

# Offset Accounting:

The accounting principles that drive  
Equity Optimization

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**Getting more out of your finances is simply a matter of adopting a better method of personal finance.**

## Introduction

As it has been since the beginning, we the people have more to do with the nation's economy than the boys in Washington and Wall Street. It is our earning and spending that drives the wheels of the economy not legislation or the Dow Jones average.

The nation's financial condition can be directly attributed to the financial condition of the consumer base. If we're in a weakened financial state then so is the country. When we focus on reforming our own personal economies, to produce at a higher level, the effects will be felt nationally. We need to build from the bottom up, not the top down.

There are a myriad of "conventional" solutions designed to 'fix' us financially, but this report won't be delivering any of them. This is not another report presenting regurgitated financial advice found in any library or book store.

You will, however, be introduced to a practical solution that can be deployed easily and immediately. But first, we must understand why and where the fundamental problems exist before deploying the solution.

We will expose some truths about how we bank and borrow, and reveal how standard practices are having an adverse effect on our financial situation individually and as a country. Once you have a better understanding of what's going on behind the curtain, you'll be able to better comprehend the solution. You will want to read and understand this entire report because the answer, the solution, is a game changer.

The solution is the most powerful financial discovery you will ever make. It has immediate impact and over time, produces results that are literally life-changing.

The beauty of the solution is its simplicity. The ease of deployment and function is extraordinary. It doesn't require a massive overhaul of the current system. You don't and won't have to ask anyone's permission. Washington, the IRS or the banking community doesn't have to be involved. You can deploy this tested and proven strategy by simply working with what is readily available at your local bank.

Once in play, the noticeable difference will be the relationship your money has with the bank. In this new relationship, you will possess more command, control and authority over every deposit and withdrawal. More importantly, the relationship the bank has with your money will change dramatically. No longer will their profits out pace your savings or your earnings! **It is this dynamic in the relationship that will forever change your personal economy.**

This 'relationship' transformation will occur with the practical application of a very basic financial strategy. You don't have to make more money. You don't have to live in a smaller or cheaper home. You don't have to downgrade or sacrifice anything. This dramatic change takes place with the implementation of an extremely efficient, yet little known accounting strategy called offset accounting. This unique and extraordinary accounting strategy is easy to implement, and compared to conventional practice, even easier to manage.

If there is a magic pill for our financial woes, Offset Accounting is it. Implementation and deployment will transform your life. It's been tested and proven. There is no need to fear it. Tens of thousands before you have proven its validity and worth. You can change the

financial landscape of your family for generations if you so desired. (Who wouldn't if they could?) This is truly a game changer in the world of personal finance.

### Case Studies – Pilot Program

Five years ago, prior to the start of the Great Recession of 2008, an offset accounting program was introduced to thousands of Americans across the country. Thousands of homeowners responded to an invitation to participate. Several hundred were selected to implement and execute various models of “unconventional” banking concepts and strategies, with offset accounting being the primary of those strategies.

Please note: this pilot program has been held under scrutiny of the OCC and a US Attorney's office. Participants in the program include an employee of the Department of Justice (this person investigates and aids in the prosecution of real estate and mortgage fraud), a state Senator, bank executives and several people in various positions in law enforcement.

**It has been vetted by the best!**

Over the last five years, during the worst economic crisis of our generation, program results have demonstrated and proven that these concepts perform as prescribed, outperform conventional practice and effectively produce life changing results. In so many words, the results have been remarkable.

Some of the participants implementing offset accounting strategies eliminated all of their debt in as little as 5 years and eliminated over \$100,000 in interest costs. Participants executing a combination of offset accounting and wealth-accumulation strategies can now retire 5+ years sooner and receive a major portion of their retirement income tax free, up to \$5,000 per month tax free!

The success these participants achieved was due to the fact that offset accounting techniques are simply more efficient than conventional practices. This kind of success is achieved because the participants gained a larger degree of command, control and authority of every dollar they earn, spend and invest.

If you are truly committed to improving your financial condition, regardless of the economic environment then you will have to change the way you think about your finances and more importantly, how you run your finances. The best part is, accomplishing your financial goals will be entirely up to you, not the stock market, not your mortgage company or your banker.

### Before knowledge comes understanding

To begin the education process we'll need to pull back the curtain and expose the fallacies and weakness of three basic beliefs:

#1: Mortgage interest is a viable tax shelter.

#2: Checking accounts provide value to consumers.

#3: Amortized loans provide homeowners financial stability.

Throughout this report, as we analyze these three very basic economic functions, you will see that they are in fact providing very little economic benefit to the user, but delivering handsome profits to the provider. It's this transposed benefit relationship that offset accounting will address specifically.

