

## HOW DO BOY LOANS WORK?

Sometimes I tend to forget that you guys need some basics about BOY every once in a while. It has been months since I went over an actual example from soup to nuts of how a loan works and what the benefits are.

As an example, I'll use the loan my wife and I did in October when we put the new roof on our house. We needed \$14,000 to pay the roofer, so we borrowed it from our BOY plans. The process was quite simple. I filled in the blank on the loan request telling Lafayette how much I wanted, and my wife signed the forms, as she is the owner of all the plans. Rhi faxed the forms to Lafayette and a check was in our mailbox 6 days later.

Please note that I had planned ahead and knew when the contractor's bill was going to be due. However, if I didn't have time to wait for a check, I would have used my home equity line or credit cards and then paid the balance off when the monthly statement came with the loan from Lafayette.

So the next step was to sit down with my wife and talk about how to set up all the repayment details for the loan.

**You see, we call all the shots, not Lafayette.**

The only rule is that if we do not pay the interest charged by Lafayette, they will take any unpaid interest out of our cash value. In this case, Lafayette's interest rate is 6%, which is what they think they would have made on the money they lent me.

**Decisions, decisions!**

1. What interest rate would we charge ourselves?
2. What should our payment be?
3. How long should the loan run?

Thankfully, there is computer software for figuring all this out looking at the options. We grabbed the computer, fired up our financial software and went to work.

There are certain guidelines I follow with all my BOY plan loans.

1. I am never in a big hurry to pay off the loan super quickly (like I would be if I was not the one benefiting from paying the interest). Because roof loans don't happen very often, we figured that 15 years was a good loan term.
2. I always want to make sure I charge myself more than what Lafayette's does, so I can make extra profit on loan. In this case, we agreed that 8% was a good number because that's what financing from the contractor would have cost us.
3. When we plugged in the top two items, the program figured our monthly payment to be \$133.79 per month. **THAT WAS PERFECT!** We printed out the loan table

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so we know what month and year the loan will be done and filed it with the other loan info from our previous loans.

4. I like to pay my loans monthly as part of my regular monthly payments into our plans, so I filled out the repayment request form provided by Lafayette (that came with the loan check) and asked them to add \$133.79 to our present monthly payment.

### **I DID NOT HAVE TO DO IT THAT WAY – I WANTED TO!**

I could have set up quarterly payments, or semi-annual, or annual, etc... I could have made payments whenever I wanted to and tossed the form! The same goes with the term or the interest rate. **PLUS, I CAN CHANGE WHAT I AM DOING ANY TIME I WANT!** All I do is go back to the software and recalculate things based on what I want to change.

### **MY CHAINS ARE BROKEN, I AM NOW FREE!!!**

When it comes to financing the things they buy, **most people are financial prisoners to outside lenders.**

As I repay this loan I will get back the \$14,000 in principal. And I will make the same profit on this loan as an outside lender would have at 8% as I pay myself interest. As part owner of Lafayette, I will benefit from any loan interest I pay them.

I always tell people that the best way to learn about how BOY benefits you is to do a loan and go through the process.

If you have been hesitating doing a loan because you don't understand the details or benefits, please let me know during your next review or call me today.

See you in February!

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