

What Capital Homesteading Would Mean to the Average Citizen: Projected Wealth Accumulations and Dividends Under Capital Homesteading

NOTES

- (1) These projections are calculated on the assumption that a Capital Homesteader will begin accumulating assets on the day of his or her birth.
- (2) The amount of the annual capital credit allocation for each citizen is calculated by dividing the total estimated capital needs of the United States for the period, by the total qualified population of the United States. For this example, we divide **\$3.955 Trillion** (total "US Gross Fixed Capital Formation" as of November 8, 2018; Source: St. Louis Federal Reserve) by **328.95 Million** (the US population as of November 18, 2018; Source: CIA World Fact Book), getting a *per capita* capital credit allotment of **\$12,023** for every citizen. To be conservative and to simplify our calculations, we have decreased the amount of capital credit per citizen to **\$10,000**.
- (3) The one-time service fee plus risk premium (the "discount," sometimes incorrectly called an interest rate) is the difference between the face value of the promissory note and the amount the Capital Homesteader receives to purchase shares. It must be enough to cover the bank's expenses and a just profit plus the capital credit insurance premium, or the investment is not "feasible," i.e., is not expected to pay for itself out of its own future earnings. The "discount" amount covering these one-time fees would also be financed with no-interest capital credit.
- (4) The promissory note is the amount the Capital Homesteader owes to the bank. It is used to "purchase" the bill of exchange from the Capital Homesteader and backs the demand deposit out of which the Capital Homestead pays the discount and purchases shares.
- (5) The pre-tax rate of return on the shares is based on a conservative Return On Investment for a typical company. Actual ROI differs according to industry and type of company.
- (6) This is the number of years the Capital Homesteader has to repay each loan. It is based on the maximum possible payment given the annual earnings of the shares.
- (8) Total amount of assets the Capital Homesteader will accumulate, everything else being equal.
- (9) This is the full amount of earnings attributed to the shares owned by the Capital Homesteader, paid out as dividends. These are tax deductible to the corporation paying them, but are ordinary income to the Capital Homesteader unless used to make debt service payments.
- (10) This is the amount of principal payments (13) plus the amortized discount amount (14).
- (11) This column displays "BAD!" if the debt service payments exceed projected earnings, indicating the proposed loan is not financially feasible.
- (12) This amount is the total amount of loans outstanding at the end of the year after principal and debt service payments.
- (13) This amount is calculated by dividing the net loan principal (2) by the term of the loan in years (6).
- (14) This amount is calculated by subtracting the net loan principal (2) from the amount of the promissory note (4) and dividing the result by the term of the loan (6).
- (15) This is the amount remaining to the Capital Homesteader for consumption purposes from earnings after taking out debt service payments.