

The Hands Document

Notes from Kim Smith's Presentation

You have a client who is confused on how the HELOC gets paid down while simultaneously paying off your mortgage. Here is a simple and satisfying way to show them visually so that they will get it forever.

“Mrs. Prospect that is a great question. Let me show you by using my hands how your money will flow through a Money Merge Account.”

Stick out your paws. Your left hand should be sticking out and level with the top of your head. Your right hand should be out just about shoulder high. “Now, Mrs. Prospect, this hand over here (L) represents your 1st mortgage. This hand over here (R) represents your home equity line of credit, or HELOC.”

“Now, most people think that when you take money from the HELOC (right hand) that my right hand will continuously climb upwards to the ceiling, and my left hand will slowly drop lower and lower. This is just not so. Here's why.”

(Get your hands back in original position) “When you start to use an MMA, you will be depositing your income into the line of credit which will start to bring the balance down slowly over time. What happens is that eventually, you will reach that critical point which we spoke about earlier.” (keep dropping R hand)

“Once that critical point is reached, (hand should be waist high) the software will come online and have you make your 1st transfer of funds, for a specific dollar amount, from the HELOC directly to the principle on the 1st mortgage.”

“This does 3 things: 1. Bring the balance high enough on the HELOC again so that your entire incoming paycheck can now fit inside and again cancel out interest, 2. drops your 1st mortgage balance down by the dollar amount you've transferred, and 3. saves you a huge chunk of interest and time that you would normally pay on your 1st mortgage because you have forced them to do a re-amortization.

(At this point, you show them your right hand going back up to the original position, but your left hand (1st mortgage) dropping slightly.) “So my HELOC balance will go back up, but my 1st mortgage over here will go down a little.”

“Again, over the course of a few months or so, you are depositing your income into the HELOC and bringing the balance lower and lower until you, once again, reach the critical point.” (your hand should be lowering to the level of your waist)

“Once the critical point is reached, the software will again direct you to transfer a specific dollar amount in order to bring down the 1st mortgage over here. Again, this dollar amount will be different each time according to your current financial situation. So my right hand will rise back up, but my left hand, **DROPS EVEN FURTHER NOW.**” (make sure you say something like this)

(Also, be sure that your left hand slowly starts getting closer to the right.)

“So, when I fast-forward this whole motion, what is really going on is that my right hand or HELOC over here is pumping up and down into place, while my left hand or 1st mortgage, over here, drops lower and lower each time.” (very critical)

“And by the time my 1st mortgage is entirely paid off (by now, your L hand is about waist high), my HELOC is paid off on the final down-pump of this cycle. Instead of it reaching the critical point and transferring money, the MMA simply lets itself be paid off in full by the discretionary income that month. This is roughly about a month or 2 after your mortgage is paid off.”

Practice doing this a few times yourself first. I promise it will help tremendously. I generally do this once I’ve explained to them what the ‘critical point’ is and why it must be reached first.

The Name of the Game

You might run into a good question: “How are you supposed to keep your income in that line of credit for most of the month? Don’t you need to spend it for living expenses during the course of the month?”

“Good question. Some of our clients using their MMA’s have realized that this is kind of like a game. The name of the game is to keep your paycheck in the MMA account for as long as possible in order to maximize payoff time and interest savings.

What they’ve found is that they can put just about all of their living expenses on a credit card, save the mortgage payment, and not need to touch their MMA account, earn the miles and rewards from the card, and at the end of the month, when that credit card bill finally comes due, they pay it off in full with their MMA account so as to not incur any interest charges on their credit card. Then, since they’ve waited for the entire month for

that credit card bill, the moment they make that payment to it from the HELOC, their next scheduled paycheck has arrived to sit in the place of where the credit card payment just left. This cycle will then perpetuate throughout the payoff period of your home.

This is the cycle or rhythm that many of our clients are finding to maximize their MMA and overall payoff time. Generally, this alone will get them a 20-25% quicker payoff and interest savings than their original projection.

This also takes care of a number of things: 1. They were able to avoid using most of their MMA account for the majority of the month until the end, keeping their average daily balance very low 2. They earned bonus miles or rewards and floated their credit card all month, and, 3. They simplified and consolidated most of their living expenses on a credit card which just made life a lot easier when they pay bills each month.