PAYING DOWN A MORTGAGE

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

Would the money used to pay down the mortgage earn more elsewhere? With interest on savings going up, that money could be better invested in higher-yield investments instead of paying down a mortgage at 5% or less to build up wealth in your home's equity. This is especially true when you factor in the benefits of tax deduction for mortgage interest.

Paying down mortgage debt is emotionally satisfying but traps 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 access cash savings accounts or bonds. The liquidity of savings and bonds provides cash reserves as a buffer against a financial shock such as unemployment, illness or loss of a breadwinner.

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

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