



L I F E T I M E P L A N N I N G , I N C .

Home Ownership Guide

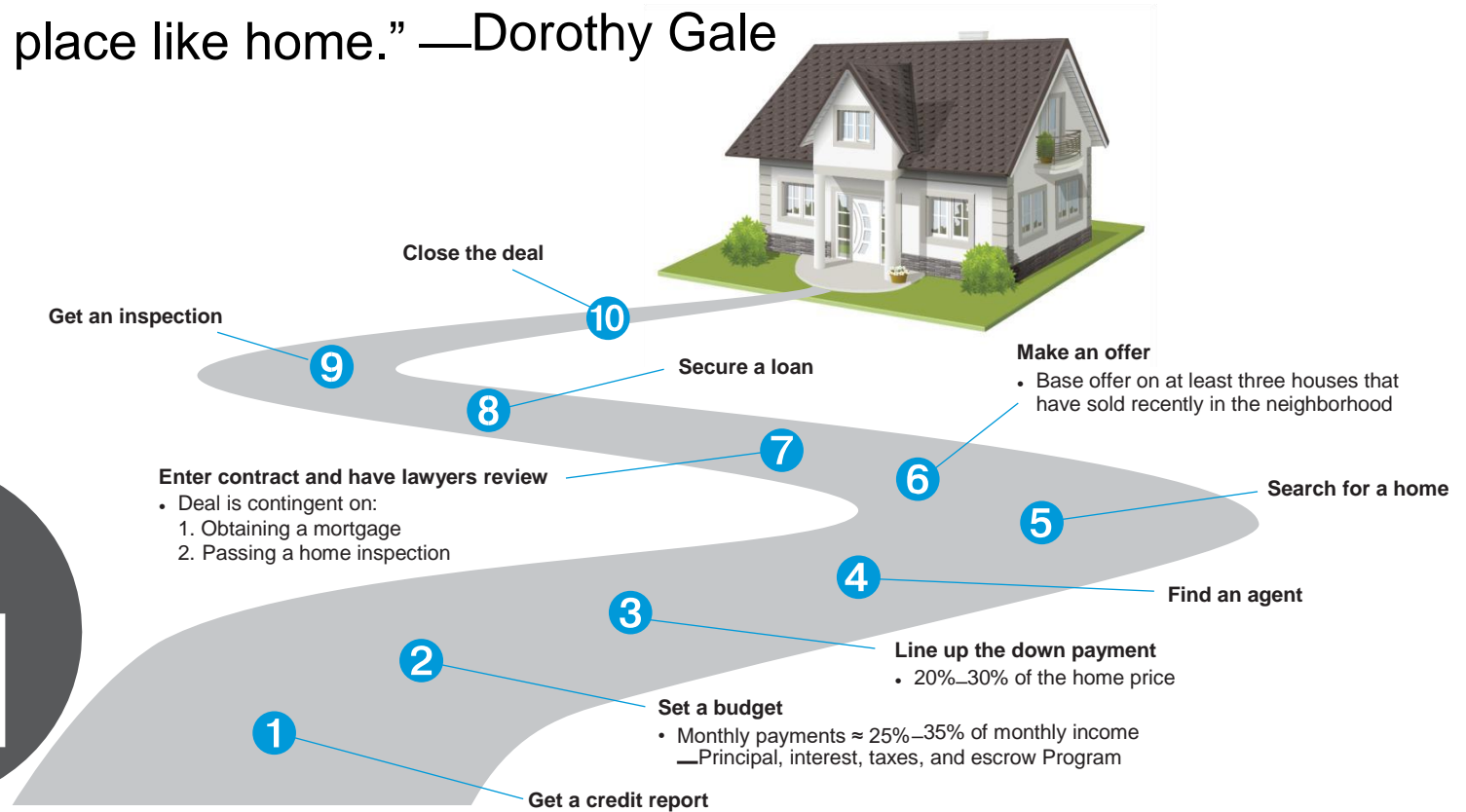
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www.lifetimeplanning.biz

Buying a Home: Buyer's Guide

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“There’s no place like home.” —Dorothy Gale



Should I Rent or Buy?

