

2012 Your Best Financial Year Yet!

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**“We cannot predict the future.
But we can create it.”**

Jim Collins

Who’s goals are you living?

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Handout

- Date
- Time
- Location

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2011

- List your top 5 accomplishments in 2011.

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Areas

- Business/Career/Job
- Learning
- Financial
- Family
- Service
- Recreation/Fun
- Health
- Relationships
- Purchases
- Projects

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2011

- What was your top **financial** accomplishment?

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10 years

- List **5 things** you would like to accomplish in **10 years**.
- Age: _____

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5 Year Goals

- We seem to underestimate what we can accomplish in 5 years.

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5 Year Goals

- How much cash flow would you like to have every month?

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5 Year Goals

- Salary?
- Interest?
- Rent?
- Businesses, royalties, other?

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5 Year Goals

- How much would you like to have in:
 - Cash
 - Stocks
 - Notes
 - Real Estate
 - Business/Other
 - Retirement

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1 Year Goals

- We seem to over state what we can accomplish in 1 year.

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1 Year Goals

- **How much cash flow would you like to have every month?**

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1 Year Goals

- Salary?
- Interest?
- Rent?
- Businesses, royalties, other?

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1 Year Goals

- How much would you like to have in:
 - Cash
 - Stocks
 - Notes
 - Real Estate
 - Business/Other
 - Retirement

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The Other Side

- Debt reduction?
- Cutting expenses?

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2012

- List your top 5 financial goals for 2012.

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Specific

1. I will buy twelve houses.
2. I will buy twelve 3 bedroom, 2 bath houses.

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Realized

1. I will buy twelve 3 bedroom, 2 bath houses.
2. I bought twelve 3 bedroom, 2 bath houses.

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Deadlines

1. I bought twelve 3 bedroom, 2 bath houses.
2. I bought twelve 3 bedroom, 2 bath houses by November 15, 2012.

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Goals vs. Action Plan

1. I bought twelve 3 bedroom, 2 bath houses by November 15, 2012.
2. I increased my cash flow from rents by \$2400 by November 15, 2012.

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Cash Flow vs. Cash

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2012

- What is your **top** financial goal for 2012?

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What

- Rewrite your top financial goal.

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Why?

- What is in it for me?

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Major Challenges

- What major challenges are you going to have to overcome to achieve this goal?

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Skills & Knowledge

- What new skills and/or knowledge will you need to accomplish this goal?

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Who

- Who will you need on your team?

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How

- Action plan to reach this goal:
 - 1.
 - 2.
 - 3.
 - 4.
 - 5.

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When

- What is the deadline for the goal?

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Power of the Calculator

One of the Keys to Financial Understanding



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N	I/YR	PV	PMT	FV

N = number of payments (months, years)

I/YR = Interest per year

PV = Present Value (today)

PMT = Payment (happens N # of times)

FV = Future Value (future)

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N	I/YR	PV	PMT	FV

•We can solve for any of these values.

•We just need any 4 out of the 5.

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Time Value of Money

- Would you rather have:

1) \$100 today?

2) \$1000 **twenty** years from now?

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Time Value of Money

N	I	PV	PMT	FV
240	?	100	0	-1000

I = 11.57%

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Note Purchase

- 5 heirs split a note.
- 2 people get 1/3
- Other 3 get 1/3 of 1/3 or 1/9th.

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Note Purchase

- 1/9th payment = \$33.70
- 97 of 360 payments have been made.
- If we purchase for \$1500, what is our yield?

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Note Purchase

N	I	PV	PMT	FV
263	?	-1500	33.70	0

I = 26.88%

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Note Purchase

N	I	PV	PMT	FV
263	30	?	33.70	0

PV = -\$1345.96

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Equipment Loan

- Needed \$50,000 loan
- Willing to pay \$18,000 in interest
- Equal payments for 24 months
- What is the yield?

