

**Budget for Success Win3 _ Wm. W. OdlumnonoE&xit&Print
TopicyesyesyesyesyesBudget for Success Win3
HelpTRUEBfsuseyes17/02/97**

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Help file produced by **HELLLP!** v2.7 , a product of Guy Software, on 02/17/1997 for Wm. W. Odum.

The above table of contents will be automatically completed and will also provide an excellent cross-reference for context strings and topic titles. You may leave it as your main table of contents for your help file, or you may create your own and cause it to be displayed instead by using the I button on the toolbar. This page will not be displayed as a topic. It is given a context string of `__` , but this is not presented for jump selection.

HINT: If you do not wish some of your topics to appear in the table of contents as displayed to your users (you may want them ONLY as PopUps), move the lines with their titles and contexts to below this point. If you do this remember to move the whole line, not part. As an alternative, you may wish to set up your own table of contents, see Help under The Structure of a Help File.

Do not delete any codes in the area above the Table of Contents title, they are used internally by HELLLP!

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Overview

Budget for Success Win3 was written with several goals in mind.

The budget section to identify where expenses could be trimmed or eliminated and the savings used to invest in either paying down your mortgage faster or into stocks or mutual funds. Thereby increasing your total net worth.

The mortgage section to show that by using accelerated payments the mortgage could be paid off faster with a corresponding increase in your home equity.

The investment section to show that a small sum of money invested regularly and compounded over a period of years can result in a large amount which could be used for retirement or to tide you over a job loss or other income setback.

I used a two pronged approach by paying down my mortgage and investing in mutual funds, as a result I was able to retire at 50 years of age.

This was 14 years ago. Despite the fact that during this period we experienced one of the worst recessions in history, I was able to continue to withdraw from my investments the necessary money each year to maintain my lifestyle and today my Net Worth is greater than ever in real purchasing power.

Apart from the financial freedom of not having to work for a living, my wife and I have had the leisure time to pursue all the personal interests that are important to us.

Using the Budget Program

Input boxes and drop-down list boxes have a yellow background, results have a green background and the spreadsheet a white background.

Data can be saved to disk in a database which can be retrieved at any time.

Annual Income

Type in your data as follows and hit the <Enter> key after each entry. Cursor will move on to the next entry box and then to the 'Add' button.

Description of the source of income: Type in sources of income.

Amount of Payment: Type in the amount.

Number of Payments each year: Type in the number of times each year you received payment.

Add button: Click to move the data down into the spreadsheet. How it will be shown depends on the settings in the '**Show for Period**' and '**Sorted by**' controls.

Total will be shown in the '**Total (period?) income**' box.

The difference between Annual Income and Annual Expenses will be shown in the '**Net Annual Income**' box

Correct: Click on this button to correct a record. Dialog box will ask for the record number, type it in, Exit and the record will be shown in the top row input boxes. Make your changes then click on the '**Add corrected record**' button and data will be moved down to its original location.

Delete: Click on this button to delete a record. Dialog box will ask for record number, on exit the record will be deleted.

Show for Period: Click on the down-arrow to open the box then select the period by clicking on it. Amounts column will change to show the figures for the period selected.

Sorted by: Click on the down-arrow to open the box and then select the sort order. Data will be shown sorted in the order selected.

Annual Expenses

Type in your data as follows and hit the <Enter> key after each entry. Cursor will move on to the next entry box and then to the 'Add' button.

Description of the purpose for the expense: Type in reason for the expense.

Amount to Pay: Type in the amount.

Number of Payments each year: Type in the number of times each year you pay for the item.

Add button: Click to move the data down into the spreadsheet. How it will be shown depends on the settings in the '**Show for Period**' and '**Sorted by**' controls.

Total will be shown in the '**Total (period?) expense**' box.

The difference between Annual Income and Annual Expenses will be shown in the '**Net Annual Income**' box

Correct: Click on this button to correct a record. Dialog box will ask for the record number, type it in, Exit and the record will be shown in the top row input boxes. Make your changes then click on the '**Add corrected record**' button and data will be moved down to its original location.

Delete: Click on this button to delete a record. Dialog box will ask for record number, on exit the record will be deleted.

