



MORTGAGE EQUITY GROUP

The MEG Equity Repositioning: Does it make sense?

Doug Andrew, author of *The Last Chance Millionaire*, redefined the concept of equity repositioning, asking: *Is it prudent to have a substantial portion of your savings invested in your home, which provides a 0 percent rate of return?*

Consider the following scenario: You have \$100,000 in your savings account and plan to purchase a \$100,000 home. Assuming that you had the discipline to save and keep the money in your savings account, what option do you believe is more financially sound and would contribute more to your long-term net worth?

- 1) Pay cash for the home and deplete your savings to \$0
- 2) Borrow the maximum amount (80 to 90 percent of the home's value) and keep the remainder of the money in your savings account.
- 3) Borrow the amount that provides payments you are comfortable with (let's say 60 percent of the home's value), and keep the remainder in your savings account.

From a purely financial point of view, your best bet is always #2. Consistently and without fail, as long as you keep the money in the bank, our current tax laws are structured so that you will save tens of thousands of dollars over the years.

Should we consider more than a financial point of view? Absolutely! During our process, we look at equity repositioning and decide whether it is right for you