## False belief #1: Mortgage interest is a viable tax shelter.

*The only difference between the tax man and a taxidermist is that the taxidermist leaves the skin. Mark Twain*

So your accountant told you; “keep your mortgage and don’t pay extra towards principal”. Somehow, it’s been assumed this advice wields magical powers on your tax return. You’ve heard this advice before? The logic is beyond comprehension. Would you like to see how the math exposes the idiocracy of this sage advice? Let’s take a look.

Let’s say you paid \$10,000 in interest on your mortgage last year, what is the benefit to you at years end, \$2,500, \$3,000 or more? It all depends on your tax bracket, but no one seems to be paying attention to a huge blind-spot.

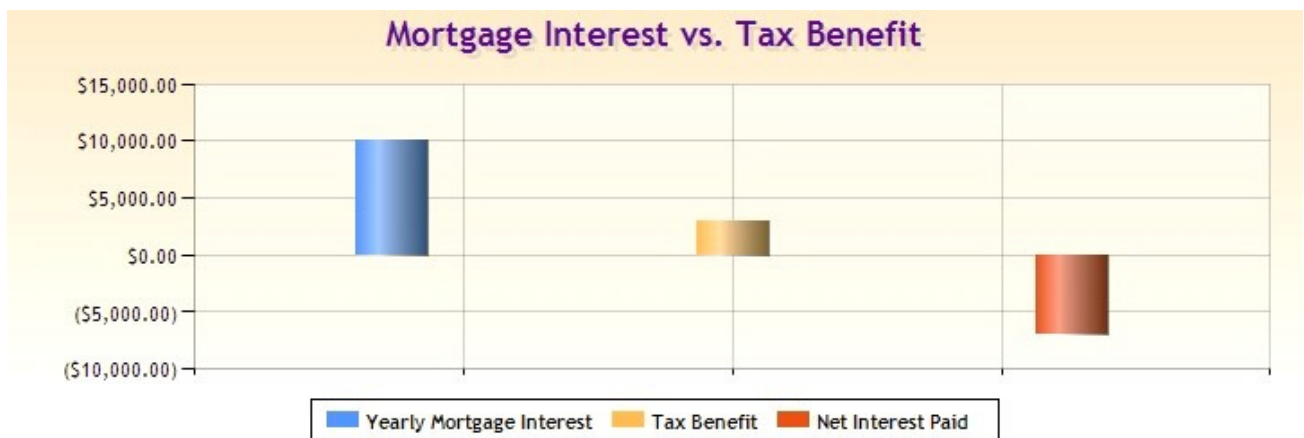
On the surface, it's a no-brainer: pay less in taxes. That sounds fantastic doesn't it? In reality, you are only seeing a fractional bottom-line benefit compared to the interest expense itself.

Remember, you are not deducting the amount you paid in interest from your actual tax bill, only from your taxable income.

### Conventional Relationship: Mortgage interest tax benefits

Have you ever done the math? Let’s take a look.

- Reported Gross Income (RGI): \$100,000
- Mortgage interest paid: \$10,000 (Schd A Itemized deduction)
- Adjusted Gross Income (AGI): \$90,000 (\$100,000 - \$10,000)
- Tax on RGI at 30%: \$30,000
- Tax on AGI at 30%: \$27,000
- Tax savings: \$3,000
- Net gain/loss: (\$7000) (\$10,000 Mortgage Interest Paid - \$3000 Tax savings)



You spent \$10,000 in mortgage interest (blue bar) and received a \$3000 credit on your taxes (yellow bar), resulting in a net loss of \$7000 (red bar)! You spent \$10,000 to lose \$7,000. Really? Who ever said this was a good idea? It just doesn't make sense to me. I'd rather lose \$3000 to save \$7000. (Huh?)

Of course, mortgage interest paid and the resulting losses decrease over time, but it's still a horribly imbalanced relationship.

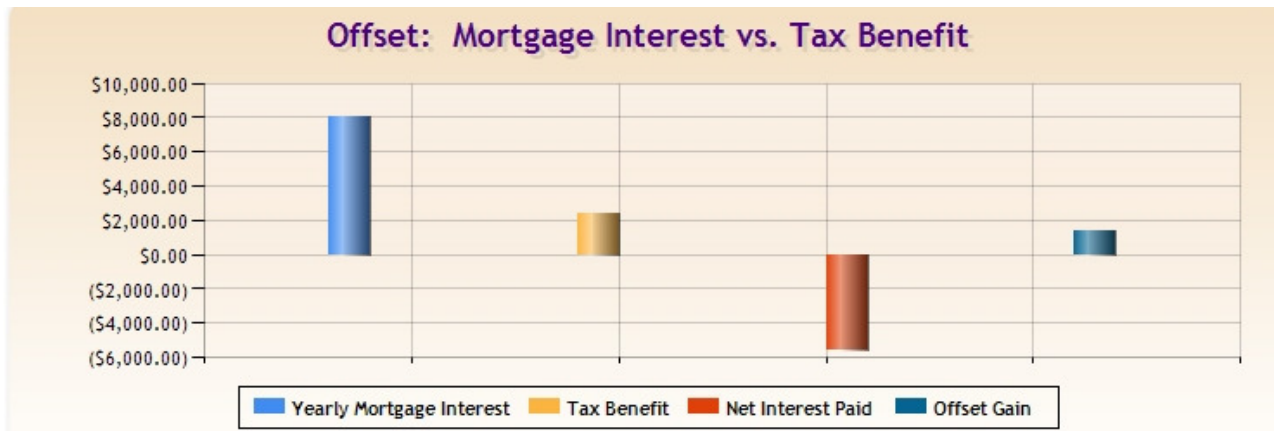
### Offset Accounting: Mortgage interest tax benefits

