

HOW DEEP IS YOUR DEBT?

The concept of "getting out of debt" commonly rules our thinking regarding financial planning.



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There are two types of debt. One is to be avoided, and the other can be used strategically. For instance, if you carried over last month's meal charges and are now paying a high-interest rate to finance meals that are long gone, that's not good debt. Alternatively, having a loan that's offset and secured by an appreciating asset can serve you well.

Why? Two reasons:

1. Using other people's money to leverage an asset that usually rises in value (*such as a home*) often proves highly profitable. Inflation works to the owner's benefit and against those who provided the cash. The owner's advantage is even greater when the cost of funds is low because the asset's value can rise faster than the cost of interest paid.

2. Leveraging someone else's cash allows your assets to remain more liquid. Liquid assets can help create a reserve well that is deep and far from dry. Having more of your own money when the need or opportunities that arise can be safer, faster, and less costly than scrambling to borrow funds quickly.

Don't let proper planning be something you only wish you had done. Call us to see how we can help.