

RETURN ON EQUITY WORKSHEET

	EXAMPLE	YOUR PROPERTY
I. NET EQUITY		
<i>Current Market Value (after selling expenses)</i>	\$ 120,000	\$ _____
– <i>Loan Balance(s)</i>	– 40,000	– _____
= <i>Net Equity</i>	\$ <u>80,000</u>	\$ <u> </u>
 II. CURRENT ANNUAL BENEFITS		
<i>Cash Flow before Tax</i>	<u>5,000</u>	_____
+ <i>Principal Reduction</i>	+ <u>2,000</u>	+ _____
+ <i>Tax Saved</i>	+ _____	+ _____
or		
– <i>Tax Paid</i>	– <u>1,400</u>	– _____
= <i>Total Annual Benefits (before appreciation)</i>	<u>5,600</u>	\$ <u> </u>
 III. CURRENT ANNUAL RATE OF RETURN		
<i>Total Annual Benefits</i>	= <u>5,600</u>	_____
<i>Net Equity</i>	= <u>80,000</u>	_____
Divide Total Annual Benefits by Net Equity		
= <i>Rate of Return on Equity (before appreciation)</i>	<u>7%</u>	<u> </u> %

fallen), so you repeat the process. The goal is to maintain the highest possible rate of return, which will make a huge difference in your future wealth.

You'll maximize your wealth by wisely moving your equity from your current property to another as soon as your rate of return would be greater in the next property.

Just for fun, take out your calculator and figure

how much money you'd have in 15 years if you leave the \$80,000 invested at 7 percent. Then calculate what \$80,000 invested at 18 percent grows to in 15 years. I could give you the answer but you might not believe me — check for yourself...it's gigantic!

Three Ways to Move Your Equity

Here's a key point. If you decide it's time to "move your equity," be sure to explore all your options. There are three common ways to move equity: