

Money Saving Mortgage Considerations

Increase your payment to the most you can afford

The upside is that most lenders will allow you to reduce it again to the previous level if it turns out to be too great of a burden or your circumstances change.

Utilize your RRSP-driven tax rebate as a mortgage pre payment method

Even if you can only prepay annually, make sure your tax refunds are set aside for paying down your mortgage. Many Canadians borrow (at prime) to buy an RRSP to ensure the maximum rebate. When applied to the mortgage principal, the resulting refund is a “gift that keeps on giving.” Combining the refund with the tax-free interest earned on the RRSP over the subsequent years will quickly outpace the short-term interest costs of the RRSP loan.

Increase the frequency of your payments

Make accelerated bi-weekly payments to get a “free” principal reduction equivalent to one full mortgage payment every year – painlessly.

Use your pre-payment privileges

Make use of double-up privileges whenever possible. Tell yourself that you will “skip a payment” whenever necessary...then skip only when you absolutely must.

Increase your mortgage payments a set amount

Round up your payments by adding even a nominal amount of say \$10 per payment; the amount of interest you are saving will be unbelievable, and the extra money relatively painless to part with.

Take advantage of your lump sum payments when available

Pay a lump sum whenever possible to decrease the principal of the mortgage. Your regular payments will not be allocated as much to interest, thereby accelerating the end of your mortgage.

Stabilize your mortgage payments even when interest rates drop

Keep payments the same when mortgage rates have fallen if the payment amount has not been a problem so far, and then keep it the same, thereby paying down the principal faster.

When your annual income increase – why not increase your mortgage payments

Raise payments in line with increased income on an after-tax basis. If your income increases, don't keep your mortgage payments the same. Although the disposable income may be fun to spend in the short-term, the long-term benefits of being mortgage free faster far outweighs the short term sacrifice.

Your referral of a family member, friend or co-worker is the greatest compliment we could receive.