By employing offset accounting techniques, you can significantly reduce the \$10,000 yearly interest expense. Those dollars can now be used to reduce the debt that is sapping your monthly income of its real potential. In many cases you can actually save enough in interest per year to pay your property taxes or homeowners insurance.

Using the same numbers from above, if you reduced your mortgage interest expense by \$2000, you might end up paying approximately \$600 more in taxes, but... you saved \$1,400! You sent a little more to the IRS, but in the end you kept \$1,400 in your pocket! You lost \$600 to keep \$1,400. Why doesn't your banker or accountant think of this stuff?

Let's look at the numbers to get a better feel.

- Reported Gross Income (RGI): \$100,000
- Mortgage interest paid: \$8,000 (Schedule A Itemized deduction)
- Adjusted Gross Income (AGI): \$92,000 (\$100,000 - \$8,000)
- Tax on RGI at 30%: \$30,000
- Tax on AGI at 30%: \$27,600
- Tax savings: \$2,400 (This was \$3,000 under conventional practice.)
- Net gain/loss: (\$5,600) (\$8,000 Mortgage Interest Paid - \$2,400 Tax savings)
- **Net Offset Gain/Loss: \$1,400 (\$2,000 interest savings- \$600 taxes)**  
Compare to conventional practice; oh yea, \$7,000 loss, no windfall.



Compared to the previous example, offset accounting has added a new bar; Offset Gain. This is non-existent with conventional thought and practice. Per this example, this is a \$1,400 windfall! More than likely, this windfall will cover all or the majority of your homeowner's insurance premium. And the savings are not subject to taxes! Beautiful!

## Here is the \$64 million dollar question:

**How do you save \$2000 in mortgage interest?** Stay tuned. The answer is coming soon.

### False belief #2: Checking accounts provide 'value' to consumers.

*There are no pockets in a shroud. ~Author Unknown*

Let's pull back the curtain on the most basic financial activity of our lives, the depositing of our monthly income. Who is really receiving the 'value' from all of our monthly deposits? As you'll see, there's really no mystery after you pull back the layers.

For the privilege of holding your money, bankers get plush offices and big bonuses. In return, for the privilege of being their customer, you get free checking and online banking. Last time I checked, online banking and free checking didn't contribute to anyone's retirement account.

How and why the imbalance occurs is obvious: we volunteer to participate. Every time we hand over/deposit our income we add to their coffers.

Why do we continue to participate? We don't know anything else. We've been operating this way for so long we've concluded it's the only way. What can be done about it?

Offset accounting. After thorough analysis and study, when comparing conventional practices vs. offset accounting strategies, the results are remarkably lopsided and offset accounting is the hands-down winner.

Keep in mind; the implementation and execution of offset accounting techniques are not a get-rich-quick or get-out-of-debt-quick scheme. Anyone who implements and practices this technique should view it similarly to your investment strategies; it requires discipline and time.

**\*\*With this thought in mind, the calculations below will not be based on yearly totals; they are based on a 60 month or 5 year time frame. Like compounding investments, early results may not appear remarkable, but the accumulative results of compounding are astounding.\*\***

### What actually happens with our deposit?

The disposition of our deposit(s) is this; the bank takes immediate ownership of the money as soon as it hits the account. They immediately dictate terms and conditions of earnings and withdrawals. They immediately put it to work for themselves in the form of loans to other customers (or you for that matter) and other very lucrative investments (or not so lucrative as we've recently witnessed). Whatever they do with it, they do it without your direct permission or consent.

If you didn't already know, your deposits are considered a liability on a bank's balance sheet. This means, your deposit is actually a loan to the bank and they are obligated to pay you back. You have extended them credit. By law, they are required to keep close to 10% of deposits<sup>1</sup> liquid so they can cover withdrawals or account closures. The rest of it is used at their behest.

