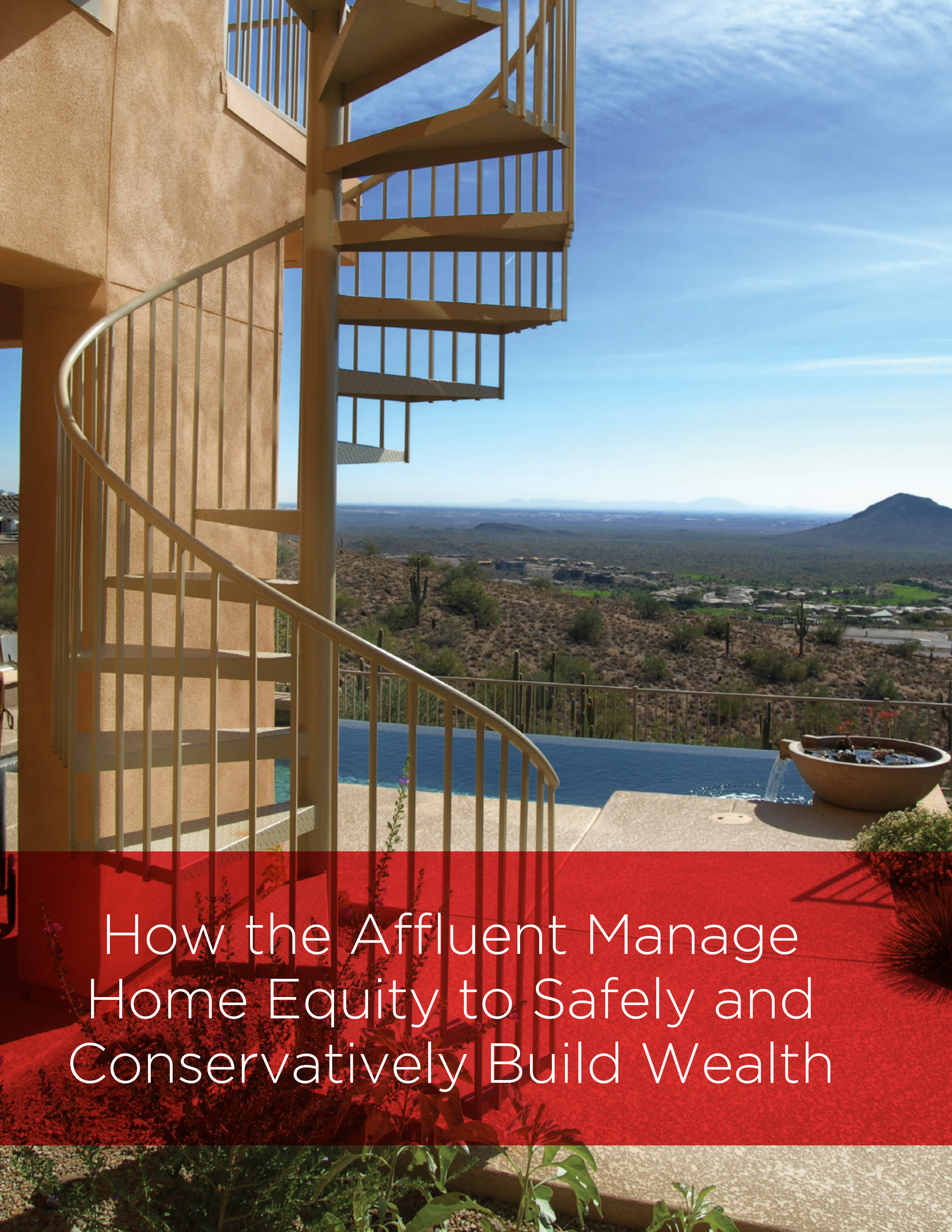
2018 SEVRAR YPN "40 Under 40" Award Winner

Russell Hathcock RMP® CRPM®
Designated Broker

DIRECT - VOICE | FAX | TEXT
(480) 926-7525
russ@zenrentpm.com

OFFICE: (480) 926-9001
rentals@zenrentpm.com

www.zenrentpm.com



How the Affluent Manage Home Equity to Safely and Conservatively Build Wealth

If you had enough money to pay off your mortgage right now, would you?

Many people would. In fact, the **'American Dream'** is to own your own home, and to own it outright, with no mortgage. If the American Dream is so wonderful, how can we explain the fact that thousands of financially successful people, who have more than enough money to pay off their mortgage, refuse to do so.

The answer? Most of what we believe about mortgages and home equity, which we learned from our parents and grandparents, is wrong. They taught us to make a big down payment, get a fixed rate mortgage, and make extra principle payments in order to pay off your loan as early as you can. Mortgages, they said, are a necessary evil at best.

The problem with this rationale is it has become outdated. The rules of money have changed. Unlike our grandparents, we will no longer have the same job for 30 years. In many cases people will switch careers five or six times. Also, unlike our grandparents, we can no longer depend on our company's pension plan for a secure retirement. A recent Gallup survey showed that 75% of workers want to retire before the age of 60, yet only 25% think they can.

Unlike our grandparents, we will no longer live in the same home for 30 years. Statistics show that the average homeowner lives in their home for only seven years. And unlike our grandparents, we will no longer keep the same mortgage for 30 years. According to the Federal National Mortgage Association, or Fannie Mae, the average American mortgage lasts 4.2 years. People are refinancing their homes every 4.2 years to improve their interest rate, restructure their debt, remodel their home, or to pull out money for investing, education or other expenses. Given these statistics, it's difficult to understand why so many Americans continue to pay a high interest rate premium for a 30-year fixed rate mortgage, when they are likely to only use the first 4.2 years of the mortgage. We can only conclude they are operating on outdated knowledge from previous generations when there were few options other than the 30 year fixed mortgage. Wealthy Americans, those with the ability to pay off their mortgage but refuse to do so, understand how to make their mortgage work for them.

They go against many of the beliefs of traditional thinking. They put very little money down, they keep their mortgage balance as high as possible, they choose adjustable rate interest-only mortgages, and most importantly they integrate their mortgage into their overall financial plan to continually increase their wealth. This is how the rich get richer.

The game board is the same, but while most Americans are playing checkers, the affluent are playing chess. The good news is the strategies used by the wealthy work for the rest of America as well. Any home-owner can implement the strategies of the wealthy to increase their net worth.

Ric Edelman, one of the top financial planners in the country and a New York Times Best Selling author, summarizes in this book The Truth About Money, "Too often, people buy homes in a vacuum, without considering how that purchase is going to affect other aspects of their lives. This can be a big mistake, and therefore you must recognize that owning a home holds very important implications for the rest of your financial plan. Although a

fine goal, owning a home is not the ultimate financial planning goal, and in fact how you handle issues of home ownership may well determine whether you achieve financial success."

Why people fear mortgages, and why you shouldn't

In order to discover how our parents and grandparents got the idea that a mortgage was a necessary evil at best, we must go back in time to the Great Depression. In the 1920's a common clause in loan agreements gave banks the right to demand full repayment of the loan at any time. Since this was like asking for the moon and the stars, no one worried about it. When the stock market crashed on October 29, 1929 millions of investors lost huge sums of money, much of it on margin. Back then, you could buy $10 of stock for a $1. Since the value of the stocks dropped, few investors wanted to sell, so they had to go to the bank and take out cash to cover their margin call. It didn't take long for the banks to run out of cash and start calling loans due from good Americans who were faithfully making their mortgage payments every month. However, there wasn't any demand to buy these homes, so prices continued to drop. To cover the margin calls, brokers were forced to sell stocks and once again there wasn't a market for stocks so the prices kept dropping. Ultimately, the Great Depression saw the stock market fall more than 75% from its 1929 highs.

More than half the nation's banks failed and millions of homeowners, unable to raise the

cash they needed to payoff their loans, lost their homes. Out of this the American Mantra was born: Always own your home outright. Never carry a mortgage.

The reasoning behind America's new mantra was really quite simple: if the economy fell to pieces, at least you still had your home and the bank couldn't take it away from you. Maybe you couldn't put food on the table or pay your bills, but your home was secure. Since the Great Depression laws have been introduced that make it illegal for banks to call your loan due. The bank can no longer call you up and say, "We're running a little short on cash and need you to pay off your loan in the next thirty days."

Additionally, the Fed is now quick to infuse money into the system if there is a run on the banks, as we saw in 1987 and Y2K. Also, the FDIC was created to insure banks. Still, it's no wonder the fear of losing their home became instilled in the hearts and minds of the American people, and they quickly grew to fear their mortgage. In the 1950's and 60's families would throw mortgage burning parties to celebrate paying off their home. And so, because of this fear of their mortgage, for nearly 75 years most people have overlooked the opportunities their mortgage provides to build financial security.

Why people hate their mortgage and why you shouldn't

Many people hate their mortgage because they know over the life of a 30 year loan, they will spend more in interest than the house cost them in the first place. To save money it becomes very tempting to make a bigger down payment, or make extra principal payments. Unfortunately, saving money is not the same as making money. Or, put another way, paying off debt is not the same as accumulating assets. By tackling the mortgage pay-off first, and the savings goal second, many fail to consider the important role a mortgage plays in our savings effort.

Common Home Equity Misconceptions

Many Americans believe the following statements to be true, but in reality they are myths, or misconceptions:

Your home equity is a prudent investment.

» FALSE

Extra principal payments on your mortgage saves you money.

