So - you want to…

Live Interest Free!

You came to the right white paper! But first, what exactly does 'Live Interest Free' really mean? It means:

- **Purging** any existing debt from your life in the fastest, most efficient way possible,
- **Eliminating** the cost of interest from your life – forever – starting today,
- **Slashing** what – for the average American – will be $680,000 in lifetime interest expense sent out the door unnecessarily, to banks and lenders,
- **Reclaiming** that interest expense, and using it to build wealth, enhance lifestyle, and fund a robust retirement,
- **Controlling** the repayment terms of debt – rather than letting banks and lenders dictate theirs.

It sounds impossible – too good to be true – a pipe dream.

- Is it really possible to live interest free and still enjoy a reasonable – even high, standard of living?
- Can I really convert all my interest-laden debt accounts to interest-free accounts?
- Can it be possible to control the repayment terms on my debts – *what*, *when*, *how*, even *whether* I repay them?
- Is it realistic to think that in the future – when I need to make a big-ticket purchase – I can finance that purchase at zero interest cost?

Yes – Yes – Yes - and Yes!

Now let me warn you – most people will not be able to live *totally* interest free *immediately*. They'll first have to get rid of those pesky debts they already have.

The good news is that we'll show you how to do so – ***quickly***! - and without spending ***any more money*** than you're spending today. As a result, you'll be able to *begin zeroing out interest cost at least in part* - within a *very few months* of learning and implementing the rules and strategies we're about to reveal.

The Three Rules for Living Interest Free

Living Interest Free is as simple as learning and applying three rules of money management that smart people with money know and live by. Once you've mastered them, you won't believe how easy it really is to get out of debt and live interest free.

But rules are rules. If you hope to achieve the outcome they promise, the rules can't be sidestepped, modified, applied 'sometimes' but not others, or ignored.

To introduce the three rules, meet Smart Dude with Money. SDWM is isn't necessarily 'rich' – but has built a decent stash of accumulated assets. He looks at money differently. He deploys money differently. His behavior with money is different. And he will be our tour guide through the rules.

Rule #1: Never give up use and control of earning assets. SDWM knows that when he puts a dollar into savings, he's putting that dollar to work – earning interest and growing in value over time. As dollars make their way into his possession, SDWM makes sure that as many of them as possible (and reasonable) - are preserved as earning assets – and are not spent for consumption.

SDWM is not talking about the money he needs for groceries, electricity and other necessities; he's talking about big ticket purchases like furniture, cars, homes, college educations, and others. For those, SDWM saves – but **he doesn't use his saved money** to pay for them.

> *"Why? Isn't that what people with money do – just write checks and buy things with cash?"*

Not SDWM. To be true to the rule, he can't use **his own** money. But we're getting ahead of ourselves. More on what he actually does a bit later.

Where does SDWM put his money? What does he invest in?

Great question. There are a lot of good places he can store his nuts. Everyone's situation, attitudes, and risk tolerances will be different. So, there is no 'one right answer' for everyone. But SDWM provides us a set of guidelines or filters we can use to evaluate the universe of available investment options. They provide SWDM a 'dispassionate' way of making investing decisions.

1. **Saved money must be protected from loss.** Albert Einstein (a SDWM himself) said that Compound Interest is 9th Wonder of the World. Compounding cannot happen if an investment comes with any possibility of loss. So, SDWM insists that his money is invested **only** where it cannot be lost.

2. **Saved money must earn a reasonable return.** SDWM understands that his greatest objective is to Live Interest Free. Since the average American will send 34% of their lifetime earnings – a full $680,000 – out the door to bankers and lenders, SDWM knows that the largest part of his 'return' will come in the form of lifetime interest savings – not from the 'return' on his invested dollar. He looks more closely at investments that promise **predictable** returns – even if that means they're modest - rather than **spectacular** returns – that are fickle. He knows that 'chasing returns' is the folly of the uninformed.

3. **Earning Assets must be protected from taxation to the greatest extent possible.** SDWM knows that it's not how much you make that counts – it's how much you keep. And taxes are a relentless thief that ravages wealth. SDWM is just fine with safe returns – even if they're a bit boring – so long as they are favorably taxed.

Like many of us, SDWM was taught to resist the temptation of immediate gratification and buy things only when he'd saved enough money to buy with cash. SDWM understands and respects the advice – even abides it – but in his own way.

Even though he *can* pay cash for his larger purchases, he never relinquishes ownership and control of earning assets.

Instead – SDWM **pledges his earning assets as collateral to secure a loan with which he completes his purchase**.

> But wait a minute, you say, *"If SDWM borrows money for his purchases - and repays what he borrowed (presumably with interest), how in the world is he Living Interest Free?"*

An excellent question - that leads nicely into Rule Number 2.

Rule #2: Understand and leverage the difference between compound interest – and amortized interest.