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<sup>1</sup> The required reserve, regardless of percentage is calculated on the average daily balance of deposit accounts.

If our deposit is a personal loan to the bank, at what interest rate are we earning on this type of “loan”?

Historically, checking accounts have offered the lowest rate of return on our deposits. Interest rates on checking accounts dropped as low as 0% after the Great Recession of 2008. At 0%, with every deposit we are essentially making a 0% (free) loan. That’s right; our monthly income deposits are virtually free loans to our trusted banking partners.

Not to mention, our blind participation in this deposit activity provides the banking institutions immediate authority and complete control over the largest pool of liquid cash on the planet. At 0% cost! And they have direct, unfettered access to 90% of this massive pool of capital to use for their own bidding. Nice.

If you do earn a nominal interest rate, which at the time of this writing was on average of .25%- .50%, the interest that is ‘earned’ is taxed as income thus reducing its overall yield. That means the returned yield (earnings less taxes) is more like .10-.25% depending on your tax bracket.

Let’s put a little perspective on this brilliant financial strategy (consumers giving free loans to the banks).

### Conventional Relationship: Deposits

Let’s take a look at the big picture and see how this plays out over a five year period. Brace yourself; this is where you will realize how our conventional banking relationship is crushing us financially.

To demonstrate; the following calculations illustrate the general annualized return on deposits for American households and banks. This will help illustrate the imbalance in our respective relationships (bank vs. us) with our income deposits.

Per the United States Census Bureau, in 2010 the median annual gross income in the US was \$49,455<sup>2</sup> or \$4,121.25 monthly. Since we operate our personal economies with net income, we have to make an adjustment so the results are realistic at the street level.

\*The following figures and calculations have been simplified to an elementary level for ease of comprehension.\*

Net income calculated at assumed 25% tax rate.

Yearly median Gross income:	\$49,455
Tax rate:	25% (\$12,364)
Yearly median Net Income:	\$37,091 (\$49,455 - \$12,364)
Monthly net income:	\$3,091 (\$37,091 / 12)

(Detailed accounting complexities could be explored to fine tune the numbers, but are irrelevant in this venue. Just follow the math; the impact is still relevant.)

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<sup>2</sup> (data provided by United States Census Bureau, Current Population Reports, Consumer Income Issued September 2011)

We are going to make the assumption that the entire monthly net income is direct deposited into a run-of-the-mill checking account. Let's see how big of a 'loan' you've made to your bank over 5 years:

Monthly Net income:	\$3091
Total Number of Deposits	60 (12 x 5)
Total \$ Value of Deposits	\$185,460 (\$3,091 x 60)

**Over a 5 year period you loaned your bank over \$185,000!** What did you get in return?

At 0% financing (the terms you agreed to when you made the "loan") you earned \$0.00.

In contrast...

When your trusted banking institution loaned out your \$185,000 at 5% in a 30 year mortgage, the bank would profit over \$9,000 per year over the next 5 years. Over that time frame, that's a \$45,000 return on your \$185,000, 0% loan. Of course, these profits represent interest earned on \$185k not specifically on your deposits alone. They have \$185,000 readily available to lend based on the volume of customers depositing their income every month. They only need so many customers depositing \$3091 per month, every month to make dozens and dozens of \$185,000 loans.

In an effort to make ourselves feel better, let's assume we could earn 2% on our deposits. Over a five year period, we would earn approximately \$3,860. They earn \$45,000. We get \$3,860. It feels like your getting poked in the eye with a sharp stick doesn't it?

Per the same Census Bureau Report there are 118,682,000<sup>3</sup> households in America. Let's assume for argument sake, that all households direct deposit their entire pay check into their checking accounts.

118,682,000 households x \$3,091 per month = \$366,846,062,000. That's over \$366.8 billion deposited per month. \$4.4 trillion yearly!

You can make a lot of \$185k loans with \$366 billion per month. Are you starting to feel a little queasy?

Are you starting to understand the fundamental flaws in the conventional relationship? There is not equal and equitable use of our income.

With offset accounting we can reverse that trend by leveraging our income using the exact same principles your banker uses. Let's see how that looks.

### Offset Relationship: Deposits

We've determined at the individual household level, the street level, we are depositing approximately \$37k into our checking accounts per year. So what if we could reduce or offset \$37,000 against a 4% debt instead of earning 0% in a checking account? What would that look like in the form of dollars and sense?