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Equipment Loan

Principal	\$50,000
Interest	<u>\$18,000</u>
Total	\$68,000
	/ 24
Monthly Payment	\$2833.33

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Equipment Loan

N	I	PV	PMT	FV
24	?	-50,000	2833.33	0

$I = 31.46\%$

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Comparing Offers

Different Offers

- Seller wants \$100k for their house.
- What is the best deal?
 1. Owner carry \$100k @ 6% for 30 years.
 2. Pay ½ in cash now, ½ in 7 years.
 3. Pay 100 payments of \$1000
 4. \$75,000 in cash today

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Different Offers

- It depends. 😊
- Assume you have the cash.
- Assume you can earn 10% on your cash.
- Calculate the value of each option.

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Offer #1

N	I	PV	PMT	FV
360	6	100,000	?	0

$PMT = -\$599.55$

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Offer #1

N	I	PV	PMT	FV
360	10	?	599.55	0

$PV = \$68,319.27$

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Offer #2

N	I	PV	PMT	FV
84	10	?	0	50,000

PV = -\$24,901.39

Net PV = \$50,000 + \$24,901.39 = \$74,901.39

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Offer #3

N	I	PV	PMT	FV
100	10	?	1000	0

PV = \$67,667.82

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Different Offers

Offer	Description	PV
1	\$100k @ 6 for 30 yrs	\$68,319
2	½ now, ½ in 7 years	\$74,901
3	100 monthly pmts of \$1000	\$67,668
4	\$75k in cash	\$75,000

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6% Investment

- Money currently earning 0.3%
- Opportunity to earn 6%.
- What is the difference in 5 years?

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0.3% Investment

N	I	PV	PMT	FV
60	0.3	-6000	0	?

FV = \$6090.67

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6% Investment

N	I	PV	PMT	FV
60	6	-6000	0	?

FV = \$8093.10

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Difference

6%	\$8093.10
0.3%	<u>\$6090.67</u>
Difference	\$2002.43

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Dow®

N	I	PV	PMT	FV
120	?	10021.57	0	12217.56

I = 1.98%

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Partner

- Split 50 / 50 cash flow
- Option to purchase 50% of the property for 50% of what the investor has invested.

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Partner

- Total Purchase Price = \$85,000
- Total Rents = \$1200
- Expenses = 1/3
- All cash

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Partner

- Rent = \$1200
- Expenses = $\$1200 \times \frac{1}{3} = \400
- Net Rent = $\$1200 - \$400 = \mathbf{\$800}$

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Partner

- Option to purchase 50% of \$85,000 for \$42,500
- $(\$85,000 / 2 = \$42,500)$

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Partner

- $\$800 * 12 \text{ months} = \$9,600$ per year
- 50/50 split = $\$9,600 / 2 = \mathbf{\$4,800}$

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Partner

- Investor put in \$85,000
- $\$4,800 / \$85,000 = \mathbf{5.65\%}$
- Plus Depreciation
- Plus Upside

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Partner

- Leverage with 75% LTV loan @ 5%

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Partner

N	I	PV	PMT	FV
360	?	63,750	?	0

PMT = $-\$342.22$

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Partner

- $\$5493.36 / 2 = \2746.68
- $\$2746.68 / \$21,250 =$
12.93%

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Partner

N	I	PV	PMT	FV
84	?	-21,250	228.89	57,592.35

I = 22.96%

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Monday Thoughts

- www.GaryJohnston.com
- Every other Monday email
- Random (hopefully helpful) thought
- **FREE**

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Money Not Math

February 10 – 12 (Fri – Sun)

Las Vegas, Nevada

- In-depth financial calculator
- Deal structuring

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Money Not Math

- Single - \$547 / Double - \$947
- **Club members get \$50 off.**
- Single - **\$497** / Double - **\$897**

Money Back Guarantee!

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Financial Freedom Principles

September 1-3 (Sat – Mon)

Santa Ana, California

- Tools, Strategies, Principles
- Personal Financial Freedom Plan

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Financial Freedom Principles

- Single - \$547 / Double - \$947
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