Show for Period: Click on the down-arrow to open the box then select the period by clicking on it. Amounts column will change to show the figures for the period selected.

Sorted by: Click on the down-arrow to open the box and then select the sort order. Data will be shown sorted in the order selected.

[Toolbar Buttons](#)

Exit to Menu: Click on this button to return to the main menu.

To Printer: Click on this button to send the data to your printer.

Show Help: Click on this button for abbreviated help the budget program.

Open File: Click on this button to retrieve a budget file from disk. Extension **.BGT**

Save File: Click on this button to save the current data to disk. Must use the extension **.BGT**

Using the Investment Program

Has pre-programmed figures in the drop down boxes, you should use your own to work out what your savings should be to give you the income you need on retirement in a given period. Use toolbar **'Help'** button to see how to make entries for different calculations.

Calculations are based on the initial amount typed in **'Annual Amount Invested each Year'** box.

If you already have an amount of money greater than your proposed annual investment then type this figure in **'Amount of Lump Sum Invested at Start'** box and it will be combined with your first year's annual investment.

For those who plan on increasing their Annual Amount Invested each Year. Type the rate in **'Increase the Annual Investment Rate by'** box

For a more complex example: To add a lump sum of \$500.00 every five years.

Calculate for the first five years, then type the Total Current Value plus \$500.00 in **'Amount of Lump Sum Invested at Start'** box and calculate for another 5 years.

This program is extremely flexible and can be tailored to any situation.
Try out various combinations of inputs.

[Year](#)

For those who Invest monthly, quarterly or semi-annually use Year button.

The accumulated total from Investments made during each Year can then become the Annual Amount Invested in your long term Savings by clicking Insert then Exit and Calculate.
Be sure to use the same Interest/Growth rate for both calculations.

For example: Investing \$1,200.00 each year at 20% for 25 years = \$679,652.79

However investing \$100.00 each month at 20% for 25 years = \$753,281.84.

Using the Mortgage Program

Mortgage Overview

Let us begin by cutting through the confusion created by the jargon and hype used by the mortgage industry.

A mortgage is the security you give to the lender. It is registered against a specific property and represents up to 90% of the value of the property, with the balance put up by the borrower. It will be removed when the loan is repaid.

In the event the borrower defaults on his payments, title to the property goes to the lender who can then sell it to get his money back.

A mortgage consists of four parts:

(1) Principal Amount: The total amount of money borrowed.

(2) Interest Rate: The nominal (Quoted) annual rate of interest to be paid on the outstanding balance.

(3) Amortization Period: The period over which the Principal Amount is fully paid. Usually stated in years.

(4) Repayment schedule: Based on one fixed amount paid each calendar month over the Amortization Period.

Each payment consists of a portion of the outstanding balance of the Principal plus the Interest on the outstanding balance of the Principal for that month.

As the outstanding balance of the Principal decreases each month the amount of Interest paid on it decreases, leaving an increasing amount of the fixed monthly payment to apply against the outstanding balance of the Principal.

That's it !. This is the only way mortgages are calculated and it is established by Law and general business practice.

The only way the amortization period can be reduced is by making extra payments that reduce the outstanding balance of the Principal.

This can be done using various methods. Lump sum payments or extra payments which are automatically made each year. These are explained in detail below as are the terms used in this program.

Interest compounding periods

Financial institutions use a fixed number of times each year to compound the nominal (quoted) annual interest on a mortgage loan.

Most borrowers are unaware of this unless the financial institutions are forced by law to make this disclosure.

Generally all major financial institutions in the same country use the same method. Which makes it easy to compare mortgage loans from different sources.

Beware of anyone who uses a more frequent interest compounding period as it will increase the amount

of each payment by a small amount but over the years it adds up to a large amount.

Canada: Semi-annual compounding. (every six months).

United States: Monthly compounding. (every month).

Example of different interest compounding periods and how it effects the monthly payment:

Mortgage Amount	Annual Rate(%)	Amortized Years	Compounding Periods	+ Interest payment	Monthly Principal + Interest payment Rate(%)	Real Annual. (APR).
\$100,000.00	8%	25	annually	=	\$753.42	8.00%.
\$100,000.00	8%	25	semiannually	=	\$763.21	8.16%.
\$100,000.00	8%	25	monthly	=	\$771.82	8.30%.

Monthly Payment

This is the standard (Normal) mortgage. A fixed Payment (a blend of principal and interest) is made once every calendar month for a total of 12 payments for each year of the amortization period of the mortgage.

All other more frequent payment schedules are based on this one. Some offer very little savings in either time required to pay off the mortgage or money, only the accelerated ones offer great savings in both.

SemiMonthly Payment

This type of payment is not accelerated. The monthly payment is divided by 2 to get the semimonthly payment.

Payment is made twice a month, 24 payments each year. This results in a small saving in interest with the result that the mortgage is paid back a few months sooner.

2 Weeks Payment

This type of payment is not accelerated. The monthly principal and interest payment is multiplied by 12 to get the annual amount of the payments which is then divided by 26 to find the payment for every 2 weeks.

Payment is made every 2 weeks (14 days), 26 payments each year. This results in a small saving in interest with the result that the mortgage is paid back a few months sooner.

1 Week Payment

This type of payment is not accelerated. The monthly principal and interest payment is multiplied by 12 to get the annual amount of the payments which is then divided by 52 to find the weekly payment.

Payment is made each week (7 days), 52 payments each year. This results in a small saving in interest with the result that the mortgage is paid back a few months sooner.

Biweekly(Acc) Payment

Called Biweekly Accelerated. Each payment is at exactly one-half the normal monthly payment.

Payment is made every two weeks (14 days), 26 payments each year.

In the normal monthly payment schedule a month consists of 52 weeks divided by 12 months = 4.33 weeks.

In the accelerated schedule a month consists of 52 weeks divided by 4 weeks = 13 months.

As a result of these two extra payments, which equal one normal monthly payment, the mortgage loan is paid off in a much shorter time period.

The savings that result are all from interest not paid because of the shorter time period.

Weekly (Acc) Payment

Called Weekly Accelerated. Each payment is at exactly one-fourth the normal monthly payment.

Payment is made every week (7 days), 52 payments each year.

In the normal monthly payment schedule a month consists of 52 weeks divided by 12 months = 4.33 weeks.

In the accelerated schedule a month consists of 52 weeks divided by 4 weeks = 13 months.

As a result of these four extra payments, which equal one normal monthly payment, the mortgage loan is paid off in a much shorter time period.

The savings that result are all from interest not paid because of the shorter time period.

Term

Term refers to the actual number of years the mortgage contract is in effect. After that period it must be re-negotiated. Usually at the Annual Interest Rate then prevailing.

Terms can consist of 1, 2, 3 or 5 years.

Let the borrower be beware!

As mentioned earlier the method to calculate a mortgage is fixed by law and based on one fixed payment, which consists of principal and interest, each calendar month for the amortization period.

The interest portion of each payment is calculated by multiplying the outstanding balance of the principal by a factor called the Interest Rate Factor sometimes referred to as the Periodic Rate.

However, the law makers have not got around to establishing a standard method for calculating the Interest Rate Factor for other frequencies of payment.

A very small number of Financial Institutions use a standard 365.25 day year to establish the Interest Rate Factor.

This was arrived at by calculating to include a leap year, which has 1 day more every fourth year. $365 \text{ days} \times 4 \text{ years} = 1460$ adding 1 for the leap year = 1461 days divided by 4 = 365.25 days.

Using the 365.25 day year gives the borrower the best savings on the total interest paid on a mortgage when using more frequent payment methods.

Others will use variations of what constitutes the number of days in a year.

Most use a 365 day year. Which increases the total amount of interest paid by a slight amount.

Then there are those who will use numbers all the way down to a Bankers year of 360 days.

You may think it laughable the stress placed on how many days constitute a year. Wait until you check the following table.

Principal Amount \$100,000.00

Interest Rate 10%

Amortization Period 25 years.

Interest Compounding Periods. Monthly = American.

Type: Biweekly accelerated payments = 26 payments each year.

Days in Year	Monthly P + 1	Years to Final Pmt.	Total Interest Cost	Savings vs. Monthly Pmt.
365.25	454.35	18.58	119,425.81	53,184.42
365	454.35	18.62	119,711.30	52,898.92
364	454.35	18.75	120,865.79	51,744.44
360	454.35	19.12	125,762.25	46,874.98

Difference between 365.25 day year and 360 day year = \$6,309.44

One further way to pay down your mortgage is worthy of mention, that is by making additional payments each year.

Using the same parameters as above but using the standard (Normal) monthly schedule.

If you make additional payments equal to the monthly principal and interest of 908.70 each year, starting with year 2 up to year 20.

Mortgage will be paid off in 19.17 years. Total Interest cost: \$125,025.66. Savings: \$47,584.57.

This program uses the Interest Rate Factor established by law for the standard (Normal) monthly payment.

At startup the the setting for different payment frequencies is the 365 day year, which is used to calculate the Interest Rate Factor.

To change to a different number of days per year click the '**Days in Year**' button.

[Data Input Boxes](#)

To change the contents of any input box (yellow) click on it.

Do not use any symbols or comma's with numerical entries. Only period or decimal input will be accepted. On leaving an input box the numbers will be formatted automatically.

Using various combinations of inputs makes it possible to perform any mortgage or loan calculation.

Experiment - Cannot do any harm to the computer or the program. If the calculation is impossible an error message will be generated.

Principal amount of mortgage: Type in the total amount of the mortgage.

Annual interest rate(%): Type in the annual interest rate - 10% as 10.

Amortization period in years: Type in the length of the amortization period in years.

Interest compounding periods in year: Click on the down-arrow and select the interest compounding period used by your financial institution. There are 5 choices.

Monthly	Every month.
Semi-annual	Every six months.
Bimonthly	Every 2 months.
Quarterly	Every 3 months
Annual	Every 12 months.

Canada: Semi-annual compounding. (every six months)

United States: Monthly compounding. (every month).

Frequency and type of each payment: Click on down-arrow to select the time period for each payment.

There are 6 choices.

Monthly	Every calendar month (Normal).
Bimonthly	Two every month.
2 Weeks	Every two weeks (14 days)
1 Week	Every week (7 days)
Biweekly(Acc)	Every two weeks (14 days).
Weekly(Acc)	Every week (7 days).

Show Payments: Click on the 'All' option to display all payments or the 'Annual Totals' option to display annual payments

View Payment Date: Click this button to show payments by date and enter starting date of mortgage or loan. Button will toggle to show '**View Payment No.**', when clicked will show payment number.

To have dates displayed and printed as 01/01/96 or 01/01/1996 go to the Windows Control Panel and open International Settings, click on Date Format, Change and in the Short Date Format box check Day, Month and Century

Additional payments: Click on the 'Additional Payments' button to open up the Additional Payments table.

Days in Year: Change Interest Rate Factor - days

There are 6 options to allow changes to the number of days in a year used to calculate the Interest Rate Factor.

365.25	day year.
365	day year.
264	day year.

363 day year.
362 day year.
361 day year.
360 day year.

On startup the option is set for 365 days as it used by most major Financial Institutions.

Toolbar Command Buttons: Each command button is named with the function that it will perform when clicked.

[Reading Mortgage Tables](#)

The top row of boxes will show the following information generated for each calculation.

Days in Year: This shows the number of days in year used to calculate the Interest Rate Factor. When calculating the standard monthly mortgage it will show '**Normal**'. For all other frequencies of payment it will show the number of days being used.

Interest Rate Factor: The outstanding balance of the Principal is multiplied by this number to get the interest due for that payment. The Interest Rate Factor is sometimes referred to as the Periodic Rate.

No. of Payments each Year: This number will depend on the setting in the '**Frequency and type of each payment**' input box.

No. of Years to Final Payment: Shows the actual number of years taken to pay off the mortgage.

For monthly payments the number of years will be the same as the amortization period.

The number of years will vary when using accelerated payments or additional payments.

Principal + Interest Payment: This shows the fixed payment of Principal and Interest necessary to amortize the loan.

Total Paid over Life of Mortgage: Shows all payments made of both principal and interest.

Total Interest Savings: When using a different payment frequency than monthly. This will show the savings in total interest versus that paid under the standard monthly schedule.