» FALSE

Mortgage interest should be eliminated as soon as possible.

» FALSE

Substantial equity in your home enhances your net worth.

» FALSE

Home Equity has a rate of return.

» FALSE

Every dollar we give the bank is a dollar we did not invest. While paying off the mortgage saves us interest, it denies us the opportunity to earn interest with that money.

A tale of two brothers

Ric Edelman has educated his clients for years on the benefits of integrating their mortgage into their overall financial plan. In his book, The New Rules of Money, Ric tells the story of two brothers, each of whom secures a mortgage to buy a $200,000 home. Each brother earns $70,000 a year and has $40,000 in savings. The first brother, Brother A, believes in the old way of paying off a mortgage, which is as soon as possible. Brother A bites the bullet and secures a fifteen-year mortgage at 6.38% APR and shells out all $40,000 of his savings as a 20% down payment, leaving him zero dollars to invest. This leaves him with a monthly payment of $1,383. Since he has a combined federal and state income tax rate of 32%, he is left with an average monthly net after-tax cost of $1,227. Also, in an effort to eliminate his mortgage sooner, Brother A sends an extra $100 to his lender every month. Brother B, in contrast, subscribes to the new way of mortgage planning, choosing instead to carry a big, long-term mortgage. He secures a 30-year, interest-only loan at 7.42% APR. He outlays a small 5% down payment of $10,000 and invests the remaining $30,000 in a safe, moneymaking side account. His monthly payment is $1,175, 100% of which is tax deductible over the first 15 years, and 64% over the life of the loan, leaving him a monthly net after-tax cost of $799. Every month he adds $100 to his investments (the same $100 Brother A sent to his lender), plus the $428 he's saved from his lower mortgage payment. His investment account earns an 8% rate of return.

Which brother made the right decision? The answer can be found by looking into the future. After just five years Brother A has received $14,216 in tax savings, however he made zero dollars in savings and investments. Brother B, on the other hand, has received $22,557 in tax savings and his savings and investment account has grown to $83,513. Now, what if both brothers suddenly lose their jobs? The story here turns rather bleak for Brother A. Without any money in savings, he has no way to get through the crisis. Even though he has $74,320 of equity in his home, he can't get a loan because he doesn't have a job. With no job and no savings, he can't make his monthly payments and has no choice but to sell his home in order to avoid foreclosure. Unfortunately, at this point it's a fire sale so he must sell at a discount, and

A Tale of Two Brothers

Adapted from the book, The New Rules of Money

Our story begins with two brothers, each earning $70,000 a year. They each have $40,000 in savings and both are buying $200,0000 homes.

Brother "A" believes in **"The Old Way"** – paying off the mortgage as soon as possible

Brother "B" believes in **"The New Way"** –carrying a big, long mortgage

Brother "A"	Brother "B"
15-year mortgage at **6.38% APR**	**30-year** mortgage at **7.42% APR**
$40,000 Big Down Payment	**$10,000** Big Down Payment
$0 left to invest	**$30,000** left to invest
$1,383 Monthly Payment (56% is tax deductible first year/33% average)	**$1,175** Monthly Payment (100% is tax deductible first 15 yeas/64% average)
$1,227 Monthly Net After-Tax Cost	**$799** Monthly Net After-Tax Cost
Sends **$100** monthly to lender in effort to eliminate mortgage sooner	Adds **$100** monthly to investments, plus $428 saved from lower mortgage payment where account earns 8% rate of return

Results after 5 Years

Brother "A"	Brother "B"
Received **$14,216** in tax savings	Received **$22,557** in tax savings
has **$0** in savings and investments	has **$83,513** in savings and investments

What if both brothers suddenly lost their jobs?

Brother "A"	Brother "B"
Has no savings to get him through crisis	Has $83,513, in savings to tide him over
Can't get a loan – even though he has $74,320 more in equity than his brother – because he has no job	Doesn't need a loan
Must sell his home or face foreclosure because he can't make payments	Can easily make his mortgage payments even if he's unemployed for years
At this point – it's a fire sale – he must sell at a discount and pay real estate commissions **(6-7 %)**	has no reason to panic since he's still in control – remember... cash is KING!

Results After 15 Years

Brother "A"	Brother "B"
Received **$25,080** in tax savings	Received **$67,670** in tax savings
Has **$30,421** in savings and investments	Has **$282,019** in savings and investments
Owns home outright	Remaining mortgage balance is **$190,000** – and he has enough savings to pay it off and still have **$92,019** left over, free and clear

Results After 30 Years

Brother "A"	Brother "B"
Received **$25,080** in tax savings	Received **$107,826** in tax savings
Has **$613,858** in savings and investments	Has **$1,115,425** in savings and investments
Owns home outright	Owns home outright – so starts fresh and enjoys the same benefits once again

then pay real estate commissions.

Brother B, while not particularly happy at the prospects of searching for a new job, is not worried because he has $83,513 in savings to tide him over. He doesn't need a loan and can easily make his monthly payments, even if he is unemployed for years. He has no reason to panic, as he is still in control. Remember…

Cash is King!

Now, let's say neither brother lost his job. We'll check in on them after fifteen years have passed since they purchased their homes and evaluate the results of their financing strategies. Brother A has now received $25,080 in tax savings, he has $30,421 in savings and investments (once his home was paid off he started saving the equivalent of his mortgage payment each month), and owns his home outright. Not too bad, right?

Now let's check on his Brother. Brother B has received $67,670 in tax savings and has $282,019 in savings and investments. If he chooses to, he can pay off the remaining mortgage balance of $190,000 and still have $92,019 left over in savings, free and clear.

Finally, let's assume that rather than pay off his mortgage at fifteen years, Brother B decides to ride out the whole thirty years of the loan's life. While Brother A has still received only $25,080 in tax savings, his savings and investments have grown to $613,858, and he still owns his home outright. Brother B, on the other hand, has received a whopping $107,826 in tax savings, has accumulated an incredible $1,115,425 in savings and investments, and also owns his home outright. He can start over fresh and enjoy the same benefits once again. Unfortunately, the majority of Americans follow the same path as Brother A, as it's the only path they know. Once the path of Brother B is revealed to them, a paradigm shifting epiphany often occurs as they realize Brother B's path enables homeowners to pay their homes off sooner (if they choose to), while significantly increasing

Are you still doing this?

"Here is an extra $100
principal payment Mr. Banker. Don't pay me any interest on it. If I need it back, I'll pay you fees, borrow it back on your terms, and prove to you that I qualify."

Money you give the bank is money you'll never see again unless you refinance or sell.

their net worth and maintaining the added benefits of liquidity and safety the entire way.

Successfully managing home equity to increase liquidity, safety, rate of return, and tax deductions

In 2003, Doug Andrew, a top financial planner from Utah, was the first to clearly articulate the strategy the wealthy have been using for decades in his book, Missed Fortune. The book is based on the concepts of successfully managing home equity to increase liquidity, safety, rate of return, and tax deductions. Doug educates readers to view their mortgage and home equity through a different lens, the same lens used by the affluent. He shows how relatively minor changes in home equity perception and positioning can produce monumental long-term effects in financial security.

Many Americans believe the best way to pay off a home early is to pay extra principal on your mortgage. Similarly, many finance professors think a 15-year loan saves you money by reducing the interest you pay. However, Doug Andrew points out in his book, Missed Fortune, that this thinking is flawed. If you do the math, you find if you set aside the monthly payment difference between a 15-year loan and a 30-year loan, as well as the tax savings into a safe side investment account earning a conservative rate of return, you will have enough to pay your home off in 13½ years (or in 15 years with $25,000 to spare!). Chapter one in Missed Fortune talks about the $25,000 mistake made by millions of Americans who choose the fifteen-year loan.

Cram Investment Group teaches an educational seminar for the public based largely on the Missed Fortune concepts. In the seminar, we break down the four key benefits of integrating your mortgage into your financial plan (increased liquidity, safety, rate of return, and tax deductions) in order to look at each one in more detail

Our goal is to help clients conserve their home equity, not consume it. We are one of the few financial planning firms who encourage clients to secure debt in order to become debt free sooner.

In April 1998, The Journal of Financial Planning (published by the Institute of Certified Financial Planners) contained the first academic study undertaken on the question of 15-year versus 30-year mortgages. They concluded the 30-year loan is better. Based on the same logic, wouldn't an interest-only loan be better than an amortizing loan? If mortgage money cost you 4-5%, the chances are pretty good that you can earn 5% on your money. Interest rates are relative. In the 1980's, money was costing 15%, but individuals could still earn 15% on their money. Due to the tax deductibility of mortgage interest and compounding returns, you can borrow at a higher rate and invest it at a lower rate and still make a significant profit.

Large equity in your home can be a big disadvantage

By having cash available ftor emergencies and investment opportunities, most home-owners are better off than if their equity is tied up in their residence. Large, idle equity, also called 'having all your eggs in one basket,' can be risky if the homeowner suddenly needs cash. While employed and in excellent health, borrowing on a home is easy, but most people, especially retirees, unexpectedly need cash when they are sick, unemployed or have insufficient income. Obtaining a home loan under these circumstances can be either impossible or very expensive.

How many of us feel when we go to the bank we almost need to prove we don't need the money before they'll loan it to us? The bank wants to know we have the ability to repay the loan. You can imagine how a conversation might go with your banker: "I brought up

your loan application up to the board this morning and I explained to them you're going through some hard financial times, you're unemployed, your credit is not so good and maybe they could lend you some cash to get through these rough times. Their response was... 'Fat chance!'

