

10 SECRETS TO PAYING OFF YOUR **MORTGAGE**

AND LIVING A LIFE YOU LOVE!

How to improve cash flow,
payoff debt, build wealth
and realize your dreams.

A portrait of John Wright, a middle-aged man with thinning hair, wearing a dark suit, white shirt, and patterned tie. He is smiling slightly and looking towards the camera. The background is a solid blue color.

John Wright

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Published by John Wright, AMP

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Introduction

This E-Book is a result of my 30 years of experience working with clients in the mortgage industry, combined with my own experience managing money. I find many people are poor money managers and this haunts them their entire lives. This could have been avoided with a little education, either at home or in school. The school system generally believes that life skills should be taught at home but what if your parents aren't capable of teaching you these life skills? This is why poverty can be passed on from generation to generation in some families and wealth is a way of life for others.

What I hope to accomplish is to help people avoid the pain of living paycheck to paycheck, to help them build wealth and to create a life they love. This sounds like a bold statement but it isn't as farfetched as it seems. The basic concepts have been well known for some time and you have probably heard them before; pay yourself first, don't buy something you can't afford, save some money for a rainy day etc. This question is one of my favorites- If you lost your job today how long would it take for you to go broke?

Why is it that a large percentage of the population fails financially over and over again? I'm sure most of you would agree that they just don't know how to make the correct choices to succeed. This E-Book is for anyone who wants to learn a simple system that I have learned over the years. I have seen it in various formats from different sources and have modified it to my liking. The main concept is called the **debt snowball**.

Here's what we will cover...

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The Debt Snowball Formula:

The formula is pretty simple. First you free up \$ 300 - \$500 per month to pay off debt. Then start by paying only minimum payments on all your debts and adding the \$300 - \$500 to the debt with the lowest balance. Once that debt is paid off, close the account. When you start paying off the second debt, add what you were paying on the first debt to the minimum payment of the second debt and so on with each debt. If you are like many people who have a car loan, a line of credit and a couple credit cards you could be paying upwards of \$1500 a month on that last debt, when the others are all paid off. Once



you pay off all the unsecured debt you add that extra payment of \$1500 a month on your mortgage and that will pay that sucker off pretty quick. I've run the numbers for many people over the years and it always seems to pay off everything, including the mortgage in 13 years or so. Amazing!!!!!!

If you are one of the lucky ones that has no unsecured debt then you can begin right away paying off your mortgage on an accelerated basis. These people will start paying that extra \$300 - \$500 per month on their mortgage instead of the \$1500 per month from the example above so they will have to increase their extra payments somewhere along the way to take the same 13 years to pay off their mortgage. A couple simple strategies to increase your payments are to increase your minimum mortgage payment by a certain amount every year (say by \$50 or \$100/ mth) or to increase your mortgage payment every time you get a raise at work. This can make it pretty painless.

Once the *mortgage is paid off* then you start investing or saving to make your dream come true. Many people alter the program and start investing once the unsecured debt is paid and save the mortgage payoff for later. This is fine too. There are lots of adjustments for things that come up along the way but this is the basic concept of the program.

One important thing to keep in mind is that your level of income has very little to do with this. The key is to spend less than you make so that you save money every month. Over the years I have dealt with all types of people. Two that stand out are; one client who earned \$500,000 a year and had \$120,000 in unsecured debt, who obviously had bad financial habits, and one who earned \$25,000 a year and had \$50,000 in the bank. I asked the latter client how he was able to do that, fully expecting him to say he sold his house or inherited the money, and he told me that he lived a modest life, lived in a small apartment, didn't go out on the town a lot and saved his money. Hopefully you can see that anyone can benefit from improving their financial habits with this program so hang on to your hats and let's get into the **10 Secrets To Paying Off Your Mortgage And Living A Life You Love!** [BACK TO THE TOP](#)

The Ten Secrets

1. Re-Connect With Your Dreams

Begin with the end in mind. What will your life look like when your mortgage is paid off? Generate motivation from being able to create your life. What is your dream? Do you want to open your own florist shop, see your daughter graduate from law school or retire in Muskoka? What is that dream you had when you were a child that you have forgotten about because you thought it just wasn't possible? A good exercise is to sit down with your spouse or partner and write out what you want your retirement to look like. Where will you retire, when, how much money you will need and what income level you would like. From there devise a plan to get there. Whatever your dream, you can make it happen.