If the Show Payments option is set to '**All**' every payment made will be shown in the spreadsheet. If option is set to '**Annual**' totals for each year will be shown.

Each row will show the following information.

Payment No. Year: Shows the number of each payment and beside it the number of the year in which it was made.

Interest Payment: Shows the amount of interest paid from the fixed payment.

Principal Payment: Shows the amount of principal paid from the fixed payment.

Remaining Balance: Shows the remaining balance after deduction of the principal paid.

Cumulative Interest: Total of all interest paid to date.

Cumulative Principal: Total of all principal repaid to date.

Personalize Settings

Allows original settings to be changed anytime to those you use most frequently.

Settings are automatically saved to disk and remain in effect every time you start up the program.

Change Printer Fonts: Select the printer font you find works best with your printer.

Choices are:

Standard Printer Font.

Courier New 11 Point Font.

Change Currency Symbol: Type in your country's currency symbol - one character. This currency sign will be used throughout the program.

Type In Your Name: Type in your name in the yellow input box. If wider than the box, text will scroll to the left.

Number of characters are limited to 80, which is the length of the display line at the bottom of the Main Menu.

To change the text be sure to delete all the characters in the input box.

Type in Registration Code:

Important: Registration Code is typed into the '**Type in Registration Code**' box which will not be shown again. Be sure to keep the code in a safe place for later use in upgrades or if you have to reinstall the program.

Copyright

Budget for Success - Win3

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Use of non-registered copies by any person, business or agency is strictly prohibited.

No user may modify either the documents or software in any way whatsoever.

I CANNOT AND WILL NOT BE RESPONSIBLE FOR ANY LOSSES THAT MIGHT BE INCURRED, FOR WHATEVER REASON, BY USE OF THIS PROGRAM.

Price and Ordering Information: \$14.95 + \$3.50 for Processing / Handling = Total US\$18.45

Please register and I will send to you the Registration Code to unlock all the capabilities of the program and erase the order form and other annoying messages.

The Registration Code will be valid for all updates of the program and the Win95 version. Which means that all future updates will be free to you!

Be sure to keep a copy of the Registration Code in a safe place as you will need to enter it again for upgrades or re-installation of the program.

There are two ways to order

(1) Online using your credit card:

For your convenience I have contracted another company, NorthStar Solutions, to process any orders you wish to place with your Visa, MasterCard or Discover card.

NorthStar Solutions can be easily contacted **FOR ORDERS ONLY** via any of the following methods.

INTERNET ORDERS:

Simply fill out the online order form at:
<http://ourworld.compuserve.com/homepages/starmail>

PHONE ORDERS:

Available 10am - 8pm, EST, Monday thru Saturday.
1-800-699-6395 (Calls from the U.S. only)

1-803-699-6395

FAX ORDERS:

1-803-699-5465 (Available 24 hours. International orders encouraged)

E-MAIL ORDERS:

America Online: STARMAIL

CompuServe: 71561.2751

Internet: 71561.2751@compuserve.com

Please provide (or be prepared to provide) the following information when ordering:

* The program you are registering: **Budget for Success - Win3**

* Product Identification Number: **1291**

* Your mailing address.

* Your Visa, MasterCard or Discover # and its expiration date.

* Your E-Mail address. (so NorthStar can send you an E-Mail confirming your order and the Registration Code.)

IMPORTANT: NorthStar processes registrations only, please contact the author for any product/technical support.

(2) MAIL ORDERS: Direct from me (Author).

United States of America and Canada

Checks from only U. S. A and Canada residents are accepted. I pay no Bank fee to cash them.

Residents of all other countries

Do not send checks - I cannot accept them as the Bank charges a \$25.00 fee to cash them.

Please obtain an International Postal Money Order from your local Post Office for US\$18.45.

In some countries the cost of the money order is greater than the program price. While I do not recommend sending cash in the Mail if you wish to do so make sure the banknotes (no coins) are inside the folded order form and not visible through the envelope.

Click 'About...' on the Main Menu and then 'Show Order Form' and type in your name and address on the prepared form.

If you include an E-Mail address I will send the Registration Code by E-Mail. If not then by Air Mail to the postal address shown.
