



Thinking About Paying off Your Mortgage?

Planning for tomorrow is important. The more you educate yourself on your financial options, the more confident you will feel with your decisions.

Here are some important things to consider *before* you decide to pay off your mortgage.

Shedding Light on Mortgage Reduction

Even one additional mortgage payment per year can save you thousands of dollars in interest. If you have a 30-year, \$200,000 fixed 7% mortgage that was initiated in May 2006, by simply making one extra payment each May (use that tax refund!), your mortgage will be paid off by 2030 rather than 2036. **That's a savings of more than \$100,000.**

There are several ways to pay off your mortgage sooner. You can make an additional payment either by writing one additional check per year to your lender (to be applied directly to your principal), or you can split each of your normal monthly payments in half and pay biweekly. If you maintain this schedule, it adds up to one additional payment per year (26 half payments equal 13 full payments). **You'll also pay less interest because your payments are applied to your principal balance more frequently.**

To Pay...

Secure Investment: Many debate whether they should put their money toward paying off their mortgage or invest it in bonds or the stock market. If the unpredictability of the market makes you uneasy, consider prepaying on your mortgage because it reduces your total interest expense. You will earn a "guaranteed return" on your home mortgage.

Cancel Your Private Mortgage Insurance: You're probably paying private mortgage insurance (PMI) if you borrowed more than 80% of your home's appraised value. Making extra payments on your mortgage will help you reach the 20% equity you need to drop the PMI—and stop paying those premiums.

Peace of Mind: For some, owning a home and being debt-free can be psychologically rewarding. Reducing your mortgage with prepayments helps pay off debt significantly sooner. Just be careful that paying off your mortgage early doesn't come at the expense of retirement savings or lead to high-interest credit card debt.

Retirement Beacons: It's simple—pay now, have more to spend during your golden years. If you'd prefer not to dip into your retirement savings to finish paying off your mortgage, consider prepaying while you're still in the workforce.

Or Not to Pay...

Market Return: Although the market fluctuates, it generally offers a better return than prepaying your mortgage, according to *Money Magazine*. For example, if you have a 7%, 30-year mortgage and take advantage of tax deduction, you'll get a better return on any market investment that earns more than 5.1%.

Interest Tax Deduction: If you prepay your mortgage, you also lose the tax deduction on the interest you would have been paying. Those in a high tax bracket should weigh the consequences before paying down.

Prepayment Penalty: Although most fixed payment mortgages don't carry prepayment penalties, some adjustable rate mortgages do. Discuss the terms of your loan with your lender before you prepay to make sure you won't be penalized.



Paying off your mortgage early will leave you with more resources for your retirement years.

It's Your Nest Egg—Make the Most of It!

If your ultimate dream is to pay off your home mortgage, consider your options. Take a realistic look at your current financial situation. The most important thing to do is reduce your debt. Once accomplished, consider the many ways to accelerate your mortgage payoff.

Keeping this dream in sight is important, but planning is the only way to achieve this goal. Paying off your mortgage when the time is appropriate ensures that your future will look as bright as you envisioned.

Important Things to Consider:

- Commit to paying off large balance credit cards. The interest rate on the card is most likely higher than the interest rate on your mortgage.
- Don't be caught without resources for the incidental spending that adds up over the month. These are unexpected costs that can throw your budget completely off if not planned for in advance.
- Contribute to a tax-free retirement plan. It is the perfect way to plan ahead and grow your assets.
- It's always wise to set aside money to cover major expenses, such as college tuition, new business ventures and anything that allows you and your family more financial freedom.

Pay Biweekly

Splitting up biweekly payments allows you to make 26 payments (one extra full payment) a year, which gets you closer to paying off your mortgage. SmartMoney.com warns homeowners to avoid companies that offer to do this for you for a fee, since you can simply do it yourself.

Make One Additional Payment Each Year

Transfer your biweekly payment into a separate account, and then withdraw your monthly payment from the same account. Gradually, an additional monthly payment will accrue, plus you will earn interest on the account.

Keep Your Eye on the Ball

Squeeze any additional money that may fall your way (work bonus or tax refund) toward your goal of paying off your mortgage. Be sure to specify that the payment is to be applied to the principal, not future payments.

Be There Before You Know It

Every little bit helps. Paying an additional \$20 per month on a \$100,000 loan at 6.5% interest will save you \$13,000 over the course of your loan. Be serious about your goal. It is achievable with wise financial planning.

HERE'S HOW EXPEDITING YOUR 30-YEAR MORTGAGE PAYS OFF

	STANDARD PAYMENTS	ADDITIONAL PAYMENTS			
Mortgage Amount	\$400,000				
Mortgage Term	30 Year				
Interest Rate	6.00%				
Mortgage Start Date	April 21, 2008				
Monthly Payment	\$2,398.20	+\$30 per mo.	+200 per mo.	+400 per mo.	+\$2,398.20 per year
Payoff Date	April 21, 2038	April 21, 2037	November 21, 2032	April 21, 2029	January 21, 2033