



The Mortgage as a Financial Tool

Like any other important investment, real estate should be approached strategically.

“Using data from the Survey of Consumer Finances, we show that about 38% of US households that are accelerating their mortgage payments instead of saving in tax-deferred accounts are making the wrong choice. Many households can perform a tax arbitrage by cutting back on additional mortgage payments and increasing their contributions to tax-deferred accounts.” — Excerpt from a report by the Federal Reserve of Chicago

The mortgage has become an important personal financial tool allowing for income tax effectiveness, tax deductible purchases, and arbitrage possibilities for wealth building. With capital gains tax implications and loan amounts that exist in today’s market this tool can be used to increase the overall wealth position of a client.

Real estate appreciation continues to increase homeowner’s net worth, but the traditional common sense and emotional ties of paying down on the home interfere with establishing a meaningful plan to manage this growing wealth. The confusion about our personal real estate’s role in financial futures, and the role liabilities play in impeding or developing wealth, create a need for a greater understanding. That’s why it is important to step back and consider a home purchase within the context of your overall financial picture.

Buying and maintaining a home is as much a financial decision as a lifestyle decision.

High income individuals in affluent markets have an array of concerns to manage. Personal financial decisions and financial management is increasingly complex: How do we plan and implement:

- Reduction of taxes on income and on liquidation activities
- Managing expenses and cash flow
- Retirement and the future
- Children’s college costs
- Future health care costs
- Parents’ care

Making wise choices requires having coherent strategies for debt management and investment management that encompass both sides of a personal balance sheet and include all financial assets.

Opes Advisors’ analysis process and market evaluation allow us to appropriately recommend strategies that take advantage of our clients’ personal risk profiles, life goals, income taxes, and income streams to best capitalize on the proper management of individual assets and liabilities.