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<sup>3</sup> (data provided by United States Census Bureau, Current Population Reports, Consumer Income Issued September 2011)



\*\*If you can reduce/offset your debt by \$37,091 then that means you WOULDN'T have to pay interest on \$37,091, so the calculation looks like this:

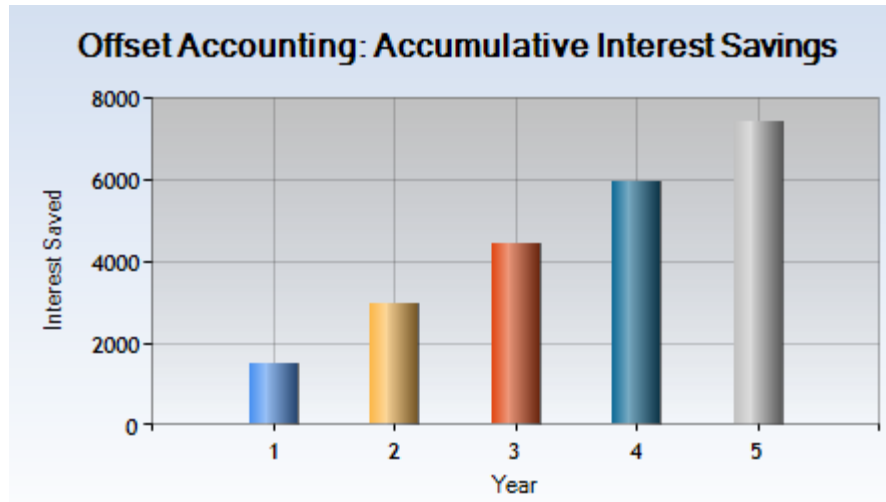
Amount not subject to interest: \$37,091

Note rate on debt: 4%

Average Yearly interest savings: \$1,483 ( $\$37,091 \times 4\%$ )

Average savings over 5 years: \$7,415\*\* ( $\$1,483 \times 5$ )

\*\*These savings can be applied against the outstanding debt and over time accelerate the payoff of the debt. Or used to pay property taxes or homeowners insurance!\*\*



Do you remember the \$64 million question asked earlier?

**How do you save \$2000 in mortgage interest?**

## **This is the answer!**

**Offset accounting; deposits applied against an outstanding debt produces tax free interest savings.**

I know reading financial stuff is worse than watching paint dry, but you need to hang on and keep reading. The following section is where we are getting hit the hardest.

**False belief #3: Amortized loans provide homeowners financial stability.**

*The greatest disservice extended to man is credit he has no way of repaying. ~Author Unknown*

Homeownership! The American dream! If you own a piece of real estate in America then it is assumed you have achieved the American dream. But whose dream are you really making come true?

As a homeowner, your home is considered an 'asset' and/or an 'investment'. Both are true, but the loan you take out to purchase the home, the 'mortgage', as well as 'market conditions' have a great deal to do with how well your 'investment' performs.

Think of a mortgage like a margin account, which is basically a loan or extended credit for the purposes of buying the “asset”. You are extended credit to maximize the theory of leverage: bring in a small down payment to obtain the use of a larger sum of someone else’s money. This strategy allows you to reap the rewards if the investment performs or goes UP in value. Eventually though, you will be held responsible for that ‘loan’. If the investment does well and appreciates, you repay the loan and pocket the difference. If the investment doesn’t perform, in this case, the house does not appreciate or loses value; well the outcome is rather obvious.

When the bank extends you credit are they ‘investing’ in the home you are purchasing or refinancing? Absolutely NOT. Banks are NOT in the real estate business. They are in the asset business. The assets they are interested in are the loans or the Promissory Notes they generate by lending our deposited income. It is the Note that has value, not the home.

Side note: Most homeowners believe the “mortgage” to be the same thing as the loan. This is not the case. The ‘mortgage’ is the instrument where you pledge your interest in the property in exchange for the loan. It is the document that states you will relinquish all interest in the property if you default on the loan. It is a separate animal altogether from the money, the loan.

The **money** is the loan or the Promissory Note. This instrument lays out the terms of the loan, how much is borrowed, the agreed upon interest rate, the monthly payment and the term or length of the loan (30, 15, 10 years). The **loan** is where the bank makes their money and where **you** carry the cost of ‘leveraging the asset’.

Let’s take a look at how this all breaks down as we did with the deposit scenario above. We will look at an instance of an individual homeowner and on a national level. These numbers are staggering and will expose again the lopsided relationship we have with our trusted banking institutions.

### Conventional Relationship: Mortgages

Let’s look at an average mortgage in America.

Loan amount: \$200,000

Interest Rate: 5.0%

Term: 30 years

Monthly payment: \$1,073.64 (does not include monthly tax and insurance premiums)

(This monthly payment represents 35% of our net income from above.)

If this loan is not refinanced and the homeowner goes full term let’s see how the numbers work out for homeowner vs. bank.

### Their return

Total amount of payments received: \$386,511 ( $\$1,073.64 \times 360$ ).

Less original loan amount: \$200,000

Profit/Loss: \$186,511.