What many people don't realize is that even if they've consistently been making double mortgage payments for five years in a row, the bank still has no leniency. If suddenly they experience a financial setback, the bank will not care. They can go to the bank and plead, "I never thought in a million years this would happen to me, but it did. I've been paying my mortgage in advance for years, how about if I just coast on my mortgage payments for a few months?" They get the same answer every time... 'Fat chance!' Banks just don't work that way. Regardless of how much you've paid your mortgage down or how many extra payments you've made, next month's payment is still due in its entirety no matter what.

Why separate equity from your home?

In the book, Missed Fortune, Doug Andrew suggests people strongly consider separating as much equity as they possibly can from their house, and place it over in a cash position. Why in the world would you want to have the equity removed from your home?

There are actually three primary reasons:

1. Liquidity
2. Safety
3. Rate of return

These three elements are also commonly used as the test of a prudent investment. When evaluating a potential investment, experienced investors will ask the following three questions:

1. How liquid is it?
(Can I get my money back when I want it?)

2. How safe is it?
(Is it guaranteed or insured?)

3. What rate of return can I expect?

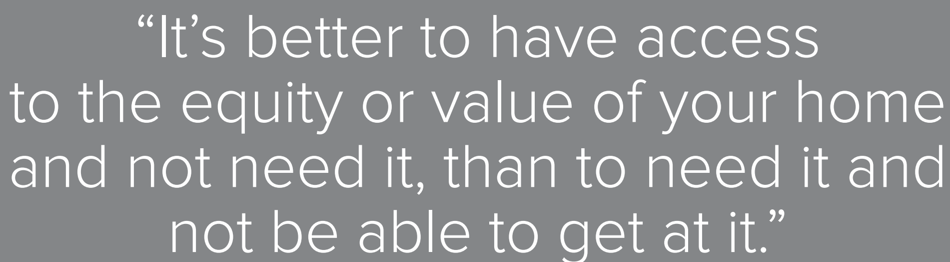
Home equity fails all three tests of a prudent investment. Let's examine each of these core elements in more detail to better understand why home equity fails the tests of a prudent investment, and, more importantly, why home-owners benefit by separating the equity from their home.

Separating equity to increase liquidity

What is the biggest secret in real estate? Your mortgage is a loan against your income, not a loan against the value of your house. Without an income, in many cases you cannot get a loan. If you suddenly experienced difficult financial times, would your rather have $25,000 of cash to help you make your mortgage payment, or have an additional $25,000 of equity trapped in your home? Almost every person who has ever lost their home to foreclosure would have been better off if they had their equity separated from their home in a liquid, safe, conservative side fund that could be used to make mortgage payments during their time of need.

The importance of liquidity became all too clear when the stock market crashed in October of 1987. If someone had advised you to sell your stocks and convert to cash, they would have been a hero. Or, if you had enough liquidity you could have weathered the storm. Those with other liquid assets were able to remain invested. They were rewarded as the market rebounded and recovered fully within 90 days. However, those without liquidity were forced to sell while the market was down, causing them to accept significant losses. In Missed Fortune, Doug Andrew tells the story of a young couple who learned what he calls "The $150,000 Lesson on Liquidity". In 1978 this couple built a beautiful home that would be featured in Better Homes and Gardens. The couple's home appreciated in value, and, by 1982, it was appraised for just under $300,000. They had accumulated a significant amount of equity, not because they had been making extra payments on the property, but because market conditions improved over that four-year period.

This couple thought they had the world by the tail. They had a home valued at $300,000



with first and second mortgages owing only $150,000. They had "made" $150,000 in four short years.

They had the misconception that the equity in their home had a rate of return when, in fact, it was just a number on a sheet of paper.

Then, a series of unexpected events reduced their income to almost nothing for nine months. They couldn't borrow money to keep their mortgage payments current because without an income they did not have the ability to repay. Within six months they had sold two other properties to bring their mortgage out of delinquency. They soon realized that in order to protect their $150,000 of equity they would have to sell their home. As Murphy's Law would have it, the previously strong real estate market turned soft.

Although they reduced their asking price several times – from $295,000 down to $195,000 – they could not find a buyer. Sadly, they gave up the home in foreclosure to the mortgage lender. Sometimes sad stories only get sadder. The two mortgages on the property were in the amounts of $125,000 and $25,000, respectively. The second mortgage holder outbid the first one at the ensuing auction, feeling that, much like the original owners, it was in a good position. Knowing that the house had been appraised for $300,000, and the obligation owing was only $150,000, it thought it could turn around and sell the property to cover the investment. It took nine long months to sell, during which time the lender was forced to pay the first mortgage and also accrued an additional $30,000 of interest and penalties. By the time the home finally sold, less the $30,000 in accrued indebtedness, guess who got stuck with the deficiency balance of $30,000 on their credit report? The original owners, of course!

This couple not only had a foreclosure appear on their credit report for seven years, the report also showed a deficiency balance owing $30,000 on a home they had lost nearly one year earlier. In a time of financial setback they lost one of their most valuable assets due to a lack of liquidity. If they had separated their $150,000 in home equity and repositioned it into a safe side account, they would have easily been able to make their mortgage payments and prevented this series of events.

At this point in the story, Doug admits the young couple was really he and his wife, Sharee. Despite objections from his editor, Doug insisted the story remain in the book because he wanted his readers to know he understands first hand the importance of positioning assets in financial instruments that maintain liquidity in the event of an emergency. If Doug and Sharee had access to their home's equity, they could have used it to weather the financial storm until they could get back on their feet. Doug learned from his own experience the importance of maintaining flexibility in order to ride out market lows and take advantage of market highs. And, most importantly, he learned never to allow a significant amount of equity to accumulate in his property.

Home equity is not the same as cash in the bank; only cash in the bank is the same as cash in the bank. Being house rich and cash poor is a dangerous position to be in. It is better to have access to the equity or value of your home and not need it, than to need it and not be able to get at it. Keeping home equity safe is really a matter of positioning yourself to act instead of react to market conditions over which you have no control.

Separating equity to increase safety of principal

The Seattle Times, in an article published in March 2004, reported, "Remember that housing prices can and do level off.

They sometimes decline – witness Southern California just a little more than a decade ago, when prices took a 20 percent to 30 percent corrective jolt downward." Real estate equity is no safer than any other investment whose value is determined by an external market over which we personally have no control. In fact, due to the hidden "risks of life," real estate equity is not nearly as safe as many other conservative investments and assets. A home that is either mortgaged to the hilt or owned totally free and clear provides the greatest safety for the homeowner.

"Home equity is not the same as cash in the bank. Only cash in the bank is the same as cash in the bank."

Americans typically believe home equity is a very safe investment. In fact, according to a recent study, 67% of Americans have more of their net worth in home equity than in all other investments combined. However, if 100 financial planners looked at a client portfolio that was 67% weighted in a single investment, 99 out of 100 of them would immediately recommend the client diversify to reduce their risk and increase safety of principal. Holding large amounts of home equity puts the homeowner at unnecessary risk. This risk could be greatly reduced by diversifying their home equity into other investments.

An example of the necessity of keeping your home's equity safely separated from your property can be can be found in Houston, Texas. When oil prices fell to all time lows in the early 1980's the city of Houston was hit hard. Thousands of workers were laid off and ultimately forced to sell their homes. With a glut of homes on the market, housing prices plummeted. Unfortunately, there were far too many sellers and far too few buyers. Homeowners were unable to sell and unable to make their mortgage payments. As a result, 16,000 homes were foreclosed. Did these 16,000 families suddenly become bad people? No, they just couldn't make their mortgage payments. Just prior to this series of events many of these people were making extra principal payments. Unfortunately, they could not coast on those extra payments, and with so many houses on the market for sale, some people literally had to walk away from their home.

The equity these people had worked so hard to build up was lost completely. They learned the hard way that home equity is fragile, and certainly not as safe as they once thought. Could this happen today? Just look at when the Enron Corporation collapsed a few years ago, and thousands lost their jobs and homes, again in Houston, Texas. What would happen in the Seattle area if Microsoft or Boeing had major lay-offs? Money you give the bank is money you'll never see again unless you refinance or sell. When the people in Houston pleaded, "Mr. Banker, I've been making extra mortgage payments for years. I'm well ahead of schedule. Will let you let me coast for a while?" The bank replied, "Fat Chance!"

To reduce the risk of foreclosure during unforeseen set-backs, keep your mortgage balance as high as possible

Is your home really safe? Unfortunately, many home buyers have the misconception that paying down their mortgage quickly is the best method of reducing the risk of foreclosure on their homes. However, in reality, the exact opposite is true. As homeowners pay down their mortgage, they are unknowingly transferring the risk from the bank to themselves. When the mortgage balance is high, the bank carries the most risk. When the mortgage balance is low, the homeowner bears the risk. With a low mortgage balance the bank is in a great position, as they stand to make a nice profit if the homeowner defaults. In addition to assuming unnecessary risk, many people who scrape up every bit of extra money they can to apply against principal often find themselves with no liquidity. When tough times come, they find themselves scrambling to make their mortgage payments.

