

why not pay cash?

You've got the cash, but you may want to rethink using it to pay off your mortgage.

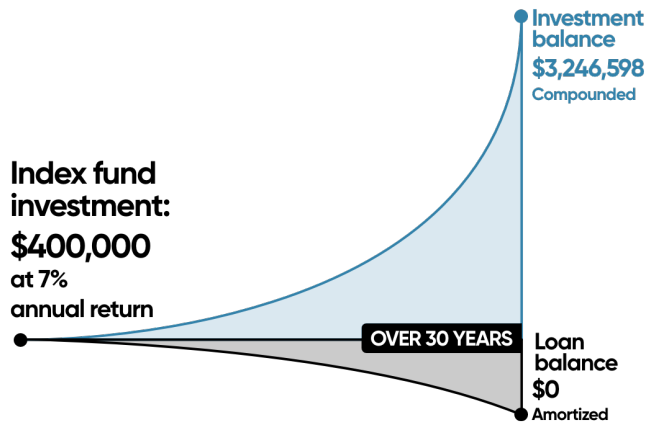
It might be tempting. While there's an allure to not having a mortgage payment – the simple truth is that for as long as you live, you're going to have to live somewhere and that somewhere is going to cost you something. A paid home still has property taxes, homeowner's insurance, and HOA dues.

But what many people miss is: home ownership is an asset that is consistently appreciating.

Warren Buffet, one of the richest dudes on the planet, believes that parking money in an index fund like the S&P 500 is a great investment. The S&P 500 has earned an average of 7.45% annually over the last 20 years.

Still not sure? Check the sample below:

\$400k 30-year sample



Let's do the math

$$\boxed{\$400,000} \text{ at } 6.5\% \text{ interest rate} = \boxed{\$2,528.27/\text{mo}}$$

$$\boxed{\$2,528.27/\text{mo}} \times 30 \text{ years} = \boxed{\$910,177}$$

$$\boxed{\$910,177} - \boxed{\$400,000} = \boxed{\$510,177} \text{ Cost of loan}$$

$$\begin{array}{r} \$3,246,598 \\ \text{Investment return} \end{array} - \begin{array}{r} \$510,177 \\ \text{Cost of loan} \end{array} = \begin{array}{r} \$2,736,421 \\ \text{Cash net worth difference} \\ \text{in 30 years!} \end{array}$$

That's how the rich stay rich! They are not 100% debt free, and they leverage their assets in a way that allows them to grow more than everyone else.

Over time you are paying less in interest (amortizing) while the money parked in investment keeps growing and growing (compounding).

Don't pay cash; it will cost you literally millions of dollars in the long run, and the benefits are enormous:

1. You still have the money in case of emergency without having to put the house for collateral.
2. It could earn five times over the cost of financing.



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