This is the most difficult of the three rules to understand – and the most important to extinguishing debt and living interest free.

In simple terms, **compound interest** can be described as earning interest on interest.

- If $100 grows by 10% - it will be worth $110 at the end of the period.
- Compounding happens when – in the following period, it earns 10% on the original $100, plus 10% on the $10 it had earned previously – for a total of $121. And so on…

Amortized interest is the formula banks and lenders use to calculate the payment on a loan – whether a mortgage, car loan, or most others. It's because SDWM understands the difference between the two - and is committed to leveraging that difference – that he is able to Live Interest Free.

Assume for a moment that SDWM is buying something that costs $50,000. He has a choice. He certainly has enough cash to buy it outright, but that would violate rule #1.

Instead, he pledges $50,000 of his earning assets as collateral to obtain a $50,000 loan. When he does, SDWM's $50,000 is still working for him – growing in value, earning compound interest - even if at a relatively unexciting rate like 5%. Let's see how it plays out:

	Compound Interest	**Amortized Interest**
Amount	$50,000 (invested)	$50,000 (borrowed)
Interest Rate	5%	5%
Timeframe	5 Years	5 Years
Monthly Payment	N/A	$944
Total Paid	N/A	$56,614
Ending Balance	$63,814	$0
Interest	**$13,814 Earned**	**$6,614 Paid**

In this example, SDWM invests his $50,000 – the exact same amount of money he borrowed for his purchase – at the exact same interest rate (5%) over the exact same period of time (5 years).

While he paid $6,614 of interest on the money he borrowed, he earned $13,814 in compound interest- and **keeps the $7,200 difference (profit) for himself**. In other words, SDWM built wealth while making a major purchase!

- Had SDWM used his $50,000 to make the purchase, he would have given up the opportunity to earn the $13,814 in compound interest. That would have made the true cost of his purchase **$63,814**.
- If SDWM had no earning assets and simply borrowed $50,000 to complete the purchase, his true 'cost' (including interest) would have been **$56,614**.
- But because SDWM does **both at the same time** – his cost is the $63,814 he earned, minus the $56,614 he repaid the lender, for a **$7,200 profit** and a true net cost of **$42,800**.

What would you prefer to pay for that $50,000 thing-a-ma-jig: $63,814, $56,614, or $42,800?

Rule 2: Understanding and exploiting the powerful difference between compound interest and amortized interest – is the only way to accomplish that outcome.

Did SDWM Live Interest Free in this example? Absolutely – he had no ***net*** cost of interest. This reveals the last – and most important element in the definition of Live Interest Free:

> **Living Interest Free doesn't mean 'never paying interest again' – it means always *earning* more interest than you *pay* in interest.**

As the power of Rule #2 begins to take hold in your mind, it will occur to you that what's really happening here is that every dollar committed to SDWM's earning asset account is **doing two jobs at the same time**.

Not only is it earning, it also is paying off debt or financing the purchase of new 'stuff.' There's no fancy financial product needed – no legal loophole – no sophisticated work-around. It just takes **knowledge** and a commitment to the rule set to live interest free.

Rule #3: Invest earning assets in an account that is highly leverageable. Anyone reading this can adopt Rule 1 as their own. Preserving ownership and control of earning assets is a matter of personal will and self-discipline.

And as far as Rule 2 goes – the knowledge part (understand the difference between compound interest and amortized interest) is relatively easy to digest and internalize.

All that remains is to find a way to deploy earning assets in a way that *compels* a corresponding loan. That's the only way we can leverage the difference between compound and amortized interest. And while it's the last step to Living Interest Free – it can be challenging.

Let’s first build a wish-list of characteristics we would like to have in a lending source we can use to live interest free. Given the choice, we would want:

- <u>High Borrowing Capacity</u> – We want our borrowing ‘capacity’ to be as close to the value of our earning asset account as is possible. Few lenders will loan 100% of the earning asset value – but the closer we can get – the more flexibility we have.
- <u>On-Demand</u> – We want a ‘line-of-credit’ kind of access – where we can get at money on-demand – with no need for messy, time-sapping applications and qualification processes.
- <u>Flexible Repayment Terms</u> – We’d like to be able to pay interest only – skip a payment if necessary – or accelerate our payoff – and to do any of these at our discretion, not the lender’s.
- <u>Competitive Interest Rate</u> – We’d like for the interest rate to be competitive – somewhere in the mid-single-digits.
- <u>No ‘Call’ Provision</u> – we don’t want the loan or line of credit to be ‘callable.’ In other words, we don’t want to be in a position where the lender can tell us ‘time’s up’ and demand repayment of the outstanding principal.

Let’s look at a few options that could work.

- **Brokerage Margin accounts -** Many brokerage houses offer ‘margin’ loans – loans that are secured by the account owner’s investment portfolio itself.
- **Savings or a CD at the local bank -** may also be a great option. Those assets both serve as high-quality collateral, and are highly leverageable (Heck – you’d assume they’re leverageable since they’d really be loaning you your own money back to you!)

