

# SHOULD YOU PAY OFF YOUR MORTGAGE EARLY?



The home mortgage as we know it today is relatively new from a historical perspective. Up until the 1930s it was fairly difficult for the average family to finance the purchase of a house. Mortgage loan terms required a 50% or more down payment with the balance due as a balloon payment in just three to five years.

No wonder only about 40% of U.S. households were able to own a home.<sup>1</sup>

In 1934 the newly-formed Federal Housing Administration (FHA) set up a loan program where people could borrow up to 80% of a property's value and take 15 years to pay it off. Since then loan terms have become even easier for homebuyers with less than 10% down and 30 years as the payoff term.

As a result, the rate of home ownership stands at 64.4% of all households,<sup>2</sup> with about 66% of those owing some amount on a mortgage.<sup>3</sup>

While purchasing a home has become part of the American Dream, many people believe that planning for retirement should include owning their house free and clear.

## **Does Paying Off Your Mortgage Before Retirement ALWAYS Make Sense?**

If you're taking your retirement seriously (and the fact that you're reading this is a good indicator), you know that investing as much as possible while at the same time eliminating as much debt as possible is part of a comprehensive plan for success.

Having adequate retirement income and low enough living expenses are both extremely important in attaining long-term financial security. In fact, if a person is paying high interest rates on their credit cards, it makes sense for them to adjust their lifestyle until they are free of this consumer debt.

While having a mortgage is seen as a more prudent form of debt than consumer credit, it's still a monthly expense and usually a significant one. So, as a rule of thumb, you may want to have it paid off as you enter retirement, which may mean before the end of its 30-year term. However, this general guideline should not automatically override all other financial considerations.

Writing for U.S. News, wealth advisor Kristin McFarland lists a number of factors to weigh, especially if your plans to pay off your mortgage early will affect your ability to invest.<sup>4</sup>

**Time horizon.** If you plan to stay in your home long-term, it may make sense to pay it off early.

**Opportunity cost.** If your mortgage interest rate is well below your average market returns, investing the money may give you a better return in the long run.

**Life stage.** If you are nearing retirement and have a lower risk tolerance, eliminating mortgage debt is a more conservative approach than sending that money into the market.

In general, getting out of debt (including a mortgage) is good. But it should be done as part of an overall plan that looks at your current needs, what's financially sustainable, and ultimately what most closely aligns with your best interests long-term.

We can help you evaluate your options to come up with a scenario where you're in a prudent financial position for a successful retirement.

Have a great weekend!

Source: Efficient Advisors

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## Golf Tip of the Week



### Get Out of the Rough

Even the best golfers can find themselves lost in the rough sometimes. Anytime you're lost in the weeds, remember two, two, and two. Make sure to choke down on the club 2 inches, stand so the ball is back 2 inches when in your normal stance, and drop your front foot back 2 inches.

By choking down on your club, you lower the trajectory of the shot, and gain much needed control. Moving the ball back helps you hit at a steeper angle, which you need to get out of those weeds. Finally, opening up your stance restricts you from swinging too far back and grants you extra command by squaring your shoulders up.

Tip courtesy of Michael Easter | Men's Health<sup>i</sup>

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## Recipe of the Week

### Avocado Toast with Chèvre and Chives



Serves 1

**Ingredients:**

1 piece thick-cut bread  
½ avocado  
Freshly squeezed lemon juice  
Kosher salt and freshly cracked black pepper, to taste  
2 Tbsp. goat cheese  
1 tsp. freshly chopped chives

**Directions:**

1. Toast the piece of bread until it's golden brown.
2. Use the avocado half without the pit and store the half with the pit (this will help maintain freshness).
3. Remove the avocado from the skin, place the avocado flesh with a squeeze of the fresh lemon juice into a medium bowl, and mash it with a fork.
4. Season with salt and pepper, as needed.
5. Spread the mashed avocado on top of the toast, followed by the crumbled goat cheese and chopped chives.
6. Serve immediately.

Recipe adapted from <https://whatsgabycooking.com><sup>ii</sup>

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## Health Tip of the Week



### Take a Smart Break – from your Smartphone

It's not just millennials who are attached and addicted to their phones. Smartphone addiction can affect just about anyone, and it's really a "thing." Unplugging is the answer – taking a break from social media, apps, games, calendars, and videos. Here are a few suggestions to help you detox from your phone:

**Another app.** This seems counterintuitive; however, there are apps that help control, or at least notify you about, how much time you're spending online. The app Moment allows you to set a limit on how many times you can check your device. Apps like Dinner Mode and Flipd let you choose the amount of time to unplug, and you even get rewarded for it when you do.

**Face time.** The real "face time" – person-to-person social interactions. If you work from home, try doing your work in a cafe or join a co-working space to interact with others. Also, be sure to schedule in social time with family and friends and leave your phone behind.

Research has shown that the more time we spend plugged in, the more stress we have. So, unplug and chill; you'll be glad you did!

Tip adapted from <https://www.mindbodygreen.com><sup>iii</sup>

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Sources:

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<sup>i</sup> <https://www.menshealth.com/trending-news/a19531965/expert-approved-golf-tips/>

<sup>ii</sup> <https://whatsgabycooking.com/avocado-toast-5-ways/>

<sup>iii</sup> <https://www.mindbodygreen.com/articles/wellness-trends-2018>