Assume you're a mortgage banker looking at your portfolio, and you have 100 loans that are delinquent. All of the loans are for homes valued at $300,000. Some of the loan balances are $150,000 and some are $250,000. Suddenly, there is a glut in the market and the homes are now worth $200,000. Which homes do you as the banker foreclose on FIRST? The ones owing the least amount of money, of course. After all, as a banker you'd make money taking back those homes, however you'd lose money trying to sell a home for $200,000 that still owed $250,000 on it. Banks have been known to call delinquent homeowners with high mortgage balances and offer assistance, "We understand you are going through some tough times, is there anything we can do to help you? We really want you to be able to keep your home." The last thing they want to do is take back a home that they will lose money reselling.

It's interesting to note, during the Great Depression, the Hilton chain of hotels was deeply affected by the stock market crash and couldn't make their loan payments. What saved them from financial ruin? They were so leveraged, in other words they owed so much more on their property than it was worth, that the banks couldn't afford to bother wasting their time foreclosing on it. The Hiltons understood the value of keeping high mortgage balances thereby keeping the risk on the banks. The Houston homeowners would have been better off if they had removed a large portion of their equity and put it in a safe and liquid side fund, accessible in a time of need.

Ask yourself, if you owned a $400,000 home during an earthquake in California (and you didn't have earthquake insurance), would you rather have your equity trapped in the house or in a liquid, safe side fund? If it were trapped in the home, your equity would be lost along with the house.

Separating equity to increase rate of return

What do you think the rate of return on home equity was in Seattle for the last 3 years? What about Portland? Careful, this is a trick question. The truth is, it doesn't matter where you live or how fast the homes are appreciating, the return on home equity is always the same, ZERO. We have a misconception that because

our home appreciates, or our mortgage balance is going down, that the equity has a rate of return. That's not true. Home equity has NO rate of return. Home values fluctuate due to market conditions, not due to the mortgage balance. Since the equity in the home has no relation to the home's value, it is in no way responsible for the home's appreciation. Therefore, home equity simply sits idle in the home. It does not earn any rate of return. Assume you have a home worth $100,000 which you own free and clear. If the home appreciates 5%, you own an asset worth $105,000 at the end of the year.

Now, assume you had separated the $100,000 of home equity and placed it in a safe, conservative side account earning 8%. Your side account would be worth $108,000 at the end of the year. You still own the home, which appreciated 5% and is worth $105,000. By separating the equity you created a new asset which was also able to earn a rate of return. Therefore, you earned $8,000 more than you would have if the money were left to sit idle in the home. To be fair, you do have a mortgage payment you didn't have before. However, since interest rates are relative, if we are assuming a rate of return of 8%, we can also assume a strategic interest-only mortgage would be available at 5%. Also, since mortgage interest is 100% tax deductible, the net cost of the money is only 3.6%. This produces a 4.4% positive spread between the cost of money and the earnings on that money.

The story gets much more compelling over time, although the mortgage debt remains constant, through compound interest, the side account continues to grow at a faster pace each year. The earnings on $100,000 in year 1 are $8,000. Then in year 2, the 8% earnings on $108,000 are $8,640. In year 3, the earnings on $116,640 at 8% are $9,331. Since the mortgage debt remains the same, the spread between the cost of the mortgage money and the earnings on the separated equity continues to widen further in the homeowner's favor every year. If we allow home equity to remain idle in the home, we give up the opportunity to put it to work and allow it to grow and compound.

Homeowners would actually be better off burying money in their backyards than paying down their mortgages, since money buried in the backyard is liquid (assuming you can find it), and its safe (assuming no one else finds it). However, neither is earning a rate of return. It's actually losing value due to inflation. Few people today bury money in the back yard or under their mattresses, because they have confidence in the banking system. They also understand idle money loses value while invested money grows and compounds. As Albert Einstein said, "The most powerful force in the universe is compound interest." After all, homes were built to house families, not store cash. Investments were made to store cash.

Taken from a different angle, suppose you were offered an investment that could never go up in value, but might go down. How much

of it would you want? Hopefully none. Yet, this is home equity. It has no rate of return, so it cannot go up in value, but it could go down in value if the real estate market declines or the homeowner experiences an uninsured loss (e.g. an earthquake), disability, or a foreclosure

The power of leverage

Let's be clear, buying a home can be a great investment. However, the wealthy buy the home with as little of their own money as possible, leaving the majority of their cash in other investments where it's liquid, safe, and earning a rate of return. One of the biggest misconceptions homeowners have is that their home is the best investment they ever made. If you purchased a home in 1990 for $250,000 and sold it in June of 2003 for $600,000, that represents a gain of 140%. During the same period, the Dow Jones grew from 2590 to 9188, a gain of 255%. The reality here is that financing your home was the best investment decision that you ever made. When you purchased the $250,000 house in 1990, you only put $50,000 down. The $50,000 cash investment produced a profit of $350,000. That is a total return of 600%, far outpacing the measly 255% earned by the stock market.

The cost of not borrowing (employment cost vs. opportunity cost)

When homeowners separate equity to reposition it in a liquid, safe, side account, a mortgage payment is created. The mortgage payment is considered the Employment Cost. What many people don't understand is when we leave equity trapped in our home, we incur the same cost, but we call it a lost Opportunity Cost.

The money that's parked in your home doing nothing could be put to work earning you something.

Let's say you had $100,000 of equity in your home that could be separated. Current mortgage interest is 5%, so the cost of that money would be $5,000 per year (100% tax deductible). Rather than bury the $100,000 in the backyard, we are going to put it to work, or "employ" it. If I were an employer, why would I be willing to hire an assistant for $35,000 per year? The expectation is I am going to be able to grow my business and earn a profit on it. As a business owner, I believe that by investing in an assistant I will earn a return that's greater than the cost of employing that assistant. If we choose to leave the $100,000 of equity in our home, we incur almost the same cost. The only difference is, instead of referring to that cost as employment cost, it is referred to as an opportunity cost. By leaving the equity in the home, we give up the "opportunity" to earn a 5 percent return on the money.

By separating the equity we give it new life. We give ourselves the opportunity to put it to work and earn something on it. Assuming a 28 percent tax bracket, the net employment cost is not 5%, but 3.6%, or $3,600 per year after taxes (mortgage interest is 100% tax deductible). It's not too difficult to find tax free or tax deferred investments earning more than 3.6%. Using the tax benefits of a mortgage, you can create your own arbitrage by borrowing at one rate and earning investment returns at a slightly higher rate. It's what the banks and credit unions do all the time. They borrow our money at 2% and then loan it back to us at 5%. It's what makes millionaires, millionaires! Learn to be your own banker. By using the principles that banks and credit unions use, you can amass a fortune. A bank's greatest assets are its liabilities. You can substantially enhance your net worth by optimizing the assets that you already have. By being your own banker you can make an extra $1 Million for retirement.

How to create an extra million dollars for retirement

By repositioning $200,000 into an equity management account with a financial advisor you can achieve a net gain of $1 million

"Homes are designed to house families,not store cash."

"Investments are designed to store cash."

over thirty years. Assume you separate the $200,000 of home equity using a mortgage with a 5% interest rate. If the $200,000 grows at a conservative rate of 6.75% per year, it will be worth $1,419,275 in 30 years. After deducting the $216,000 in interest payments and the $200,000 mortgage, you still have $1,003,275 left in your account. A net gain of over one million dollars.

This example simply shows a one time repositioning of equity. Imagine how the numbers grow for individuals that harvest and reposition their home equity every 5 years as their home continues to appreciate! This is how the wealthy manage their home equity to continually increase their net worth. Conversely, if the same $200,000 were left to sit idle in the home for 30 years, it would not have earned a dime.

Betting the ranch; risking home equity to buy securities

Recently the NASD issued an alert, "…because we are concerned that investors who must rely on investment returns to make their mortgage payments could end up defaulting on their home loans if their investments decline and they are unable to meet their monthly mortgage payments." The NASD is absolutely correct in advising against separating equity if the client must rely on the returns from their investment to make the mortgage payments.

Home equity is Serious Money. We don't gamble home equity. Liquidity and safety are the key philosophies when separating home equity. Rate of return is a distant third benefit. Also, it is not necessary or recommended to invest in highly volatile or aggressive investments. You can make thousands of dollars by simply borrowing at 5% and investing at 5% in safe conservative fixed investments without ever going into securities. In general, individuals should not invest home equity for "current income" unless the investment is fixed and guaranteed. Individuals interested in variable investments should ask themselves, "How will I make my mortgage payment if my investments decline? Do I have reserve funds or a secure income?" In April 2004, the following question was posed to the NASD, "Where can I find the exact language prohibiting a broker from recommending that I take a mortgage out on my house and invest the money in securities?" The written answer from the NASD: "Brokers are not prohibited from making such a recommendation per se, so long as the investment is reasonably suitable for investment in general, and it is suitable for the specific customer. In order to determine suitability, a broker should consider the client's investment objectives, financial status, tax status, and any other information a firm uses to make suitable client recommendations. This would include adequately explaining the risks of such an investment, which are significant, to the investor." The NASD simply wants to ensure consumers are receiving prudent advice.

Tax deductions to offset 401k withdrawals

Most successful retirees have the majority of their assets in their home equity and IRA/401Ks. As they start withdrawing funds from their IRA/401Ks, they are hit with a significant annual tax bill. Moreover, the kids have moved out, the mortgage is paid, and tax deductible contributions to 401Ks have stopped. When they could use the mortgage interest deduction the most, they don't have it. As part of long term planning, someone who is preparing for retirement may want to have a mortgage going into retirement to help offset the annual IRA/401k tax bill and enhance their overall financial goals. For many, the mortgage interest deduction offsets taxes due on retirement withdrawals, giving the net effect of tax free withdrawals from their retirement account.