“Ask five economists and you’ll get five different answers—six if one went to Harvard.” —Edgar Fiedler

Rent

\$_____per month

Pay Rent

\$_____per year

Invest the Rest

\$_____at_____%= \$_____

Net Cost

\$_____per year

RENT

BUY

Buy

\$ _____

Interest

purchase price _____at_____

Borrow

\$ _____%

Property Tax

\$_____per year

Maintenance

\$_____at_____% tax rate = \$ _____

Net Cost

\$_____at_____%= \$ _____

\$ _____

\$_____per year

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How Much Can I Afford to Pay for a House?

“It’s not how big the house is, it’s how happy the home is.” —Unknown



Annual Income Required per Loan Value and Mortgage Rate If Monthly Payment = 35% of Pre-Tax Income

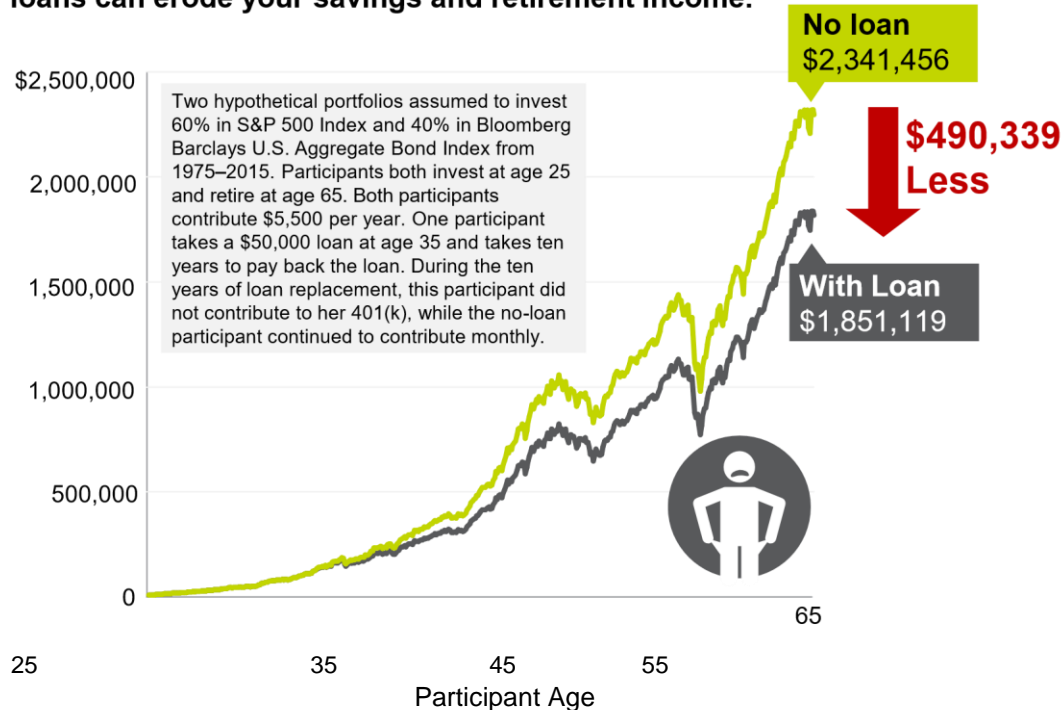
		Loan Value				
Mortgage Rate		\$200,000	\$400,000	\$600,000	\$800,000	\$1,000,000
	3%	\$28,903	\$57,806	\$86,743	\$115,646	\$144,549
	4%	\$32,743	\$65,486	\$98,194	\$130,937	\$163,680
	5%	\$36,823	\$73,611	\$110,434	\$147,257	\$184,046

6%	\$41,109	\$82,217	\$123,326	\$164,434	\$205,577
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The Toxic Effect of Loans on Retirement Savings

“Every time you borrow money, you’re robbing your future self.” —Nathan Morris

Retirement accounts are for long-term savings. Taking out loans can erode your savings and retirement income.