2. Gratitude

Spend 10 minutes alone every morning doing this simple exercise. On a sheet of paper write out 10 things you are grateful for in your life and then flip over the paper and write on the back the 10 things you want to create. Spend 5 minutes focusing on the feeling of accomplishment from achieving the 10 things on the front and 5 minutes focusing on the feeling of already having achieved the 10 items on the back. Feel the love and sit with it. They say love and gratitude are the two strongest forces in the world.



Feel free to change the 10 items on the front whenever you like and zero in on what you really want with the 10 items on the back. Over time you will gain tremendous clarity on what you are really grateful for and what you are really excited about achieving in the future.

3. Mindset

Create the mindset that you will do whatever it takes to make it happen. The goal is to pay cash for everything, avoid credit while saving money every month and to track your net worth. Most of us spend more than we make or increase our spending every time we get a raise so that the net effect is that we never save money. That is all about to change but it takes hard work. You will no longer be able to buy things that you want until you have the cash. This can be a huge adjustment for most however the benefits are astounding. [BACK TO THE TOP](#)



4. Increase Cash Flow

This is where it gets fun. What we need to do is to track our spending for 2 months to see where the money is going. Many of us don't really know, so this can be enlightening. Once you see where you are wasting money you can free up some money pretty easily. Next is to make sure you are putting money aside every month for added expenses that are not in your month to month budget, things like car repairs, clothing, furniture, vacations, gifts (Christmas is the biggy!), investments and sports registration fees. Figure out what you spend on these items in a year and divide it by 12. Yes, you now see that it adds up to more than you make! This in a nutshell is the problem and is the reason why you never save money and never make extra payments on your mortgage. If you are one of the few of us that are good with money and are saying to yourself, this isn't me, then look at this as a way to pay even more off your mortgage or increase your savings so your plan is accelerated.



The **next step** is the tough one, getting the plan to balance. You have to really cut back in some areas to the point that it is painful. For me it was hard to cut back on eating out (I really like pizza) and to stop spending so much on sports, especially golfing. For those that are in big financial trouble you will have to sell anything that you really don't need especially if you owe money on it. This could mean selling that new car and going back to an 8 to 10 year old car again, going back to basic cable, cancelling any lease you have for computers or any other item that could have a lease on it. [BACK TO THE TOP](#)

In this step you will open up a bank account for every category that you need a budget for that you don't spend money on every month. This was listed above and can entail car repairs, clothing, furniture, vacations, gifts, investments, sports registration fees and any other items you may have like education for your children or RRSP's. You can also have an account to save for large items such as a new car. Yes, you have to pay cash for this too!



One thing to keep in mind is that you use accounts that have no service charges. Most banks have a limit to the number of accounts that you can have so you might need to open an account at Tangerine or President's Choice to have enough accounts.

When you are doing your monthly spreadsheet of your spending, you will have to have a separate line for the amounts to be deposited to all these accounts. [BACK TO THE TOP](#)

5. Eliminate Unsecured Debt

This is the Debt Snowball section that I spoke about in the introduction. The best way to explain this concept is with an example. Let's say a client has the debt I mentioned in the introduction; a car loan, a line of credit and a couple credit cards.

| Debt | Amount | Payment/Month |
|----------------|-----------------|----------------|
| Car Loan | \$20,000 | \$600 |
| Line of Credit | \$15,000 | \$450 |
| Visa | \$7,000 | \$210 |
| M/C | \$5,000 | \$150 |
| TOTAL | \$47,000 | \$1,410 |