Return on loan/investment: 93% ( $186,511 / 200,000$ )

Yearly return: \$6,217. ( $\$186,511 / 30$ )

Per year that doesn’t look like much, but multiply that by total number of households;  $118,682,000 \times \$6217 = \$586,641,066,600$ . \$586.6 billion!

Staggering. A 93% return from 0% loans (deposits) provided by the consumer and you have yourself one very profitable investment. Of course, there are costs of doing business that need to be accounted for, but you get the picture; they are playing in a very exclusive club that is funded by our blind participation.

On a national level, we owe \$10.3 trillion in mortgage debt.<sup>4</sup> If that was all funded at 4% over 30 years the national mortgage payment would be \$49.1 billion a month. Go full term, 30 years and we will collectively pay \$7.4 trillion in interest alone. That equates to a \$247 billion a year interest bill to the homeowners of this country. Again, staggering!



Do you know why these numbers look the way they do? Do you know why you would pay over \$186,000 to borrow \$200,000?

A mortgage is an annuity! That's right, the formula used to calculate your monthly payment, the formula used to determine what amount is distributed towards principal and interest each month is an **annuity formula**. With every mortgage we sign, with every mortgage payment we make, we are funding someone else's annuity, someone else's future.

And what makes things worse, the principal we accumulate, the portion of our monthly payment that is applied and reducing the outstanding balance, the equity we are building in our 'investment', it's locked away in someone else's treasure chest. We don't have the combination to the vault and we can't just go knock on the window and request use of those funds again. No, we have to start the process all over with a new loan. Refinance and start funding another annuity. It's crazy.

*Car sickness is the feeling you get when the monthly payment is due. ~Author Unknown*

<sup>4</sup> (data provided by United States Census Bureau, Current Population Reports, Consumer Income Issued September 2011)

## Our return

What is the return on our “investment”? How did we do over the 30 year term?

Let’s assume we can achieve a very modest 2% per year appreciation rate on our home for the next 30 years. Of course some years might be higher, some lower, but considering some of us have lost 40-50% over the last couple of years it might take another ten years to get back to where we were in ‘06-‘07. Let’s look at the math.

Home value: \$250,000 (Example loan amount of \$200,000 above was 80% of home value)

Rate of appreciation: 2%

Number of years: 30

Future Value: \$455,302

Less total of all payments: \$386,511 ( $\$1,073.64 \times 360$ )

Net \$ gain: \$68,791

Net % gain: 18% (over 30 years)

Net % gain yearly: .60% (Less than 1% a year? Nice.)

Net \$ gain yearly: \$2,293.

## Let’s compare

With all things being equal, they’re guaranteed to earn \$186,000 on their \$200,000 investment. We’re hoping to see \$68,000 IF the market appreciates at just 2%. Our investment is speculative because we have *hope* and *if* involved. They’re guaranteed a 93% return as long as we go full term and make all of our payments. If we don’t sell or refinance they have a 95%-100% chance of seeing that 93% return. And get this; if we refinanced per the national average of every 7 years, at the end of 7 years they would pocket a little over \$66,000 in interest and get a little over \$24,000 back in principal. \$66k on a \$200k investment is a 33% return in 7 years. Not bad, if you’re a banker. Not so good if you’re a consumer. Talk about utilizing ‘leverage’!

*Factoid: If you lost 50% of your value on your \$250,000 home, it would take 10 years of 7.5% appreciation to get back to \$250,000. Per the mortgage loan above, you would make \$128,837 in payments during that time and still owe \$162,684.*

Play with these numbers all you want: the imbalance of the relationship never comes close to being fair and equitable.

So enough of the doom and gloom of conventional checking accounts and mortgages; what is the solution?

## Offset and Save

*There are few sorrows, however poignant, in which a good income is of no avail. ~Logan Pearsall Smith, "Life and Human Nature," Afterthoughts, 1931*

**Offset:** *something that serves to counterbalance or to compensate for something else, especially: either of two balancing ledger items.*

In basic accounting nomenclature income deposits and mortgages are ledger items; income is an asset, the mortgage is a liability.

Income sitting in the right environment earns interest. Interest owed on a debt or liability is a cost. Both ledger items. As we have discovered in our conversation, your monthly income, your 'asset' sitting in your checking account is not delivering significant value to you. I'm sure we can all agree at this point, the interest, if any, being earned in your checking account surely isn't enough to counterbalance, compensate, or offset the interest being charged on your debt(s). Agreed?

To offset, the theory behind offset accounting simply means that for every dollar deposited against an outstanding debt balance, the effective loan principal is reduced by \$1 thus reducing the balance and abating interest costs on each dollar offset.

The 'offsetting' mechanism reduces the average daily balance the bank is using to calculate monthly interest charges. The longer and lower the lowest average daily balance is maintained, the more interest is saved.