Right-hand chart source: Bloomberg, 12/31/16. Left-hand chart source: irs.gov, 12/31/16.

Borrowing from 401(k): Potential Penalties



Failure to make payments for 90 days:

- Considered a distribution
- Taxed as income
- Plus 10% penalty is under 59½



If you lose your job, you must repay entire loan within 60 days or:

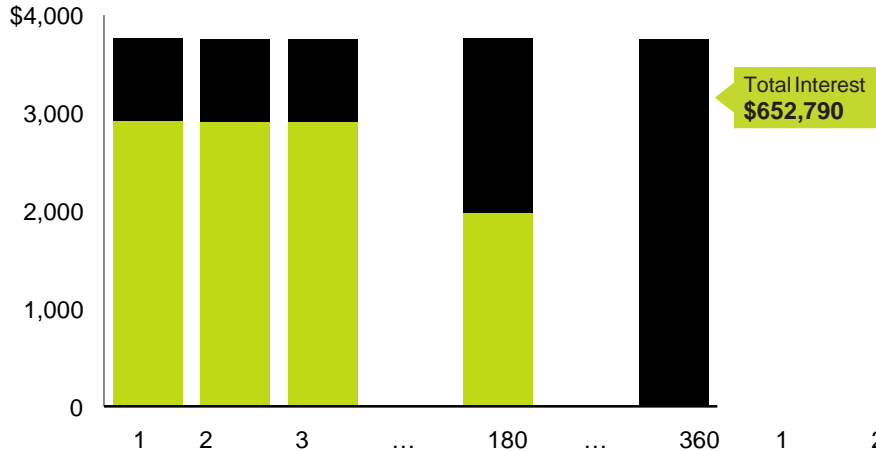
- Considered a distribution
- Taxed as income
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Should I Borrow Money for 30 Years or for 15 Years?

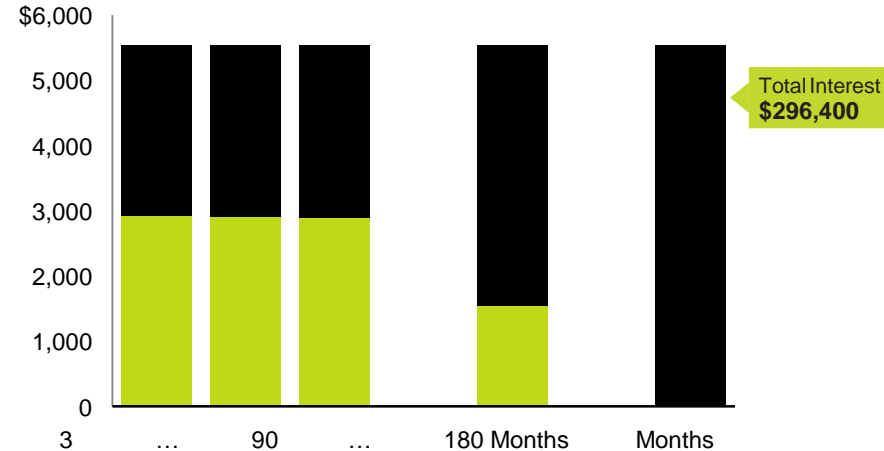
\$1,000,000 House
\$700,000 Mortgage



30-Year Fixed 5%



15-Year Fixed 5%



■ Interest ■ Principal

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■ Interest ■ Principal

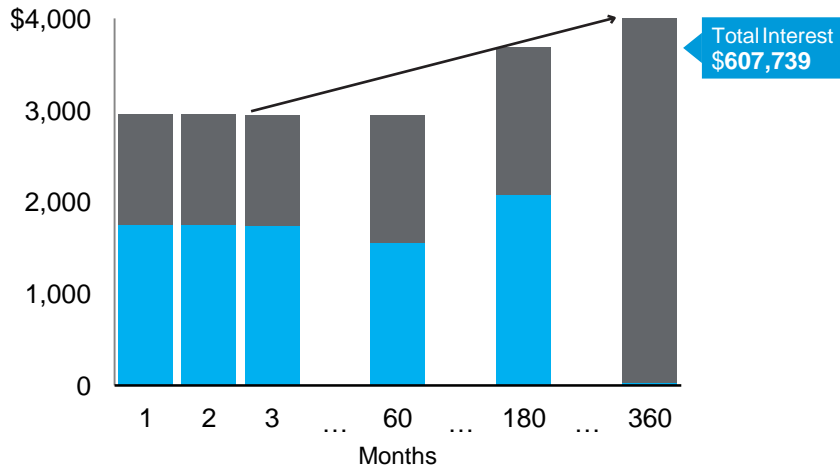
Should I Borrow at a Fixed Rate or a Floating Rate

\$1,000,000 House
\$700,000 Mortgage



5/1 ARM 3%

Rates Rise ↑



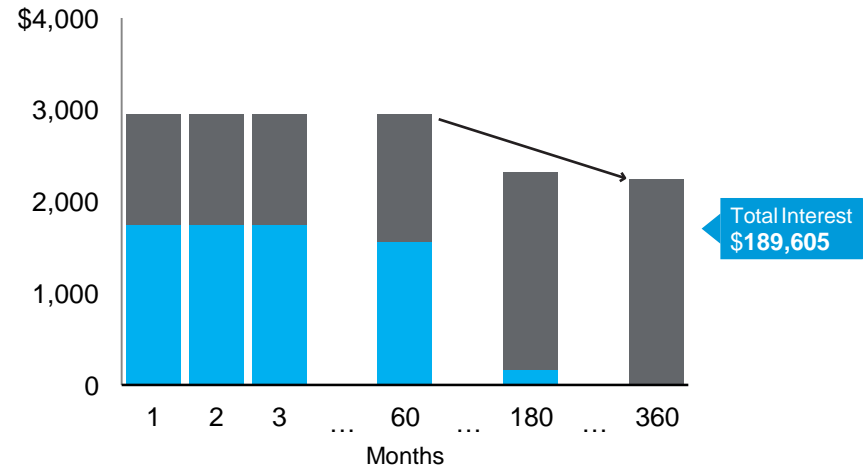
5/1 ARM 3%

Rates Fall ↓

■ Interest ■ Principal

Fixed for 60 months, adjusts annually for remaining term of the loan (30 years).
Example: 10-Year Treasury climbs 0.25% per year after year 5, Ceiling of 12%.

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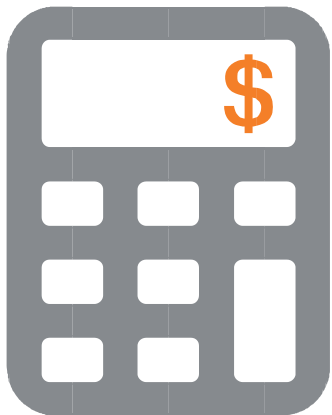
■ Interest ■ Principal

Fixed for 60 months, adjusts annually for remaining term of the loan (30 years).
Example: 10-Year Treasury falls 0.25% per year after year 5, Floor of 1%.

Retirement Needs: How Much Is Enough?

“Retirement is like a long vacation in Las Vegas. The goal is to enjoy it the fullest, but not so fully that you run out of money.” —Jonathan Clements

Preretirement Income	80%	Years in Retirement	Your Total
\$50,000	\$40,000	20 years	\$800,000
\$75,000	\$60,000	20 years	\$1,200,000



\$25,000 \$20,000 x 20 years **\$400,000**

\$100,000 \$80,000 x 20 years **\$1,600,000**

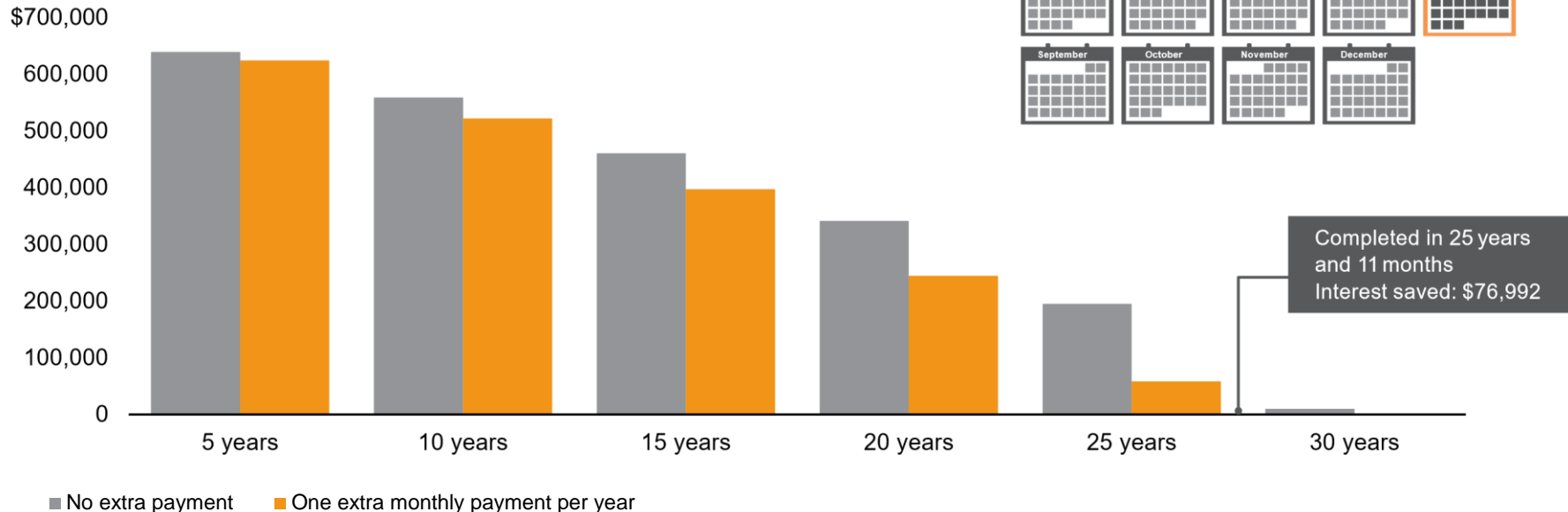
Mortgage: Pay a 13th Month

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“Don’t put off until tomorrow what you can do today.” —Benjamin Franklin

\$1,000,000 House
\$700,000 Mortgage

Principal Outstanding



Source: Interest.com, 12/31/16. Past performance does not guarantee future results.

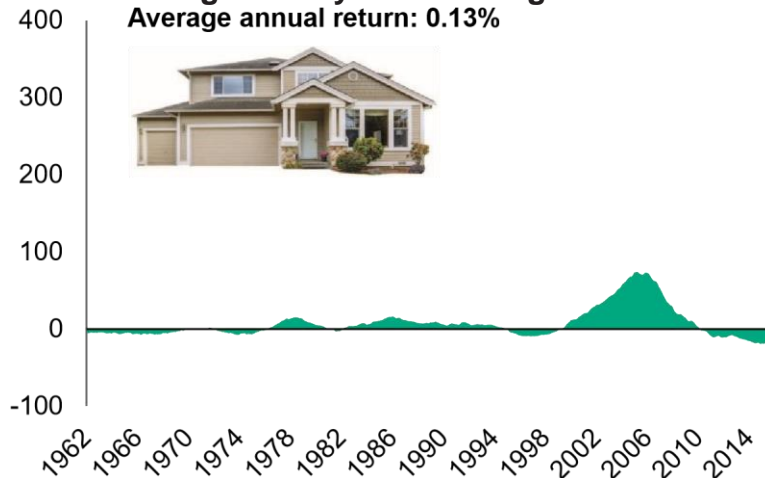
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Should I Pay Off My House or Invest the Money in the Stock Market?