Let's assume that you are able to free up \$500/mth in the increasing cash flow section. The first thing is to put the \$500/mth into an emergency cushion account for 6 mths so that you have \$3,000 in cash for emergencies. This account is used to pay for items that you would have put on a credit card in the past so that you are not using credit anymore. When you dip into the emergency cushion account you must fill it back up with the \$500/mth freed up cash flow until it is back up to \$3,000. Basically you stop paying extra on unsecured debt for the number of months it takes to get it back up to \$3,000. Then you go back to adding it to unsecured debt payments. The scenario below is a simplification of the system but it will give you an idea. An important part of this process is to reward yourself after each debt is paid off and to give you a major reward when all the debt is gone. I would suggest spending whatever you are paying every month on the reward. For example after the Line of Credit is paid off you have \$1310 to spend on your reward. After the Car Loan is paid off I would say a trip would be in order, wouldn't you?

Ok, so let's get started on the **Debt Snowball explanation**. What you would do first is only pay the minimum required payment on all your debts and add the \$500 cash flow you freed up above to the minimum payment for the smallest debt. That would result in you paying \$650 towards your Mastercard every month. Once that is paid off you would add that \$650 to the minimum payment for your Visa card. The result would be that you would now be paying \$860 a month towards your Visa. From the illustration below you can see that this would take 9 months if you didn't have to dip into your emergency fund during that time.

Debt Snowball Example

| Debt | Amount | Payment/Month | Number of Months to Pay Off |
|----------------|--|----------------------|------------------------------------|
| M/C | \$5,000 | \$650 | 8 |
| Visa | \$7,000 | \$860 | 9 |
| Line of Credit | \$15,000 | \$1,310 | 13 |
| Car Loan | \$20,000 | \$1,910 | 11 |
| Total | 3yrs 9mths to pay everything off! | | |

Once your Visa card is paid off you would follow the same system for the Line of Credit and Car Loan. By paying \$1310 a month on your Line of Credit until it is paid off and then \$1910 a month on your Car Loan you would be debt free in another 24 months.

As outlined above, you should close accounts as you pay them off and reward yourself after each account is paid off. I would suggest leaving two to three accounts open to maintain a good credit rating and closing the rest. Since this process will take roughly 4 years to achieve it is imperative that you follow the system and stick to the plan. Every time you dip into the emergency fund you must fill it back up before going back to paying down your debt. The further along you are in the Debt Elimination process the easier it is because you will have more money available to replenish the emergency fund with. For example, let's say you had a \$1000 car repair bill that you paid for out of your emergency fund. If you had just started the program you would pay the minimum payment of \$150 to your mastercard and put \$500 back into your emergency fund for two months. The third month you would resume paying the \$650 a month towards your Mastercard. If this happened when all your debts were paid off except the car loan, you would have \$1910 available to pay the \$1000 back to the emergency fund right away and still have \$910 left over to pay towards the car loan.

This step is a lot of hard work so make sure you reward yourself after every debt is paid off. Have some fun with it and celebrate, you earned it!!!

In some cases, depending on the equity in your home, I might be able to consolidate your debts into your mortgage and accelerate the program. In this case you would skip Secret 5 and move directly to Secret 6. [BACK TO THE TOP](#)

6. Increase Emergency Fund

Once you have paid off your unsecured debt you should increase your Emergency Fund to 3 months of your take home pay. This will allow you to have plenty of money set aside to handle anything that comes up and give you more peace of mind. Let's say the couple in our example has a take home pay of \$6,000 per month. That would require them to increase their Emergency Fund to \$18,000 and take 8 months to achieve.

7. Payoff Your Mortgage

This is the step that has an amazing impact on your life. Let's say your mortgage is \$300,000 and the monthly payment is \$1375. If you add the \$1910/mth to that, you are now paying \$3285/mth towards your mortgage. This would pay off the mortgage in 8 yrs and 7 months. WOW!! Add this to the 3 yrs and 9 months for the unsecured debt and 8

months to increase the Emergency Fund and you are totally debt free after just 13 years and 2 months. Realistically things are going to come up along the way that cause you to temporarily stop the extra payments and top up your emergency cushion account. That's totally fine and part of the program. Maybe a more realistic goal is 15 years to be debt free. Think about what it would feel like to be totally debt free. Isn't that amazing!! The excitement and emotion of the feelings you have are a HUGE part of the process. Emotion accelerates the process so generate as much as you can!