- **A HELOC – or Home Equity Line of Credit -** will often fit the bill. HELOCs can be set up in advance, and are fully collateralized by a real estate asset – usually a home (a HELOC is different than a Home Equity Loan). The interest rates charged by lender is usually the bank's lowest available rate (because of the 'quality' of the collateral), and in some cases, the interest is tax-deductible.
- **A Business Line of Credit –** can be an option for business owners and the self-employed – particularly for eliminating business debt and ensuring that the business can operate interest free going forward. When possible, eliminating interest from a business' expenses can dramatically improve profit.

It's important to note that the 'leveragability' requirement of Rule #3 means that certain kinds of popular accounts simply will not work for a live interest free outcome. Among these are all 'tax-qualified' plans including the 401k, 403b, 457, SIMPE, SEP, and IRA.

It can be difficult for 'fans' of these kinds of plans to abandon them. After all, who doesn't like the idea of pre-tax contributions, tax-deferred growth, and company matching funds?

The answer is: those who realize that the lifetime interest savings from Living Interest Free – will, in most cases, dwarf those advantages.

Another Option

If you can use one of the options outlined above – or have another option that can work for you – great. All you need is within the confines of this document.

But for those who don't – or for those who want to explore all their options, we have found a vehicle that checks off all the boxes and permits average, ordinary individuals, families, and businesses to achieve a life free from debt and interest.

It has both components – an earning asset account, and a corresponding line-of-credit account that grows in tandem with the asset account. Here are a few of the features:

Earning Asset Account Features	**Line-of-Credit Account Features**
• Assets are not subject to market risk (benefit from perpetual compounding) • Assets earn a reasonable rate of return – 4% guaranteed with upside potential that could result in 5% or more • Assets grow tax-deferred	• Line-of-credit will increase in tandem with the Asset account balance • Loans available on-demand (no application) • Flexible repayment terms – borrower decides when/how much to repay • Competitive interest rate (currently 4-5%) • Loan cannot be 'called'

Crawl, Walk, Run.

Significant financial accomplishments – like starting down the pathway to getting out of debt and living interest free - take time. The good news is:

- You don't need to be a gazillionaire to start living at least partially interest free almost immediately, and
- The money you need to build your leverageable asset account probably already exists.

Job One is to get rid of the debt you have (assuming you have any). Only when it's out of the way, can you make future purchases interest free. Here's how:

Step 1: Build your leverageable asset account. We'll show you how to create a war chest of leverageable assets – and (in most cases) without the need for you to change your lifestyle or spending habits one single dime. There's a high likelihood that you are saving or spending money inefficiently already – or at least in ways that don't comport with the rule set you've just learned.

Step 2: Start Vaporizing Existing Debts. If you have a small debt – say $500, it can be vaporized in just a few months – even at $100/month going into your earning asset account.

Step 3: Lather, Rinse, Repeat. Now – take the payment you were making on the debt you just paid off – and add it to your earning asset account. That account will then grow even faster – which means you can pay off your next debt much sooner.

Then, like the shampoo bottle says – Lather, Rinse, and Repeat – over and over again until all your current debt accounts – including your mortgage – are paid off and in the rearview mirror.

It is not unusual for us to see families who would otherwise need 20 or more years to reach debt-freedom the bank's way – to get there in anywhere from 2-10 years using the simple strategies and structures outlined here.

Each individual's experience will be different – and will be a function of how much debt they enter with, how many accounts their debt is spread across, and how aggressively they are able to fund their earning asset account. One thing is for certain, practitioners of this strategy will:

- **Shorten the total repayment timeline,**
- **Save a ton of interest – reclaiming those savings for themselves, and**
- **Build a growing arsenal of earning assets along the way.**

Step 4: Live Interest Free. Once your existing debts are gone – your earning asset account will have built to a very substantial balance – permitting you to make new purchases on a totally net-interest-free basis. **Congratulations – you've just won the money game.**

If you are an entrepreneur, self-employed, or a business owner, your business can operate interest free too. In fact, we'll show you strategies specific to business owners and the self-employed that can positively turbo-charge your results.

Next Steps

You just absorbed a ton of information. You have questions. There are issues that are still a bit fuzzy or unclear. We get it. That's why we have a nationwide network of experts to help you. They exist to inform and clarify, not charge you a fee for their knowledge or jam some product down your throat.

By seeing the possibilities, the timeline, the resulting interest savings, the accumulated wealth – specific to you and your family or your business, you can decide whether to move forward – and how fast to move forward.

The most important takeaway is that no matter your circumstance – your education – your income – your stage in life – or anything else – you can start living interest free – TODAY!

If you're ready to become a Smart Dude (or Dudette) With Money, the next step is your – take it today!

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