

TALBOT'S LEVERAGE PROFESSIONAL SOFTWARE

FREQUENTLY ASKED QUESTIONS

BY TALBOT STEVENS

FREQUENTLY ASKED QUESTIONS

LICENSE.TXT FILE NOT FOUND IN THE CURRENT DIRECTORY

- ◆ This error is most frequently encountered while trying to install or run the Leverage Professional update. Please note that the update cannot be run off of the internet, and must be downloaded. To do this in Internet Explorer, right-click on the Download link, and select "Save target as..." and then save it to the Leverage Professional directory.
- ◆ In order for the update to work, it must be copied over the old LeveragePro.exe file and be in the same directory as your license. If you have it saved to your desktop or another location, it must be moved to the C:\Program Files\Leverage Pro\ directory.

PROGRAM WON'T PRINT - PROGRAM CRASHES WITH ERROR MESSAGE.

- ◆ Please note that this program does not print the graphs, just the Summary and Projection Tables.
- ◆ One to print charts is to display the leverage results you want on the screen and capture the screen image and print it from a different program. To do this, start Talbot's Leverage Professional, display the results you want printed (e.g. Summary Chart), capture the screen image (by holding down the Alt key and pressing PrintScreen), paste the image into a word processing or image program like Word with a blank document (by pressing Ctrl-V). Now, you should be able to print the document containing the screen image of the leverage results you want.

LICENSING ISSUES

- ◆ Most problems are related to getting the license to work. Once the program has been installed and you have been emailed your personal license file, you need to get the license file into the C:\Program Files\Leverage Pro directory.
- ◆ If you were emailed the license, use your email program to save the attached license file directly into the C:\Program Files\Leverage Pro directory. For example, using Outlook, you right-click on the license file attachment and choose "Save As..." and save the file to C:\Program Files\Leverage Pro

FOR NON-REGISTERED ANALYSIS (INTEREST-ONLY AND TERM LOANS), THE RESULTS REFERENCE THE NET BEFORE-TAX VALUE. WHAT DOES THIS MEAN, RECOGNIZING THAT THE SUMMARY TABLE NOTES STATE THAT “LEVERAGE SHOWS NET AMOUNT AFTER PAYING OFF LOAN AND TRIGGERED CAPITAL GAINS TAXES”?

- ◆ All non-registered analysis in Talbot's Leverage Professional compares net before-tax values. This calculates the before-tax value that the investor is left with after cashing out enough funds to completely pay off the loan, and the capital gains taxes that are due whenever a non-registered investment is sold for more than the amount invested (the Adjusted Cost Base). This before-tax figure is what most investors think of, and is what they would see on an account statement.
- ◆ For example, if \$50,000 is leveraged and grows at 12% to \$145,500 after 10 years, the investor needs to cash out more than the \$50,000 borrowed. In this case, an investor in a 40% tax bracket needs to cash out about \$55,500 to end up with \$50,000 after paying capital gains taxes on the withdrawal. Thus, as the software shows, the net (before-tax) value from leveraging is about \$90,000 (\$145,500 - \$55,500), not \$95,500.
- ◆ If the software did not account for the extra funds needed to pay the taxes incurred in paying off the loan, the analysis would overstate the benefits of leveraging.

DOES THE SOFTWARE ALLOW ANALYSIS OF 1:1, 2:1, AND 3:1 LEVERAGE LOANS?

- ◆ The requirement for collateral to secure an investment loan does not affect the merits of leveraging or the projected gains or losses. Leverage analysis deals solely with the investor's cash flow, not collateral. Depending on the lender and type of loan program used, collateral may be required to secure an investment loan. Whether, for example, \$50,000 of investments is held where it is or with a lender has no impact on the projected leverage results. Analysis simply compares the net results achieved by investing a certain amount of cash flow without leveraging against using the same cash flow to finance an investment loan.
- ◆ To truly understand the merits of leveraging, it is necessary to separate the projected growth of collateral from the projected growth of using cash flow to finance an investment loan.
- ◆ Combining these projections to illustrate a 2:1 investment loan distorts the true impact of leveraging.
- ◆ To summarize, collateral required for a 1:1, 2:1, or 3:1 loan is a condition of acquiring the loan and not a parameter in the analysis. How much an investor can borrow and invest is solely determined by their cash flow, the interest rate of the loan, and whether the loan is amortized and paid off or the investor makes interest-only payments.

HOW DO I ANALYZE LEVERAGE WHERE THE INVESTOR MAKES AN INITIAL DEPOSIT AND USES THAT TO SECURE AN INVESTMENT LOAN SUCH AS 2:1, ETC.?

- ◆ See the answer to “Does the software allow analysis of 1:1, 2:1, and 3:1 leverage loans?”

WE ARE COMMITTED TO CONSTANTLY IMPROVING THE QUALITY AND VALUE OF OUR PRODUCTS. IF YOU HAVE ANY QUESTIONS OR SUGGESTIONS TO MAKE THIS SOFTWARE MORE VALUABLE, PLEASE FAX THEM TO (519) 663-1101, OR E-MAIL TO INFO@TALBOTSTEVENS.COM.
