



Tina & Mary SKULTETY JOHNSON

“Natural” Ways to Avoid the Flu This Season

The flu season normally runs from December to March, and one of the best ways to prevent the flu is by getting a flu shot. But it was recently announced that nearly 50 million Americans would have to go without this year. Chiron Corp., one of U.S.’s three main suppliers of flu vaccine, indicated that bulk lots of the vaccine were contaminated. FDA regulators revealed it’s unlikely any of the vaccine will be cleared for use in the US. So what can you do to dodge the flu if you can’t get a vaccination?

Wash your hands - Wash your hands often, or use an instant hand sanitizer. If you are unable to wash your hands, rub them together very hard for a minute or so. This helps break up most of the germs.

Don’t touch your face - Viruses enter the body through the eyes, nose or mouth.

Drink plenty of fluids, especially water - Water flushes your system, getting rid of the poisons as it re-hydrates you. Typically, adults need 64 ounces of fluid each day - not counting caffeinated or alcoholic beverages.

Get fresh air - Regular doses of fresh air are important. Central heating dries you out, making your body more vulnerable to viruses. Also, in cold weather, people spend more time indoors, which means more germs are circulating in crowded dry rooms.

Get regular aerobic exercise - Aerobic exercise speeds up the heart to pump larger amounts of blood, makes you breathe faster, helps transfer oxygen from your lungs to your blood, and makes you sweat once your body heats up. This helps increase the body’s natural virus-killing cells.

Eat yogurt - Some studies show that eating a daily cup of low-fat yogurt can reduce your susceptibility to colds by 25%. Researchers think the beneficial bacteria in yogurt may stimulate production of immune system substances that fight disease.

Relax! - If you can teach yourself to relax, you can activate your immune system on demand. Evidence shows that when you put your relaxation skills to use, your interleukins - leaders in the immune system’s response against viruses - increase in the bloodstream.

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HOMES & MONEY

FROM THE OFFICES OF Robin Paul • 4th Quarter, 2004

Your Source for Real Estate and Finance Information!

Did You Know?

Thomas Edison made more than 1,000 attempts before inventing the first long-lasting electric light bulb. Talk about persistence and determination!



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Robin on Bonds:

Leveraging your home or paying it down rapidly - which is the best way to go?

By Robin Paul, Mortgage Planner

There is a great debate within the inner-mortgage circles these days. Should we, as loan professionals, encourage clients to borrow as much money as possible or are we better serving them by helping them understand the benefits of 15-year amortization schedules, as well as pre-paying principal? Let’s analyze the pros and cons of both strategies and then I will share my views on when it’s appropriate to go with either option.

The argument for leveraging your property. The concept that equity has a zero percent rate of return must be understood before really understanding why you would want to borrow as much money as possible.

Here’s an example showing why this is true.

If Consumer “A” buys a home for \$300,000, and puts 20% down, he/she has \$60,000 in equity. Over the next 5 years, that property appreciates \$100,000 in value. Consumer “A” now has \$160,000 in equity.

Consumer “B” buys a home for \$300,000 and puts no money down and at the end of 5 years that same home is now worth \$400,000. Consumer “B” has \$100,000 in equity, which is the same appreciation as Consumer “A”, a net \$100,000.

It is important to understand that your down payment has nothing to do with your rate of

return. The key component becomes what you choose to do with the \$60,000 you did not use as a down payment. If you use it for frivolous activities, such as buying toys, going to Las Vegas or just spending freely, it would likely, from a financial perspective, be more prudent for you to use that money as a down payment. Especially since you will get a lower interest rate as a result of having a down payment.

However, for the prudent investor, who invests the \$60,000 in a vehicle that can out-earn the cost of that debt this could be a formula for success and is the argument that lending professionals make for putting as little down as you possibly can, maximizing your tax write-off and investing the rest.

This principle has been applied for many years in the life insurance game. The old saying goes, "Buy term and invest the rest." The same holds true for the philosophy of leveraging your property to the highest degree possible. The key component behind making this formula successful is once

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Rates:

	Conforming	Jumbo
30-Year Fixed	Mid 5’s	High 5’s
15-Year Fixed	High 4’s	Low 5’s
7-Year Fixed*	Low 5’s	Low 5’s
5-Year Fixed*	Mid 4’s	High 4’s
3-Year Fixed*	Low 4’s	Mid 4’s
T-Bill ARM	High 3’s	Low 4’s
(Index Value: 2.20)		
COFI ARM	High 4’s	High 4’s
(Index Value: 1.875)		
MTA ARM	Mid 4’s	Mid 4’s
(Index Value: 1.522)		

The interest rate represented here is at one point.

