



# Lowest Interest Rates In Forty Years

Tips for planning your financial future in the turbulent market.

By Jacob Yadegar

Seven trillion dollars has been lost as a result of the recent turmoil in the financial markets. The recent loss must compel individuals to plan their financial futures to insure financial comfort in the latter years of life. While many are skeptical about the current financial markets, the reduction by the Federal Reserve of the key interest rates has created opportunities that warrant some thought.

There are two steps every household on the Westside should consider.

The first thing that one must do is to take advantage of the lowest interest years in nearly 40 years. Although the Federal Reserve decided not to drop key rates in their last meeting on August 13, the interest rates charged on home mortgages, which are tied to 10 year treasuries have come down significantly.

One of the most common misperceptions is that mortgage rates are tied to Federal Reserve rate changes. Although this is partially correct because any monetary policy of the Fed does have an overall effect on rates, mortgage rates are more substantially affected by the 10 year treasuries. The yield on 10 year treasuries has fallen to an all time low as investors in the stock market have moved their money out of stocks into safer treasuries.

Consequently bringing mortgage rates down as well. Restructuring your finances can substantially improve your financial position by consolidating bills such as credit cards, car loans and boat loans into a home loan to take advantage of the lower mortgage rates. In addition, consolidating will convert debt that is usually not tax-deductible into a home mortgage that usually is.

Consolidation of debt will likely produce an increase in your cash flow because the payments on your new loan will be lower than the prior combined payments.

Secondly, you must begin a disciplined campaign of saving and investment. Although the current market turmoil causes many to lose sleep, it is important to go back to basics when it comes to investing. We must forget about the days of double-digit portfolio gains within an eight hour market time frame and revert back to sound solid investing.

Start by taking the savings from your new mortgage and investing those savings in mutual funds that have a proven track record of performance. The only magic to investing is discipline. Discipline yourself not to review your portfolio on a daily basis because the market swings are discouraging. Discipline yourself to save money and to invest it consistently with a long-term approach. With the lowest savings rates of any consumer in the world, we must begin to discipline ourselves to save and invest for our futures.

These two simple steps will start you on your way to a sound and solid future.

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