In certain parts of the world, (Australia, for instance), offset accounts are offered to the public. In the US, offset accounts are only offered to business or commercial customers, but our 'offset' accounts are called 'sweep' accounts. A sweep account provides to the account holder the opportunity to "sweep" a designated amount of money from their general operating account either to an outstanding debt or into an interest-bearing account such as money market account.

In the US, this 'sweep' is customarily an overnight occurrence. The sweep takes place at the end of the business day and funds are returned or 'swept' back to the general operating account the following morning for daily operating needs.

When funds are swept against an outstanding debt, the balance is reduced by the same amount. And since interest is charged on the outstanding balance, interest charges are reduced because new interest is now being calculated on a lower balance. For example:

General account Balance: \$50,000 (Offset Resources)

Outstanding loan balance: \$200,000

New balance after sweep: \$150,000 (\$200,000-\$50,000)

Interest is now being calculated on the \$150,000 and not the \$200,000.

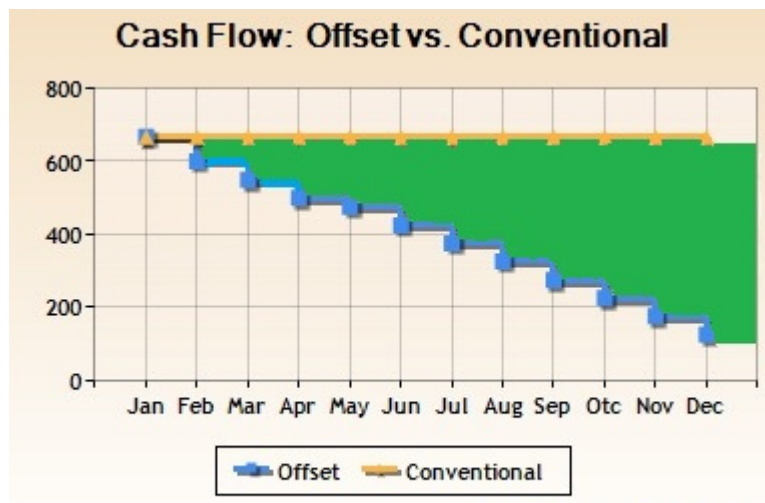


You can see in the chart how interest is now being charged on only \$150,000 of the debt instead of \$200,000. Though the interest savings on a nightly sweep would be negligible, and on a monthly basis is not earth shattering (\$167), but over time, like an investment vehicle, the results can be substantial. Though it has never been confirmed, it is possible that sweep accounts are not offered to residential customers because the overnight savings is deemed inconsequential in the grand scheme of things. However, on a monthly basis over time the benefits are well worth the effort.

The results, the proof of this strategy is revealed monthly. The previous month's interest savings will be either a reduced payment (interest only/IO) or a larger portion of the monthly payment being applied towards principal and less towards interest in an amortized loan.

In the IO scenario, the result is improved cash flow. In the amortized loan payment, advanced principal reduction occurs, but any improvement in day-to-day finances fails to exist. You are still stuck with the payment you agreed to when you signed the 30 year promissory note/'mortgage'.

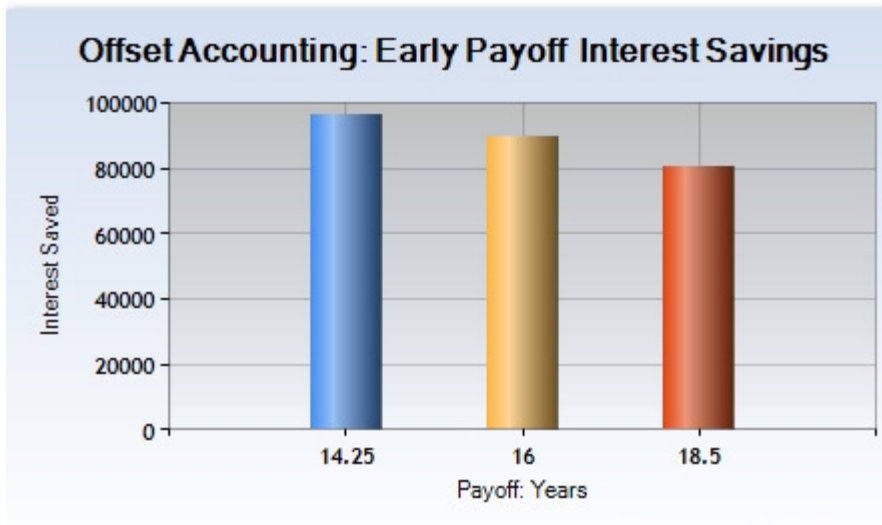
Graphically, over time this is what your cash flow would look like when employing an offset or sweep strategy in an interest-only environment. The green space between the conventional payment and the offset payment represents improved accumulated cash flow.