* Amortized over a 30-year period. Following its fixed term, it converts to a 1- year Treasury Bill adjustable rate mortgage for the remaining term of the 30-year loan.



A Mean French Niçoise Salad

One of the great staples of French cuisine is the Niçoise salad. In some restaurants these days you will find that the Chef has chosen to use Ahi tuna in the Niçoise salad. My strong opinion is that the Niçoise should be made with canned tuna, like they have for many years in France. Serves 2 people.

Salad Ingredients:

1 head of red-leaf lettuce or 1 bag of mixed Baby Romaine leaves
6 cherry tomatoes, halved
15-20 French green beans, blanched
8-10 new potatoes (the red ones), boiled until tender and chilled in water, then quartered
10-12 pitted black kalamata olives
2 hard-boiled eggs, peeled and halved
½ avocado, thinly sliced
1 can white albacore tuna packed in olive oil

Dressing ingredients:

¼ cup balsamic or red wine vinegar
½ cup extra virgin olive oil
1 clove garlic, minced
1 tsp Dijon mustard
Salt
Pepper

Preparation:

Arrange the salad ingredients on a plate in an aesthetically appealing way. First put the lettuce greens down and then in a circle around the perimeter, place the eggs, tomatoes, olives, avocado, potatoes and green beans. Mince the tuna and form it into a ball. Place half in the center of each plate. Combine the dressing ingredients in a bowl and whisk rapidly with a fork. Season to taste and drizzle all over the salad. Enjoy!

A Word From The Road:

“People who spend their time cutting corners to avoid pain in the short-term, create long-term pain.”

- Tony Robbins

Robin on Bonds

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again, taking the money you would have used as a down payment and creating an asset accumulation account. This account should earn a significant enough rate of return to enable you to pay your mortgage off entirely and achieve the ultimate goal of being debt-free.

The case for putting down more money and paying on a rapid acceleration schedule. There are very few times over the course of my 12½ year career that I have seen a client with zero debt and financial difficulties. Debt often represents an over-extension of what is realistic for an individual's existing lifestyle.

Paying off all your debt can reduce stress and put you in a situation with more freedom of cash flow for investment opportunities. A 15-year mortgage or a bi-weekly payment strategy provides structure for the consumer that literally puts them on a game-plan to generate the predictable result of having their mortgage paid off in a certain period of time. Simply put, it contains built-in discipline.

Many consumers have a difficult time setting aside the money necessary to pay their loan off rapidly. But if they can do it in a structured plan, it serves as a very valuable piece to the long-term financial planning strategy. It's important, however to understand that regardless of how rapidly you pay your home off, you're not getting any greater rate of return on your investment than if you paid it off slowly. The key reverts back to what you could do with that money if you were investing it in a different place, rather than paying that extra amount of money monthly through an accelerated amortization schedule.

Conclusion: I believe the choice depends entirely upon the individual. Savvy consumers with great discipline who are not fearful of taking some chances from an investment perspective would bode well with the first scenario. Over the course of time it is proven over and over again that your rate of return over the long-haul will be far greater than the 4½ to 5% you pay for a mortgage interest rate in today's day and age. You would always want to seek the advice of a skilled investment advisor for these purposes.

For those who will sleep easier at night knowing they are part of a plan to have their loan paid off more rapidly and/or have a difficult time disciplining their money on a month-to-month basis are better served to set themselves up on a rapidly accelerating amortization schedule, as long as they are not putting themselves in a crippling position with cash flow. Too often times, I see consumers “bite off more than they can chew,” structure themselves in a 15-year mortgage, and then have to turn around and refinance back into a 30-year schedule because they can't make the larger payment.

If you find this subject intriguing and would like to know more I recommend that you read a book titled, Missed Fortune, by Douglas Andrew. It's an outstanding read that is very simplistic and goes into far greater detail than I can cover in this column. Douglas is a financial planner who advises

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safe-structured investments such as whole life policies and tax-free fixed income instruments.

If you have any questions in regards to this, please feel free to contact me at my office: 888-712-0202.■

WHAT'S NEW?

TRIVIA CHALLENGE

What is the longest highway in the world?

Call in with your answer on our Trivia Challenge Answer line: (888) 713-0202. The names of all those who call in with the correct answer will be put into a drawing. The prize: Dinner and movie tickets for two! You must call the number above to qualify.

Congratulations to WINNER NAME HERE, winner of last issues trivia question:

What country & civilization invented chocolate?
Answer: Mexico & the Mayans

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Thanks to You!

As always, we wish to thank our clients who are kind enough to refer more business to us. This quarter, our thanks go out to: