

# Is a Home Your Best Savings Vehicle?



## Build a Nest Egg Faster with Biweekly Payments

*More than two-thirds of Canadians rank becoming debt-free among their top financial goals.\**

For many homeowners, paying off a substantial mortgage prior to retirement can be the biggest challenge in their pursuit of a debt-free lifestyle. One of the easiest ways to speed up the repayment of a home loan amortized over 25 years is to arrange for biweekly payments of half the normal monthly amount. Over the course of a year, paying every two weeks adds up to nearly the equivalent of 13 monthly payments instead of 12.

If your lender doesn't provide a reasonable biweekly option, you could choose to add 1/12 of the regular amount to your payment each month or simply make one extra annual payment instead. The impact on your falling loan balance would be almost the same. To make your objective clear, instruct the lender to apply any extra payments directly to the principal.

Source: Globe and Mail, October 4, 2010.

*Some mortgages are subject to prepayment penalties; ask your lender how much you are allowed to prepay per month or annually according to the specific terms of your loan.*

Here's a look at how much interest borrowers can save—and how much earlier they could eliminate their mortgage—simply by using a biweekly payment schedule and/or sending in an additional payment or two each year.

### Scenario:

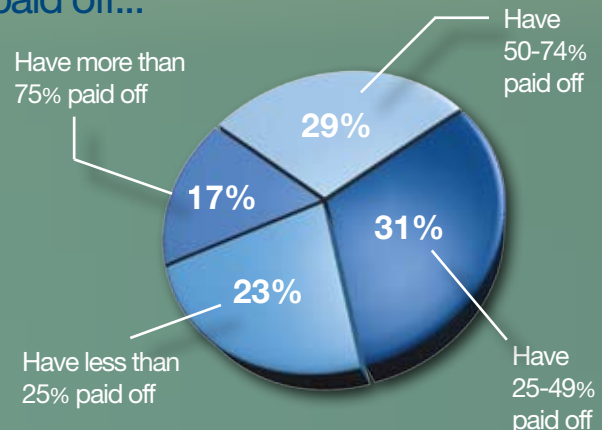
For a **\$300,000 loan** at **4% interest** and with a **25-year amortization period** the standard monthly principal plus interest payment = **\$1,578.06**

- Biweekly payments of **\$789.03** would pay off the same loan **37 months sooner** and save **\$24,546.47**.
- Making the equivalent of **2 extra payments** per year would retire the mortgage **more than 5 years** ahead of schedule and allow for more than **\$40,000** in interest savings.

### Boomers Have Good Intentions

**75%** of Canadian baby boomers feel it's important to pay off their mortgage fully before retiring, but only **44%** have actually done so.

What percentage of their current mortgage have Canadian boomers paid off...



Source: Financial Post, November 3, 2010