401 vacation condo

Many successful people in the Northwest dream of retiring and buying a second home in Arizona or Hawaii. With one million

dollars or more saved in their IRA/401Ks, they decide to retire and buy the vacation home where they will spend their winters. What a surprise when they discover that to pay cash for a $350,000 condo they need to withdraw nearly $500,000 from their 401K/IRA. What if instead they had purchased the condo 15 years earlier, when it cost $175,000, by using the equity in their home?

Today their net worth would be $175,000 higher, due to the condo's appreciation, and they would have the mortgage interest deduction to help off-set their IRA/401K withdrawals. In addition to the financial advantages, they would have enjoyed the lifestyle benefits of owning their vacation condo 15 years sooner than they planned.

Making uncle sam your best partner Under tax law you can deduct up to one million dollars of mortgage interest subject to income restrictions. You can also deduct an additional $100,000 from home equity loan interest. To take advantage of these deductions, make sure to secure a large mortgage when you buy. Under tax law, mortgage interest is deductible only for $100,000 over acquisition indebtedness (the mortgage balance when home is purchased). Home improvements are the only exception. For example, if you sell your home for $400,000 and buy a new home for $400,000 with the cash from the sale, you will lose the tax break and liquidity. But worse, if you later decide to take out a home equity loan, only the first $100,000 will be tax deductible. Instead, secure a $360,000 mortgage (90%) when you buy the home and the entire amount is deductible.

Where to safely invest home equity

Home equity is serious money. We are separating it from the home to conserve it, not to consume it. Therefore it should not be invested aggressively. Rather, home equity is best invested in safe, conservative investment vehicles. Tax favored safe investments are ideal. You should consult your financial planner for the best investment vehicles for your specific situation. Many financial planners prefer the following tax favored products for investing home equity:

- Investment grade insurance contracts
- Annuities
- Real estate investment trusts
- IRAS
- 401ks
- Tax-free bonds
- 529 savings plan

Case study: home equity management

There's a recent case study of a couple living in a $550,000 home in Bellevue, WA. They owed $360,000 on a 30-year fixed mortgage at 5.875% with a monthly payment of $2,130. They had $190,000 built up in home equity. A very common "Brother A"-type traditional scenario. After understanding the liquidity, safety, rate of return, and tax benefits of properly managing their home equity, this couple decided to separate $155,800 of their equity to invest in a safe conservative side account. By using an interest-only ARM they were able to increase their mortgage balance to separate this chunk of equity while decreasing their monthly mortgage payment to $1,656, a monthly cash flow savings of $474 per month.

The couple conservatively invested the $155,800 lump sum and the $474 per month savings with their financial planner. If we assume a conservative 6% rate of return, their investment account will grow to $520,196 in 15 years. In the 15th year, they will have enough cash in their investment account to pay off their mortgage completely if they want to (15 years earlier than with their original 30 year mortgage!). However, armed with their new equity management knowledge, they plan to keep the mortgage well into retirement so they can keep the tax deduction benefits and keep the money in the investment account where it's more liquid, more safe, and will continue to grow and compound.

Case study: cash flow management

It's not necessary to have a large chunk of equity in your home to benefit from using your mortgage to create wealth. Many homeowners without a large equity balance have benefited by simply moving to a more strategic mortgage which allows them to pay less to their mortgage company each month, thereby enabling them to save or invest more each month. For example, a couple in Redmond, Washington followed traditional thinking when they bought their $400,000 home. They put 20% down and obtained a $320,000 30-year fixed rate mortgage at 6.00% with a payment of $1,919 per month. This is how the vast majority of Americans would purchase this home.

However, once this couple understood the benefits of integrating their mortgage into their financial plan, they decided to make a change. They moved to a more strategic interest-only mortgage. They kept the same loan balance, but were able to reduce their monthly payments to $1,133 per month, a savings of $786 per month from their previous mortgage. The couple invests the $786 savings each month, and assuming a 6% rate of return, they will have enough money in their investment account to pay off their mortgage in 19 years (11 years sooner than their previous 30 year schedule!). Therefore, by simply redirecting a portion of their monthly mortgage payment, they were able to potentially shave 11 years off their mortgage. In addition, they also received the benefits of having their cash in a more liquid, more safe position throughout the process.

A tax return is just the beginning

You deserve a personal touch someone who understands your business and personal needs, someone to help provide peace of mind for all of your financial obstacles.

FOSTER FINANCIAL

CERTIFIED PUBLIC ACCOUNTANT

Nick T Foster, CPA

We are a full service CPA Company providing:

- Small Business Accounting/ Tax
- Personal Taxes
- CFO Consulting

602-833-3260

www.fosterfinancialcpa.com

Protecting & Building Your Assets.

Partners Jack Bennett and Scott Porter have redefined the typical, run-of-the-mill insurance and financial experience. Their holistic approach has led to the formation of two interrelated departments: **insurance** and **wealth management**. For over two decades they have successfully exceeded clients' needs through asset protection and sound investments.

Bennett & Porter

wealth management | insurance

3200 N Hayden Rd, Suite #310, Scottsdale, Arizona 85251 | 480.212.1150

bapins.com

LET STRATTON INSPECTION SERVICES MAKE SURE YOUR BUYING, SELLING, OR WARRANTY INSPECTION IS DONE THOROUGHLY AND ACCURATELY FROM TOP TO BOTTOM.

Licensed & Insured | Supra Key (Lockbox) Access
Professional, Dependable, and Reliable | Highly Recommended

STRATTON
INSPECTION SERVICES LLC

480.215.7264

> "Stratton Inspection Services is first class all the way. The inspector was punctual, knowledgeable and extremely thorough with his inspection and his inspection report. The office manager, Tiffany was very friendly and accommodating regarding scheduling and billing. They answer phone calls and emails promptly."
>
> ~Jason and Denise R.

WE ARE...

EXPERIENCED MULTI-INSPECTOR FIRM • **AVAILABLE** MON-SAT + EVENING REVIEW AVAILABLE
CONVENIENT ONLINE SCHEDULING AVAILABLE 24 HOURS • **EXPEDIENT** SAME DAY REPORTS
SAVVY MLS ACCESS + SUPRA KEY • **PERSONAL** OUR OFFICE STAFF IS AVAILABLE 7 DAYS A WEEK VIA PHONE, TEXT OR EMAIL

STRATTONINSPECTIONS@GMAIL.COM | WWW.STRATTONINSPECTIONS.COM
1757 E Baseline Rd. Bldg2, Suite 107 | Gilbert, AZ 85233

SHOPPING AROUND?

HERE'S THE INSIDE SCOOP ON HOW TO DO IT RIGHT

First: make sure you are working with an experienced, professional loan officer. The largest financial transaction of your life is far too important to place into the hands of someone who is not capable of advising you properly and troubleshooting the issues that may arise along the way. But how can you tell?

Here are FOUR SIMPLE QUESTIONS YOUR LENDER ABSOLUTELY MUST BE ABLE TO ANSWER CORRECTLY. IF THEY DO NOT KNOW THE ANSWERS... RUN...DON'T WALK... RUN...TO A LENDER THAT DOES!

1. What are mortgage interest rates based on?(The only correct answer is Mortgage Backed Securities or Mortgage Bonds, NOT the 10-year Treasury Note. While the 10-year Treasury Note sometimes trends in the same direction as Mortgage Bonds, it is not unusual to see them move in completely opposite directions. DO NOT work with a lender who has their eyes on the wrong indicators.)

2. What is the next Economic Report or event that could cause interest rate movement? (A professional lender will have this at their fingertips. For an up-to-date calendar of weekly economic reports and events that may cause rates to fluctuate, visit our Facebook page Finance of America Mortgage – Bryan Johnson Lending Team – for daily updates. Want more? Let me know if you want to be added to my weekly distribution list.

3. When Janet Yellen {Chairmen of Federal Reserve} and the Fed "change rates", what does this mean... and what impact does this have on mortgage interest rates?(The answer may surprise you. When the Fed makes a move, they can change a rate called the "Fed Funds Rate" or "Discount Rate". These are both very short-term rates that impact credit cards, Home Equity credit lines, auto loans and the like. On the day of the Fed move, Mortgage rates most often will actually move in the opposite direction as the Fed change. This is due to the dynamics within the financial markets in response to inflation. For more information and explanation, just give us a call).

4. Do you have access to live, real time, mortgage bond quotes?(If a lender cannot explain how Mortgage Bonds and interest rates are moving in real time and warn you in advance of a costly intra-day price change, you are talking with someone who is still reading yesterday's newspaper, and probably not a professional with whom to entrust your home mortgage financing. Would you work with a stockbroker who is only able to grab yesterday's paper to tell you how a stock traded yesterday, but had no idea what the movement looks like at the present time and what market conditions could cause changes in the near future? No way!)

Be smart... Ask questions... Get answers!

More than likely, this is one of the largest and most important financial transactions you will ever make. You might do this only four or five times in your entire life... but we do this every single day. It's your home and your future. It's our profession and our passion. We're ready to work for your best interest.

SHOPPING... PART 2

Once you are satisfied that you are working with a top-quality professional mortgage advisor, here are the rules and secrets you must know to "shop" effectively.