Are you beginning to understand the power of this concept of offset accounting? Capital/income is used to 'offset', reduce, counterbalance and compensate for interest costs or earnings.

**Let's look at the debt elimination benefits of this awesome strategy.**

If you properly structure and execute a basic offset strategy per the \$200,000 outstanding debt and \$50k liquid fund example from above, your monthly cash flow improves by nearly \$238 a month or \$2,864 per year. If you apply the interest savings throughout the life of the loan, you will eliminate your debt in 18.5 years. Perfect the strategy to generate an additional \$100 to \$200 in additional interest savings and you're debt free in 14 years and 3 months.



Offset accounting strategies are more efficient and exacting when it comes to improved cash flow and savings. These savings grow monthly, providing compound interest savings. Continually apply these savings to the outstanding balance and you can literally pay off your mortgage in less than ten years.

(Due to the restrictive nature of amortized loans, it is recommended you employ an expert in offset accounting techniques before deploying an offset accounting strategy on your own.)

*Factoid: Interest savings is a non taxable event!*

**What would an offset account do for us as a country on a whole?**

What would the ledger look like if our \$4.4 trillion in deposits were applied towards our \$10.3 trillion mortgage debt? Let's see.

$\$10.3t - \$4.4t = \$5.9t$  (new balance)  
 $\$5.9t \times 4\% \text{ interest} = \$236 \text{ billion}$  (yearly interest cost)  
 $\$236 \text{ billion} / 12 \text{ months} = \$19.6 \text{ billion}$  (monthly interest cost)  
Our monthly interest-only payment would only be \$19.6 billion.

If we refinanced \$10.3 trillion at 4% into a 30 year amortized loan the monthly payment would be \$49.1 billion.

If we got smart and started using offset accounting against \$10.3 trillion with our \$4.4 trillion in deposits our monthly mortgage payment would only be \$19.6 billion. By deploying this simple accounting strategy, as a nation we could save \$29.5 billion per month. That is monthly savings folks. \$29.5 billion IN MONTHLY SAVINGS!

As a country, what could we do with \$29.5 billion dollars a month? Sure, we'd have to or want to use a portion of it to pay down the principal eventually, but would we want to? Especially if we know that principal reduction in the first several years of an amortized loan is infinitesimal at best. Imagine what we could do to the rest of our debts with \$29.5 billion and by-pass principal reduction for a little while. The results would be mind boggling.

What if we could invest those savings at a rate of return at 4%? Would we be better off, worse or breaking even?

Reinvesting our savings at 4% over a 7 year period, we would see nearly \$3 trillion comeback to us. Do this for 19 years and the entire \$10.3 trillion is paid off. 11 years faster than a conventional loan. Wow!

Combine the power of offset accounting with compounding interest savings and you have hit the mother load of financial efficiency.

This example may be a bit harder to comprehend with the size of the numbers, but you can break this down to an individual level as well. The numbers are all relative.

“But, you just said US banks don't offer this type of service to consumers.”

They don't, but they do provide the tools necessary to operate it on your own. This offset strategy is the exact same strategy used in the pilot program previously mentioned. And all the participants operated with products offered by banks in their local community. Their success was a direct result of proper education and understanding during the implementation and execution process.



## In Closing

*Money is neither my god nor my devil. It is a form of energy that tends to make us more of who we already are, whether it's greedy or loving. ~Dan Millman*

If you want more production out of your hard earned income then you need to make some changes in how you operate. If you don't, if you continue to follow the herd and operate within the confines of conventional thought and practice then you will continue to see dismal results.

Offset accounting is a very powerful financial strategy. It has been proven to outperform conventional practice by a wide margin. There is no comparison when it comes to reducing interest costs, accelerating the elimination of debt and enhancing retirement goals.

The best part about offset accounting, you DO NOT have to ask the banks permission to implement and operate these principles. You don't have to check and see if it is 'ok' to do this. Even if you did ask them, you would get the look of a frightened doe staring into the headlights of an oncoming car. They will be clueless.

Your local bank or credit union is simply the conduit to the necessary tools; loans, checking accounts and credit cards. The only thing missing is the expertise and knowledge to properly implement and execute the strategy.

If you have a serious need or desire to get more out of your hard earn income and if offset account makes sense to you then it is time to take action. Immediate implementation and execution of an offset accounting strategy will have immediate results. As you have just seen, your income could be saving you interest tomorrow if you act today.

If you like the ideas presented in this report and you would like to bring equity optimization and offset accounting principles into your personal economy then please visit [TruthInEquity.com](http://TruthInEquity.com) to create a Personal Profile or login to your Personal Profile and request a demonstration.