Assembling Your Team

The ideas presented in this brochure are not intended to suggest you take any of the specific actions mentioned. Rather, they are meant to make you aware of possibilities and options that you may or may not be in a position to take advantage of. You don't need to become an expert in finance or in the mortgage market. You do need to put together a team of qualified experts to work on your behalf that includes a financial advisor and a mortgage professional you can rely on to look after your best interests. How do you find qualified professionals you can count on? Start by asking someone you trust.

We'll work together with you and your financial advisor to ensure that your mortgage is tailored to facilitate your unique circumstances, goals and needs.

When it comes to your finances trust your Financial Advisor and Chris Kidder of First Security Mortgage Services

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EQUAL HOUSING LENDER

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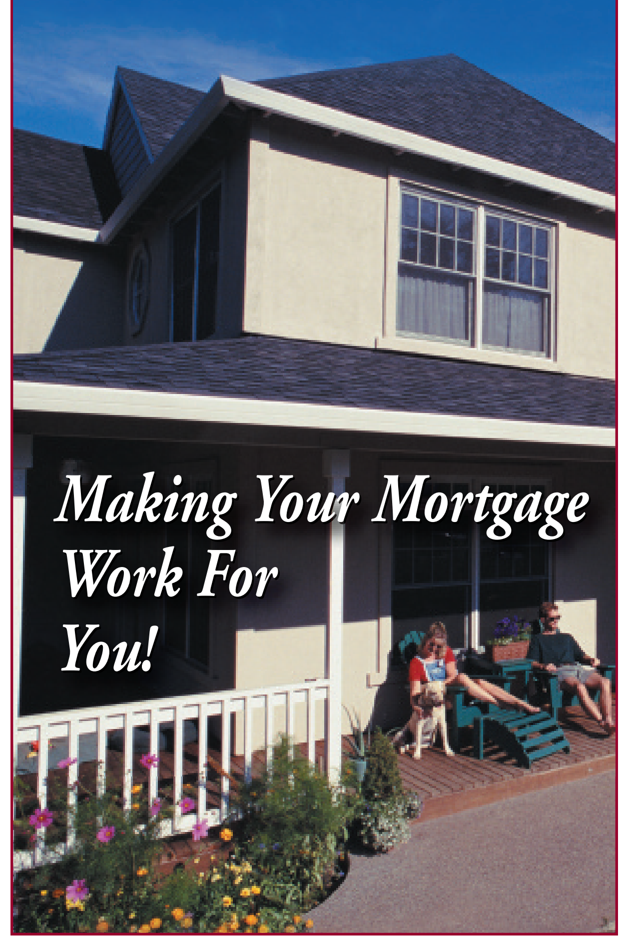
Financial Strategies and Your Home