FIRST, IF IT SEEMS TO GOOD TO BE TRUE, IT PROBABLY IS. But you didn't really need us to tell you that, did you? Mortgage money and interest rates all come from the same places, and if something sounds really unbelievable, better ask a few more questions and find the hook. Is there a prepayment penalty? If the rate seems incredible, are there extra fees? What is the length of the lock-in? If fees are discounted, is it built into a higher interest rate?

SECOND, YOU GET WHAT YOU PAY FOR. If you are looking for the cheapest deal out there, understand that you are placing a hugely important process into the hands of the lowest bidder. Best case, expect very little advice, experience and personal service. Worst case, expect that you may not close at all. All too often, you don't know until it's too late that cheapest isn't BEST. But if you want the cheapest quote – head on out to the Internet, and we wish you good luck. Just remember that if you've heard any horror stories from family members, friends or coworkers about missed closing dates, or big surprise changes at the last minute on interest rate or costs... these are often due to working with discount or internet lenders who may have a serious lack of experience. Most importantly, remember that the cheapest rate on the wrong strategy can cost you thousands more in the long run. This is the largest financial transaction most people will make in their lifetime. That being said – we are not the cheapest. Of course our rates and costs are very competitive, but we have also invested in the systems and team we need to ensure the top quality experience that you deserve.

THIRD, MAKE CORRECT COMPARISONS. When looking at estimates, don't simply look at the bottom line. You absolutely must compare lender fees to lender fees, as these are the only ones that the lender controls. And make sure lender fees are not "hidden" down amongst the title or state fees. A lender is responsible for quoting other fees involved with a mortgage loan, but since they are third party fees – they are often under-quoted up front by a lender to make their bottom line appear lower, since they know that many consumers are not educated to NOT simply look at the bottom line! APR? Easily manipulated as well, and worthless as a tool of comparison.

FOURTH, UNDERSTAND THAT INTEREST RATES AND CLOSING COSTS GO HAND IN HAND. This means that you can have any interest rate that you want – but you may pay more in costs if the rate is lower than the norm. On the other hand, you can pay discounted fees, reduced fees, or even no fees at all – but understand that this comes at the expense of a higher interest rate. Either of these balances might be right for you, or perhaps somewhere in between. It all depends on what your financial goals are. A professional lender will be able to offer the best advice and options in terms of the balance between interest rate and closing costs that correctly fits your personal goals.

FIFTH, UNDERSTAND THAT INTEREST RATES CAN CHANGE DAILY, EVEN HOURLY. This means that if you are comparing lender rates and fees – this is a moving target on an hourly basis. For example, if you have two lenders that you just can't decide between and want a quote from each – you must get this quote at the exact same time on the exact same day with the exact same terms or it will not be an accurate comparison. You also must know the length of the lock you are looking for, since longer rate locks typically have slightly higher rates.

Again, our advice to you is to be smart. Ask questions. Get answers.

As you can imagine, we wouldn't be encouraging you to shop around if we weren't pretty confident that we feel that we can give you a great value and serve you the very best.

- **Same day approvals**
  (on qualified scenarios and products)
- **24-hour underwriting**
- **Conventional, FHA, VA and Jumbo Loans**
- **Rental income specialists**
- **Over 35 years combined experience**
- **Working day and night to close your loan is as little as 10 days!**

Jeanine Robbins
"The Loan Angel"
Branch Manager, NMLS #198078
Phone: 480.626.3044
Office: 480.348.8030
Jrobbins@genevafi.net
genevafi.com/jeanine-robbins

Kiesha McFadden
"The Mortgage Chick"
Sr. Loan Originator, NMLS #198458
Phone: 480.252.9365
Office: 480.348.8030
Kiesha@genevafi.net
genevafi.com/kiesha-mcfadden

COPYRIGHT©2019 GENEVA FINANCIAL, LLC, NMLS #42056
BRANCH ADDRESS: 7702 E DOUBLETREE RANCH ROAD, SUITE 300, SCOTTSDALE, AZ 85258
CORP ADDRESS: 3155 S. PRICE ROAD, SUITE 105, CHANDLER, AZ 85248
1.888.889.0009 • AZ BK #0910215

THE CAPITAL GRILLE INVITES YOU

TO BE

WINED, DINED & DAZZLED.

Join us at either of our TWO VALLEY LOCATIONS

to enjoy SIGNATURE DRY-AGED STEAKS, FRESH SEAFOOD

and an AWARD-WINNING WINE LIST.

Scottsdale Promenade
16489 N. Scottsdale Rd. Scottsdale, AZ 85254
480.348.1700

Call or visit thecapitalgrille.com to reserve your table today!

THE CAPITAL© G·R·I·L·L·E

WE WINE. WE DINE.

CHARLESTON PROPERTIES

A Family Business Building Homes & Dreams

THE ULTIMATE

Luxury & Privacy

ON THE ARIZONA COUNTRY CLUB

Scott & Joalice Ryan

Voted BEST HOME at Arcadia Home Tour!

Visit joaliceryan.com for property information and to schedule a private showing

Let's Discuss Your Dream Home

CHARLESTON PROPERTIES, LLC

Custom Homes & Remodels | Phoenix • Scottsdale • Paradise Valley

480-622-1132 | charlestonpropertiesllc.com

Live life to the fullest.
Never stop because life is too short.

Tell us what got you in to this crazy business?
Growing up in Illinois, Scott always had a passion for building, fixing and creating. He knew early on that construction was his passion and building homes is what he wanted to do. As a General Contractor in the Chicago area, Scott successfully renovated, designed or built over 300 homes before moving the family and business to Arizona in 2014. Scott and Joalice work as a team in every aspect; from carefully selecting the "special" property or building lot with attention to views, sun exposure, contours, to selecting each piece of tile, light fixture, and paint color. Joalice studies specific neighborhoods, market and design trends and the finest amenities that today's buyers desire. They regularly attend builder trade-shows to learn about the latest technology and building trends. As Joalice's passion and experience for home building and interior design grew, she acquired her Realtor license to represent and market their properties.

Do you have a mission statement?
Our business is built on communication and trust. Give us your wish list and we will bring your vision to life.

What are your sales numbers in the last year?
$5 Million

What areas do you specialize in?
We study neighborhoods and market trends. We are also investors ourselves, so we always strive to make our clients' projects a financially sound decision, as well as being their true dream home. Design trends for remodels and new builds can greatly vary between Scottsdale, Arcadia, Paradise Valley and Phoenix. As a homebuilder's wife/partner, interior designer and real estate agent, I offer a unique skill set and knowledge combination to my clients. I have the knowledge and resources to answer questions beyond comps and neighborhood amenities, etc. I have access to unlisted and coming soon homes and with our long standing and trusting relationships with quality contractors such as electricians, roofers and painters I can advise my clients on decorating changes, rehab costs, structural and design considerations. We have a warehouse full of furniture on standby so naturally, I offer staging services to my sellers and advise them on small but crucial renovations that will help get them top dollar for their home. Scott's strength is to maximize every space of a home and incorporate the Midwestern charm with the luxury demands of the Metro Phoenix, Scottsdale and Paradise Valley market. Together, we are a full concierge real estate service!

What are you passionate about?
We love, love, love working with people to help them realize their real estate dreams. As a family of 4 plus pets, we know the value of maximizing living areas. Our laundry rooms are designed for multi use by the entire family. We call it the " family suite" and include features such as an island that can be used as a craft station, homework desks, specially designed long cabinet drawers to store wrapping paper, doggie baths and wall mounted TV's to entertain while doing laundry. We are passionate about the quality of the homes we build and work with trusted architects, engineers, designers, and specialized sub-contractors who know our eye for detail and are familiar with our expectations. When we build or renovate, the quality standards are equal to a home that we would expect for our family. Besides our business, we love to travel and spend time with friends and family. We are strong advocates for giving back to our community.

“Live, laugh, love.

Work hard but play harder. Everything happens for a reason.

Tell us about your family.
Scott and I are college sweethearts and have been married for over 22 years. We met at Eastern Illinois University in Charleston Illinois - hence - the name of our business - Charleston Properties, LLC. We are fortunate to live the "American Dream" with two wonderful excelling pre-teen children and a couple of dogs while running a successful construction and real estate business. We brought our immediate families with us from Chicago to Scottsdale and have met many wonderful people by being involved in the community and through business connections. Many of these friends have become like family to us. We love to kick back, host parties and spoil the people we love and appreciate. Our days are crazy busy but we wouldn't have it any other day.

Do you have a mentor?
Besides Scott, my husband and business partner, I am inspired by my mother. She is strong, loving, supportive and always has my back. When I was 15, we lost my brother to suicide and that inspired me to become an advocate for Suicide Awareness and helping others. Scott's parents were newly married with a baby on the way at 19 and nobody gave them a chance. Through pure hard work and determination they educated themselves, had successful business careers, and have helped us get our business up and running through the years. They are retired here in Scottsdale and are still happily married.

What is something you believe, that other people think is insane?
We take risks and tend to follow our instincts. We believe you have to work hard in life to succeed but playing harder is just as important. If it keeps me busy 24/7/365, then that is living life to the fullest, never stopping. Everything happens for a reason and it is up to us to make the most of what happens to us as individuals.

