PAYING DOWN A MORTGAGE

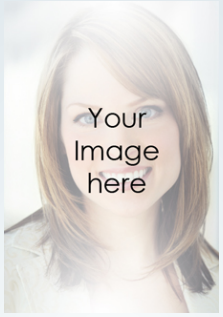
things to consider

Have a low interest rate on your mortgage? Make sure you crunch the numbers before you pay down the principal.

Would the money used to pay down the mortgage make more elsewhere? With interest rates going up, it stands to reason that money would be better invested in higher-yield investments than paying down a 5% mortgage to build up wealth in home equity. This is especially true when the benefits of the mortgage interest tax deduction are factored into the rate.

Paying down mortgage debt is emotionally satisfying, but puts a higher portion of the family's wealth in an illiquid asset. You can't get to the money stored in real estate as quickly as you can get to money in a liquid savings account or bonds. The liquidity of savings and bonds provide more of a financial buffer against financial shocks such as unemployment, illness or loss of a primary breadwinner.

Have more real estate questions? I'm just a phone call away.



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