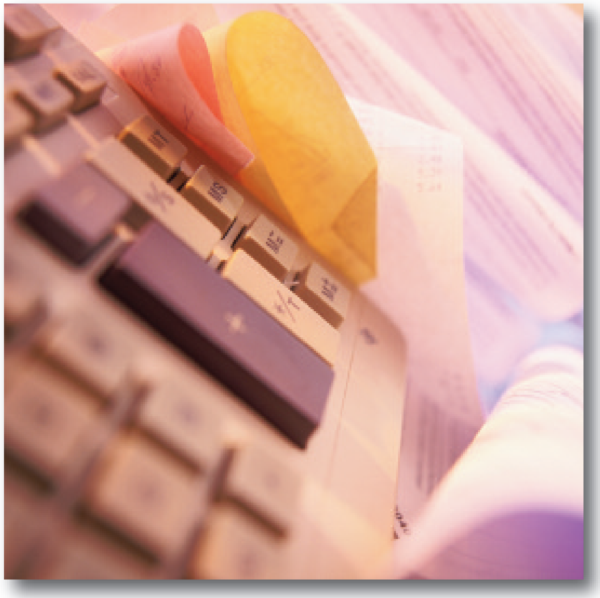


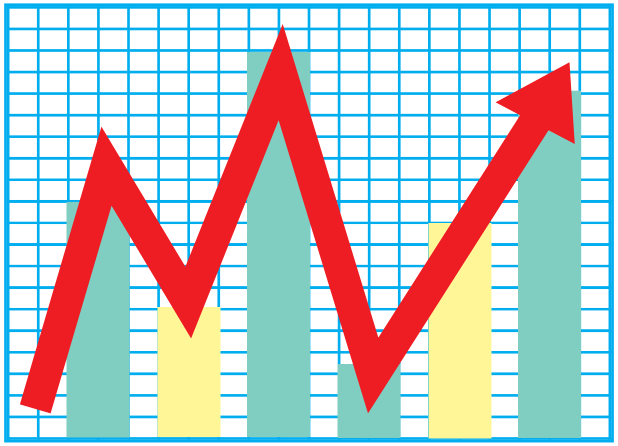
Many people count their mortgage among their liabilities. Traditionally, it's been assumed that the best thing to do is to pay off your mortgage as quickly as possible and work toward being debt-free. However, in today's market there are numerous new investment vehicles available to consumers.

Investments opportunities are more plentiful. The cost of investment has come way down and access to critical information has never been more readily available. A well thought out investment strategy can help you leverage your home's equity and make it work for you. Your mortgage can be your greatest asset. A qualified financial planner can help you make the most of it.

Good Debt/Bad Debt

To understand the concept of good debt it helps to think of money as just another commodity, like groceries or gasoline. It's the fuel that powers your budget. The cost of money is reflected in interest rates, origination fees and opportunity cost. Loans made against real estate are among the best value on the market. It's a relatively safe risk on the part of the lender because it's secured by your home. You're not likely to leave town with it. As a consequence the cost is relatively low. In fact, if you itemize on your tax return and factor in the tax savings, a 6.5% mortgage actually costs you between 4 and 5%. This can be employed as "good debt" with the help of your financial advisor, if it's used to offset more expensive or "bad debt" or to take advantage of opportunities that provide a higher rate of return than the cost of the mortgage.





Leveraging Your Home's Equity

What is leverage? That's when you use a little to create a lot. In the case of home equity it means borrowing at one rate and investing at a higher rate. There are important factors to consider before employing such a strategy. You're short term and long term cash flow needs, capacity to absorb unexpected expenses, the state of the real estate market, the time frame of your investment, how long you expect to be in your home, the likelihood of a job transfer in the near future, the relative safety of your investment as well as your tolerance for risk. These are all things you should talk about with your advisor. An example of leveraging your home equity might be taking out a mortgage at 6.5% (net after tax cost of between 4 and 5%) to take advantage of an opportunity that you expect to bring you 10%. Again you need to consider things like risk and the net after-tax return of the investment compared to the net after-tax cost of your mortgage. When done properly, the equity in your home can actually earn you money. Your mortgage becomes an asset; a means of wealth production, rather than a liability.

Opportunity Cost

Opportunity cost is the cost you incur when doing one thing prevents you from doing another. For example, if you are making additional principal payments on your 6.5% mortgage, while carrying revolving credit card debt at 11%, you may be costing yourself money. Does it make sense to take out a home equity line of credit, refinance or take out a second mortgage to cover revolving debt? Once again, that depends on the specifics of your situation. You need to factor in not only the interest rates involved but the origination cost of doing so. Compare the total cost of such consolidation against the cost of not doing so. If you are heavily reliant on revolving debt, you need to get that under control before you do anything. Borrowing against your home's equity to pay off higher interest debt can be a winning strategy, but only if it's not a means of perpetuating bad habits or an unsustainable cash flow situation.

Risk Tolerance

Risk tolerance is the degree to which you can live with the worst case scenario of an investment opportunity. If you invest in a bank CD, worst case is you may need to access the money before maturity and pay some penalty for doing so. If you invest in the futures market, worst case is you lose your entire investment in the blink of an eye. Talk to your advisor. Each individual has a different tolerance for risk. Your advisor can help you understand the possible outcomes and the likelihood of each. Together you can determine which investments would keep you up at night and which will not.

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