How has failure set you up for later success?
Joalice failed miserably when she did not accept my first invitation to go on a date. It took awhile to get that first yes. When I was 22 or 23 and renovating/flipping my 1st condo which I bought and was doing all the work by myself I installed all the cabinet knobs on the doors when they were spread out on the carpet. I didn't realize until it was too late that I put all of them on the top of the doors so even at 6'5" I could barely reach them. I've personally worked in every trade there is and like to say that everything I know how to do I've learned from doing it wrong 2 or 3 times.

What do you do on the weekends?
I live for cute puppies and I would adopt them all if Scott wouldn't stop me. However, I am also obsessed researching interior design websites, decorating trends and building materials. Orangetheory Fitness is my feel good place and I love treasure hunting at local boutiques. Having fun with my family recharges my battery. Scott is an avid golfer and a huge Chicago Bears fan. We love to explore the off road trails of Arizona in our Can Am side by side buggy. This is an amazingly beautiful state and maybe even more so when you get way off the beaten path.

What topic would you speak about outside of real estate?
As I mentioned earlier, I lost my brother when I was 15 years old to suicide. As the national average of teen suicide rates continue to rise, I would raise awareness to depression, anxiety, bullying, and grief which are leading causes for suicide. Suicide can be prevented and everyone can play a role in the treatment of a struggling loved one. Scott would probably like to tell you all about some obscure trivia, improving your Blackjack strategy, or maybe politics but we're not going there.

Last parting words?
When one door closes, another one opens.
Whatever job you're doing, do it right.

Scott Ryan
PRESIDENT

Joalice Ryan
REAL ESTATE AGENT | INTERIOR DESIGNER

CHARLESTON PROPERTIES LLC
P: 480-622-1132
E: CharlestonProps@gmail.com
W: CharlestonPropertiesLLC.com

CHARLESTON
PROPERTIES

SPA
AVANIA

HYATT REGENCY SCOTTSDALE RESORT & SPA AT GAINEY RANCH
480 483 5558 www.spaavania.com

Your Local Luxury Title and Escrow Specialist

We are focused on providing agents with maximum exposure and results

22 Branch Locations Statewide

101-West
1850 N. 95th Ave., Suite 186
Phoenix, AZ 85037
Phone: (602) 749-7130

202 East
275 E. Rivulon Blvd, Suite 211
Gilbert, AZ 85297
Phone: (602) 749-7040

Ahwatukee
4505 E Chandler Blvd., Suite 145
Phoenix, AZ 85048
Phone: (602) 749-7120

Arrowhead
17505 N. 79th Ave., Suite 112
Glendale, AZ 85308
Phone: (602) 749-7131

Biltmore
4808 N. 22nd St., Suite 100
Phoenix, AZ 85016
Phone: (602) 749-7152

Camelback Commercial
4808 N. 22nd St., Suite 100
Phoenix, AZ 85016
Phone: (602) 749-7000

Central
5225 N. Central Ave., Suite 103
Phoenix AZ 85012
Phone: (602) 749-7140

Chandler
3940 South Alma School Road, Suite 7
Chandler, AZ 85248
Phone: (480) 303-7191

Default Services
4808 N. 22nd St., Suite 100
Phoenix, AZ 85016
Phone: (602) 749-7000

Estrella
15655 W. Roosevelt St., Suite 243
Goodyear, AZ 85338
Phone: (602) 749-7143

Flagstaff
403 N. Agassiz St., Suite 1
Flagstaff, AZ 86001
Phone: (928) 774-3351

Foothills
4505 E. Chandler Blvd., Suite 145
Phoenix, AZ 85048
Phone: (602) 749-7120

Gilbert
225 E. Germann Rd., Suite 170
Gilbert, AZ 85297
Phone: (602) 749-7170

Hayden Park
10611 N. Hayden Rd., Suite D104
Scottsdale, AZ 85260
Phone: (602) 749-7080

Kierland
16427 N. Scottsdale Rd., Suite 410
Scottsdale, AZ 85254
Phone: (602) 749-7071

Maricopa
19756 N. John Wayne Pkwy., Suite 106
Maricopa, AZ 85139
Phone: (520) 233-2244

Mesa
6642 E. Baseline Rd., Suite 104
Mesa, AZ 85206
Phone: (602) 749-7180

North Scottsdale
16427 N. Scottsdale Rd., Suite 410
Scottsdale, AZ 85254
Phone : (602) 749-7077

Prescott
600 W. Gurley St., Suite 200
Prescott, AZ 86305
Phone: (928) 772-5044

Prescott Valley
8133 E. State Route 69A, Suite A
Prescott Valley, AZ 86314
Phone: (928) 772-8102

Queen Creek
22719 South Ellsworth Road, Suite C-102
Queen Creek, AZ 85142
Phone: (602) 749-7060

Scottsdale Ventura
8777 E. Via de Ventura, Suite 399
Scottsdale, AZ 85258
Phone: (602) 749-7030

Sedona
3000 W. State Route 89A
Sedona, AZ 86336
Phone: (928) 282-0280

Surprise
14239 W. Bell Rd., Suite 204
Surprise, AZ 85374
Phone: (602) 749-7110

Tempe (Broadway)
2151 E. Broadway Rd., Suite 116
Tempe, AZ 85282
Phone: (602) 749-7160

Town and Country
4808 N. 22nd St., Suite 100
Phoenix, AZ 85016
Phone: (602) 749-7000

Val Vista
225 E. Germann Rd., Suite 170
Gilbert, AZ 85297
Phone: (602) 749-7100

CORPORATE HEADQUARTERS
4808 N. 22nd Street, Suite 100 | Phoenix, AZ 85016 | Phone: (602) 749-7000

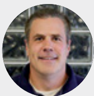
Call Your friendly Empire West Title Sales and Marketing Executive today to experience the Empire West difference for yourself!

WE STRIVE TO PROVIDE ***COMPLETE CARE*** FOR OUR PATIENTS.

- Family Medicine
- Chiropractic Care
- Physical Therapy
- Suboxone Program
- Pain Management
- Weight loss Programs
- Massage Therapy
- Podiatry

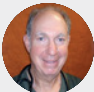
At Advanced Spine and Rehab, we take great pride in providing the finest chiropractic and medical care to our patients. Below is a sampling of the different medical and chiropractic services we offer in our Mesa office.

PROVIDERS



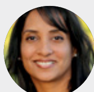
Michael Crismon, DC

Daniel Graham, DC



Dr. Stanley Miller, MD

Dr. David Ellsworth, DPM



Dr. Rebecca Abraham, MD

Advanced Spine & Rehab PC
Advanced Family Healthcare PLLC
4121 E Valley Auto Drive, Suite # 110
Mesa, AZ 85206
480-892-1122 • 480-892-2243
www.advancespine.com

EōS FITNESS®

AS LOW AS

$9.99 month

Month-to-month membership

Visit us today and experience our supportive atmosphere, energizing classes and personal trainers—everything you need to stay motivated and exceed your fitness goals. **EōS Fitness. Better gym. Better price.**

Visit joineos.com or call 877-JOIN-EOS for a location near you.

Some restrictions may apply. Amenities vary by location and membership type. Must be 18 yrs or older or 13 yrs or older with legal guardian. Downtown Phoenix location is $19.99/mo. May not be combined with any other offer. Processing fee may apply. Call club for details.

EoS-Letters_9x10.875-Print-ad.indd 1 11/15/18 10:26 AM

Health Inside Out
Cryo & Wellness Center

Have you ever looked at your health from the inside out? Wondering if you are performing at your peak energy level or wondering why you are feeling sluggish and tired all the time, but not sure why? In this fast-paced society we set high standards for ourselves, go above and beyond in our careers, do whatever it takes to be successful. But oftentimes we forget to take care of our own well-being and then wonder why we do not have the energy to complete daily tasks or keep up with the kiddos—we feel like we are working non-stop around the clock just trying to balance family and work life.

Imagine your life if you were in peak performance consistently, had high energy levels and felt great about your overall health, mind, and body. Imagine how much more productive you would be at home and at work. Well great news!

Health Inside Out is a Cryo & Wellness Center that specializes in enhancing the body to reach its peak performance. The Center's core beliefs are that the path to health begins with good nutrition and a positive attitude--that proper nutrition, physical activity, and positive well-being are the most important parts of achieving and maintaining a healthy lifestyle, with nutrition and detoxification, and biohacking the body being at the forefront of both disease prevention, treatment, and anti-aging.

When you walk into Health Inside Out you are greeted by the owner and founder, Angelo Alvarez, and a talented team. You are treated like family. A tour of the facility will familiarize you with the state-of-the-art technology and equipment available. Health Inside Out specializes in unique modalities and programs designed to support and enhance your body's own cellular ability to detox and heal. Individual treatments are tailored to each patient's unique needs. With the most advanced technology and equipment, Health Inside Out is top notch in the industry.

For Health Inside Out Finding out what is most important for the client is a priority. What truly sets this center apart is the high level of integrity. It offers the safest and highest level of focused care and welcomes each new client into a warm and passionate environment. A complimentary consultation is provided to determine which type of program is necessary to achieve the desired results and goals to fit your unique needs.

At Health Inside Out, each client is treated as an individual and is evaluated for their unique situation and need. One of the main goals of Health Inside Out is to detoxify the body for it to function at optimal levels.

Health Inside Out is a five-star experience and is the only center in Scottsdale that offers a complete spectrum of wellness modalities in one location. Some of the specialized programs include nutrition & wellness, detoxification, weight loss, pain management, anti-aging, and performance. At Health Inside Out knowledge, technology and experience are used and incorporated to achieve boosting the immune system into a self-healing mode on a cellular level.

