

JACQUES F. LIWANPO

CHARTERED ACCOUNTANT
CERTIFIED FINANCIAL PLANNER

Choose with confidence, get the CA and CFP advantage

Finance Tips

February, 2012

It really is possible to reduce your mortgage debt faster and save money. Check out these smart-money strategies offered by the money lenders themselves.



Be Mortgage free faster!

As a significant part of our overall financial and retirement planning, we should consider all options available to help pay off a mortgage as early as possible. The following are some tried and true strategies to consider.

❖ Shorten the number of years to pay off your mortgage.

When purchasing a home and arranging mortgages, many homeowners accept that they will pay off their mortgages in twenty-five to thirty years. However, reducing your amortization period by just five or more years can make a huge difference in the amount of interest you will pay over the life of your mortgage.

❖ Increase your payment frequency

Consider going from monthly to bi-weekly, or weekly for more frequent and accelerated payments. You may pay a little more each month, but you will pay your mortgage down faster, saving you interest costs over the long term. Talk to your mortgage provider and get advice about how to arrange changes in your payment frequency.

❖ Take advantage of your Mortgage Prepayment Privileges

Most mortgage providers allow for prepayment privileges as part of your mortgage contract. Generally they permit a 10% prepayment per year for low-rate fixed closed mortgages or 20% for any other type of closed mortgage. Specific amounts and other information will be available from your own mortgage provider.

Prepayments can be made in a couple of ways:

- 1) Increase your mortgage payments (principal and interest) once each calendar year.
- 2) Make lump sum payments. Whenever funds are available, in addition to increasing your mortgage payments you can make additional prepayments in \$100 increments each year.

Be careful though, prepaying more than the lender allows will likely attract a prepayment charge!