Simple Strategies To Save On Your Mortgage

Nov 09 2020

Buying a house is usually the most significant investment decision anyone ever makes. Owning a house also tends to have an outsized impact on a person's overall financial strategy during their lifetime. Buying wisely and choosing the right debt strategy can get you mortgage-free faster. By just following a few simple strategies, you could live in the home of your dreams, shave years off your amortization and save tens of thousands of dollars in interest.

Finding The Best Mortgage

Mortgages are available through banks, credit unions and mortgage brokers. Banks and credit unions only offer their own mortgages, but mortgage brokers access multiple lenders and rates. This means they can find the lowest rates and greatest flexibility. Mortgage brokers shop the entire mortgage market, so they often have excellent insight into which lenders fit your circumstances best.

Choosing The Right House

Once you've been pre-approved, you can start looking for your home. Buying a home is an emotional process but letting your emotions guide your choices can be costly later. Start shopping at the low end of your price range. If you find something you love, there's no need to buy a bigger or more expensive house.

Choosing A Floating Rate

When signing your mortgage, you'll be asked if you'd prefer a fixed or variable rate. As seen in the example below, both have their pros and cons, a variable (floating) rate offers significant savings over locking in your mortgage.

Jeff and Diane are deciding between a variable or fixed rate on their $300,000 mortgage. Based on a 25-year amortization, their monthly payments for each will be as follows:

Variable Rate (1.50%)	Fixed Rate (3%)
$1199 monthly	$1420

They choose a variable mortgage but set their monthly payment to the fixed-rate, positioning them to pay an additional $2658 on their principal in the first year alone. If rates stay at 1.50%, they'll be mortgage-free 4.5 years sooner and save more than $11,000 in interest. If rates go up, they'll already be used to a higher payment.

Applying Tax Refunds To Mortgage Principal

Applying your annual tax return to your mortgage every year will most likely help you get mortgage-free faster. In Jeff and Diane's case, applying their $2000 tax refund to their mortgage would pay off their mortgage in approximately 18 years and save almost $17,500 in interest over the life of the mortgage.

Choosing The Best Insurance Product

Protecting your investment is vital and you have choices. Mortgage insurance purchased from your mortgage provider protects them in the event of a borrower's death. Personal life insurance purchased through a broker offers more flexibility. First, the death benefit goes to someone you choose, not the lender. Secondly, the death benefit remains the same throughout the life of the policy. When it comes to protecting your investment and your dependents from financial burdens, remember to shop for the best insurance for your needs.

There's a lot to consider when buying a house. Having a financial advisor in your corner can help you make the best decision possible based on your life and resources right now and your goals for the future.

Contact our office [1] to obtain help with the process of buying your home!

**Fictional characters for illustrative purposes only.*

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