So that you may experience wellness and live your best life, the next time you are in the Scottsdale area consider taking your health to a different level by experiencing wellness and overall state of well-being.

List of Wellness Programs

Nutrition & Wellness Consultation

Under the guidance of a naturopathic doctor NMD, our wellness experts will assess, consult and define a scientifically based treatment program tailored to your needs.

Detoxification

Using state of the art services, natural supplements and nutritional guidance to assist the body in the elimination of harmful toxins from the liver, lungs, lymphatic system, kidneys, skin, blood and colon.

Weight Loss

Customized using advanced technological modalities to achieve your goals.

Pain Management

Use of non-drug services to reduce pain and inflammation through nutrition, structural adjustments, and energetic rebalancing.

Anti-aging

Bio hacking the body to improve mitochondrial performance, reducing cellular oxidation and help slow down the biological aging process.

Performance

Periodic cleansing is essential to helping maintain peak performance. Using our cleansing program and modalities will assist in reducing oxidative stress and help in faster recovery, better sleep and stress reduction…A true cellular jumpstart!

Article Written By Holly C. Brauer

About Angelo...

What inspired you to start your company? I have always had a passion for health. I have been practicing nutritional wellness for almost 3 decades. After researching, attending seminars, and surrounding myself with other professionals in the health field, I felt the need to share my passion with others.

What do you specialize in the most? Specialization includes detoxification, combining unique modalities and nutritional programs designed to support and enhance the body's own cellular ability to detox, heal and experience well-being.

What is your background? I am not a doctor and I do not diagnose, treat or give medical advice. I am a wellness coach. I am eager to share what I have learned from years of research, attending seminars on health and wellness, my own personal experience on health and illness, and the great opportunity of having worked with individuals in the field of health and wellness, nurse practitioners, nutritionists, and brilliant doctors.

What do you enjoy most about your company? I enjoy the response and results that I get from the various people who walk through our doors and receive treatments. Also, knowing that at Health Inside Out, we can make a difference in someone's life and help them achieve lifestyle changes.

What is the most challenging part of being a business owner? The most challenging part is wanting to see results in the client right away, but behavioral change takes time, patience and commitment. However, once the client is on board and willing to make that lifestyle change, they begin to experience wellness and reap the rewards of excellent health.

What are your goals for 2019? To help bring awareness to clients about what is necessary to attain maximum health and well-being and to be one of the most sought-after wellness centers in the State of Arizona and to continue to bring and provide excellent services to our clients.

Health Inside Out mission is to share, help, and empower people to create conscious behavioral lifestyle changes that lead to a state of wellness and wellbeing.

Angelo Alvarez
WELLNESS DIRECTOR
HEALTH INSIDE OUT
CRYO AND WELLNESS CENTER

o 480-447-3131
c 602-730-5958
angelo@healthinsideout.com
www.healthinsideout.com

9393 N. 90TH ST. SUITE 108B • SCOTTSDALE AZ 85258

Top Ten Reasons to Buy Life Insurance

Life insurance is one of those things that just about everyone needs but far too few people actually have. It's easy to put off purchasing a policy when you're young and relatively healthy. But the longer you wait, the greater the chances of something happening before you get yourself coverage. Maybe buying life insurance been on your to-do list for a while but you haven't gotten around to it yet. Check out these 10 reasons why you can't afford to wait any longer.

1. *Replace Lost Income*

Life insurance works to provide financial security to your loved ones after you pass away. You have to consider what would happen if you were to die suddenly. This is especially true if your loved ones rely solely on your income. Get yourself adequate coverage. That way, you won't leave your loved ones helpless when the monthly bills come around.

2. *Cover Burial Expenses*

Sadly, even a basic funeral service can run upwards of several thousand dollars. While it's possible to **pre-pay for your funeral**, people don't often think that far ahead. Pre-payment can ensure everything is in place for your loved ones after you die. However, there are risks to pre-payment. Life insurance can give you and your beneficiaries more of a guarantee, lifting a burden off of them as well as yourself.

3. *Pay Off Debt*

Just because you die doesn't necessarily mean your debts will disappear. In the instance that you and your spouse have co-signed for a mortgage or other loans, your spouse may become entirely responsible for repayment. The other outcome could result in creditors trying to collect from your estate. While that gets rid of your debts, your heirs will receive the depleted remainder. Life insurance allows those you leave behind to take care of any lingering financial responsibilities.

4. *College Planning*

There are a number of ways to save money for your child's education. You may not have thought that a **life insurance policy would be a viable option**. But insurance payouts can actually provide a good supplement your savings. If your child ends up borrowing money to get through school, the insurance proceeds could also help wipe out pesky student loans.

5. *Build Cash Value*

Term life insurance, a type of life insurance, stays in place for a set period of time. But another option, whole life insurance, provides permanent coverage that only ends if you cancel the policy. **Whole life insurance** allows you to build up cash value over time, an attractive prospect to any people. That cash value acts as an extra cushion that you can tap at any time. This may come in handy if you have a financial emergency down the road.

6. *Diversify Investments*

Some people also use life insurance as an investment tool with **universal life policies**. These policies are tied to a specific investment product. Then policyholders receive dividend payments based on the product's performance. Before you dive into this **type of insurance**, you'll want to read the fine print. That way you'll know the potential risks and returns before you commit.

7. *Business Planning*

If you own a business, it's vital that you have life insurance. This covers your obligations so your hard work doesn't go to waste. Are you involved in a partnership with someone else? You should both have coverage. That way, if one of you dies, the other isn't left holding the heavy financial bag.

8. *Estate Taxes*

When someone passes away, their heirs often face estate and inheritance taxes on any assets they receive. If you're worried about your loved ones getting hit with a big tax bill, a life insurance policy can help cover these added costs.

9. *Coverage is Affordable*

One of the excuses people tend to make for not buying life insurance is the cost. But truthfully, coverage often ends up pretty affordable for most people. Term life tends to be less expensive than whole or universal life. Plus, the younger and healthier you are, the lower your premiums will be. Unless you smoke or have a preexisting health condition, you could find coverage for as little as $1 a day. **Compare policies now** to see your affordable options.

10. *Peace of Mind*

No one can truly predict the future. But having life insurance means you and your loved ones can prepare for any eventuality. Even with a small policy, you may find yourself sleeping a little easier at night knowing that your family has protection in place should something happen to you.

Next Steps

Convinced that you need a life insurance policy? Call an independent Life Insurance broker find a policy that fits your needs.

Written by Bryan Johnson, Independent Life Insurance Broker
480-295-9050

Professional service of the highest quality.

- Custom Built Home Loans
- Dedicated Team in place ready to assist 24/7
- Diverse product mix of all loan types
- Fast as cash closings available

RYAN MANDLEY
Sales Manager NMLS ID# 1181993

480.203.6263

AMERICAN FINANCIAL NETWORK INC.
DREAM HOME FUNDER
www.dreamhomefunder.com

Corp NMLS# 237341 | Branch NMLS# 1195245 | AZ License# 0119588

Home Staging
Photography
Consulting
Redesign
Pay Later®

“Home Staging Is The Best Marketing Tool In The Real Estate Industry!”

Slow market? Call us today for a FREE consultation and ask how we can move your business to the next level!

www.jaegerstaging.com
jaegerstaging@gmail.com
602.883.5291

„Jaeger Staging is so wonderful to work with. Margareth is professional and truly has an eye for adding style to a home.
We had an empty house on the market for 3 months, then we decided to hire Margareth to stage it and take photos of the home. The house sold in under a week!!! Just goes to show, the right designer and the right photos are what's need to really do justice for a home. Looking forward to working with Margareth again!“

Celebrating 20 Successful Years in the Business... Working Smart, Playing Hard.

LAURIE MARLOWE
Senior Account Manager
480-290-0948
lmarlowe@atsaaz.com

AMERICAN TITLE
SERVICE AGENCY

RANDI MARTINSON
Marketing Coordinator
602-909-0276
rmartinson@atsaaz.com

Who you align yourself with MATTERS.

TOP NOTCH HOME TOURS

BREAKFAST TOURS | LUNCH TOURS | HAPPY HOUR TOURS | DREAM TOURS

Feature Your Listing on a TOP NOTCH HOME TOUR Today.

Let us bring the buyers to you! Premier accommodations provided to enhance the buyer experience and present your property admirably. Property feedback provided by guests as well.

BREAKFAST TOUR

9am-11am
Includes coffee/morning eats

LUNCH TOUR

12pm-3pm
Includes lunch eats

HAPPY HOUR TOUR

1pm-3pm (Thursdays and Fridays)
Includes mimosas, wine, beer & snacks

DREAM TOUR

Private Booking

This package is Top Notch and the perfect way to accommodate that special client. Exclusive clients get a day of home shopping with their REALTOR®, along with a private dinner & concierge service.

Sponsored by:

Laurie Marlowe
Account Manager
480.290.0948
lmarlowe@atsaaz.com

AMERICAN TITLE
SERVICE AGENCY

BOOK@TOPNOTCHHOMETOURS.COM | 602-505-5158

Live in style.
Move in style.

GET YOUR MOVE ON
DELICATE MOVING & STORAGE

Luxury moving & storage.
Go online or call for your free estimate.

getyourmoveonllc.com (480) 695-6621