

INVEST IN YOUR HOME

For many people, one of the highest yielding and safest investments is their own personal residence.

If you are looking for a place to invest extra cash, consider reducing the mortgage on your home. If you are not subject to prepayment penalties, an accelerated payment of the principal balance can be an excellent investment. If you are subject to penalties, compute the possible benefits of prepayment.

Consider this example. The monthly principal and interest payment on a \$100,000, 10%, twenty-five-year mortgage is \$909; the total amount paid over the 25 years (300 months) is \$272,610. Look at this schedule to see how the number of "years to pay" is reduced by making increased principal payments.

<u>Payment</u>	<u>Extra</u> <u>\$ paid</u>	<u>Years</u> <u>to pay</u>	<u>Total</u> <u>\$ paid</u>	<u>\$ You</u> <u>save</u>
\$ 909	\$—0—	25 yrs.	\$272,610	\$ —0—
929	20	23	255,392	17,218
959	50	21	235,840	36,770
1009	100	18	212,835	59,775
1109	200	14	186,262	86,348
1209	300	12	170,427	102,183
1309	400	10	160,970	111,640
1409	500	9	152,140	120,470

If your home is worth more than you owe on it and you intend to keep it, accelerating the payments may be one of your best investments.

As your income increases, consider increasing the amount of your extra payment. Remember, you have a guaranteed yield equal to the interest rate on your mortgage.