“Will this market pick up? I tend to take a different perspective. I keep getting asked by reporters, “Is this the bottom? Is this the turning point?” And I’m wondering what they’re asking about. It sounds implicit in their question that they think that there’s going to be a day soon and then it’s going to zoom up again.” —Robert Shiller

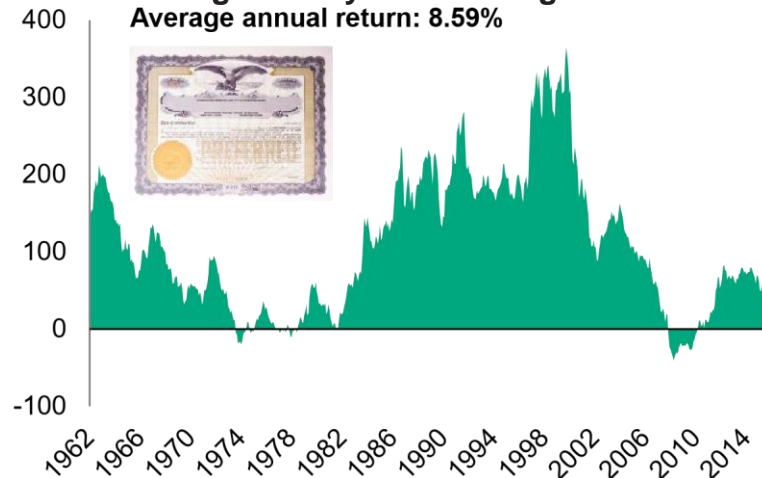
Real U.S. Home Prices

10-Year Rolling Monthly Price Changes



Real U.S. Equity Prices

10-Year Rolling Monthly Price Changes



Source: Bloomberg, 12/31/16. Home prices are represented by the Case Shiller Home Price Index and U.S. equity prices are represented by the S&P 500 Index. **Past performance does not guarantee future results.**

Index Definitions

The 10-Year U.S. Treasury Yield is generally considered to be a barometer for long-term interest rates.

The Alerian MLP Index is a composite of the 50 most prominent energy Master Limited Partnerships (MLPs).

The Bloomberg Barclays U.S. Aggregate Bond Index is an index of U.S. Government and corporate bonds that includes reinvestment of dividends.

The Bloomberg Barclays Aggregate Corporate Bond Index represents primarily investment-grade corporate bonds within the Bloomberg Barclays U.S. Aggregate Bond Index. The Bloomberg Barclays Aggregate U.S. Treasuries Index represents public obligations of the U.S. Treasury with a remaining maturity of one year or more.

The Bloomberg Barclays High Yield Bond Index covers the universe of fixed rate, non-investment-grade debt. The JPMorgan GBI-EM Global Diversified Index tracks total returns for local-currency-denominated money market instruments in the emerging markets.

The Bloomberg Barclays Municipal Bond Index is a rules-based, market-value-weighted index engineered for the long-term tax-exempt bond market and includes bonds rated investment-grade by at least two of the three major rating agencies (Moody's, S&P and Fitch). SBBI U.S. Large Company Stock Index is an unmanaged index of stocks of large U.S. companies.

SBBI U.S. Long-Term Government Bond Index is an unmanaged index generally representative of the bond market. SBBI U.S. Small Company Stock Index is an unmanaged index of stocks of small U.S. companies.

SBBI U.S. (30-day) Treasury Bills is generally representative of the rate of return on a savings investment.

The Russell 2000 Value Index measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values. The Russell Midcap Index measures the performance of mid-capitalization stocks.

The Russell Midcap Growth Index measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values. The Russell Midcap Value Index measures the performance of those Russell Midcap companies with lower price-to-book ratios and lower forecasted growth values.

The S&P 500 Index is a market-capitalization weighted index of the 500 largest domestic U.S. stocks. Shiller Home Price Index tracks changes in home prices throughout the United States.

Treasury Inflation Protected Securities is generic U.S. Government inflation-index bonds.

The U.S. existing home sales median price tracks changes in residential property prices of existing single-family homes, condos and co-op sales.

Indices are unmanaged and cannot be purchased directly by investors. Index performance is shown for illustrative purposes only and does not predict or depict the performance of any investment. **Past performance does not guarantee future results.**

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