Another option to paying extra on your mortgage is to deposit the \$1910/mth to your Emergency fund every month and make an extra payment towards your mortgage every time you have accumulated an extra \$5,000 in your Emergency Fund. [BACK TO THE TOP](#)

8. Build Wealth

Now the real fun starts. Now you are able to put away \$3285 every month towards building wealth. You could invest in the stock market, buy rental properties, purchase investments that will pay you a monthly income or direct this money into any number of other investment vehicles. This will provide you the freedom that everyone dreams about.

To give you an idea of the wealth you can create let's just look at compound interest for a moment. Investing \$3285 a month creates \$39,420/yr. Based on the rule of 72 if you earn a 6% return you would



double your money in 12 yrs. This would mean that after 12 yrs you would have \$946,080. At a 12% return you would have this amount in only 6 yrs. The rule of 72 simply means that the rate of return multiplied by the number of years it takes to double your portfolio will equal 72.

This is the most technical step in the process and where you need to search out professionals to help you. A seasoned financial planner is a must and it is a good idea to learn as much as you can about investing. Think of it as your part time job, it will be worth it! [BACK TO THE TOP](#)

9. Financial Freedom

The next step is Financial Freedom. This is defined by some to be the point in time where you earn more from your investments than you do from working. This is when you are self-supporting and can quit your job or sell your business. Now that's exciting!!

Take a moment to create a vision in your mind of what that would look like to you. It should be in alignment with the dream you created in step 1, it could be anything- that perfect retirement, travelling the world, time with loved ones, a fancy new sports car, or it could be starting the business you never had the courage to pursue.

Hold this image in your mind and think of it as often as you can. Let this be the fuel to light your fire! [BACK TO THE TOP](#)



10. Purpose

This is the step that very few people reach. You can do whatever you want in life. You want for nothing, you have everything you need and are self-supporting. What would you do if you had the freedom to do anything at all?

Many people feel that the most rewarding feeling in life is from giving. Who would you give to or who would you help?

What is your purpose in life? What legacy would you leave behind when you are gone?

Think about that for a moment. What thoughts and feelings come to mind?

The answers to these questions can take years to answer, as you move through the steps you will gain some clarity about what is important to you and what might be your final destination. [BACK TO THE TOP](#)



Summary

*I hope you feel profound enthusiasm and excitement about the possibility of living a life you love. This program is **my passion** and I want to help you create the life you have always dreamed of. It won't be an easy journey but one I hope you will pursue as your passion.*

Many of you will need to make several changes in your life and create new financial habits in order to gain control over your spending, others will have a bit of a head start and will be saving money right away. Whatever your situation, following these steps will improve your net worth substantially.

The main point I would like to emphasize is that it is all about cash flow and the best way to ensure that you create the cash flow to transform your life is with discipline and accountability. My vision for this E- Book is to use it as a basis for workshops and/ or webinars to help people stay the course and create a life they love.

I find many systems that are presented in books, courses and by other means are great however people inevitably find it difficult to sustain them over a long period of time because the enthusiasm fizzles. When you are left on your own to do the work it is much more difficult. My goal is to provide you with the education, inspiration and empowerment for an exhilarating journey toward exceeding all the expectations you have ever had for yourself and your life. The next step is yours!!!

If you would like additional information or help to implement these steps into your life please call John Wright at 289-238-8324 or email him at john@ndlc.ca.

About John Wright, AMP

John has been a Mortgage Broker since 2000 and has worked in the financial services or banking industries since 1983. John has assisted over 5,000 people obtain financing for their homes.

Since 2010, John has been affiliated with Neighbourhood Dominion Lending Centres, one of the largest producing franchises of Dominion Lending Centres in Canada.

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