## What Capital Homesteading Would Mean to the Average Citizen

## Projected Wealth Accumulations and Dividends
## Under Capital Homesteading (Explanatory 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 (age 0).
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. [*Note:* The estimated amount of annual capital credit per citizen has been lowered to $10,000 in order to be conservative and simplify our calculations – and taking into account that not all owners and companies will choose to finance their new capital through Capital Homestead investments.]
3. The one-time "discount," sometimes incorrectly called an "interest rate," consists of all loan expenses added to the cost of the shares the Capital Homesteader wants to purchase (from a licensed broker independent from the commercial banks). The discount includes all current and future bank charges to service the requested Capital Homestead loan, plus a one-time risk premium to be paid to an independent capital credit insurer in the event the company issuing the shares fails to meet its projected future profits. Otherwise, the lending bank will consider the investment not "feasible" -- *i.e.*, the shares to be purchased with the proposed loan will not generate enough future dividends to pay off the bank's promissory note, therefore the loan will not be made.
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 Account pays the one-time discount and insurance premium 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. The number of years the Capital Homesteader has to repay each loan, based on the annual earnings of the shares. As noted in (15), in this example a small portion (1.85%) of total dividends used to repay the loan is paid to the capital homesteader as consumption income, in order to help citizens start recognizing the benefits of capital ownership. While this small amount paid to the citizen prior to full loan repayment does not significantly extend the repayment period, a larger amount would extend the payback period and possibly render the proposed loan not financially feasible.
7. Age of the Capital Homesteader. (While this example stops at age 65, every citizen participates every year until death.)
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 out, but are ordinary taxable income to the Capital Homesteader unless these dividends are 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. 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. After subtracting debt service payments, this is the residual amount of dividends paid out as taxable income to the Capital Homesteader for consumption purposes. In this example, rather than using 100% of dividends to pay off the annual capital loans, a token 1.85% of total dividends for years 0-6 are paid directly to the Capital Homesteader. (A larger percentage would add years to self-liquidate the capital credit loan.) Along with programs to educate citizens about Capital Homesteading, such "early" dividend payouts are intended to help citizens experience the benefits of capital ownership as soon as possible without significantly increasing the loan repayment period.