Interest Rates and Your Mortgage

What you need to know.

Provided by DSA Financial Group

With the Federal Reserve keeping interest rates at or near zero, you may wonder about your mortgage. Is it a good time to refinance or even pay off the debt entirely? After all, your mortgage is one of the biggest expenses you may have in life, so why not rid yourself of that debt as soon as possible?[1]

Not so fast. There are many reasons why keeping your mortgage could be a better option than paying it off. Yes, you may eliminate one of the largest bills you have every month, but there are benefits to maintaining your mortgage as well.

1. Losing all your gains on your investments. Using funds from your investments to pay off your mortgage early may mean you lose out on potential gains. However, by keeping your portfolio untouched, you increase the chances of a return on your investment.[2]

2. Not having funds available for other debt. Your mortgage very likely has the lowest interest rate of all your debt. Consider paying off your other consumer debts or student loans with higher interest rates before you consider paying off your mortgage.[2]

3. Losing your tax deductions. Mortgage interest can be taken as a tax deduction. However, paying off your mortgage may mean your taxes could be higher.[2]

4. Risking changes to your home's value. If you own your house outright and there's a sudden shift in the market, your home may be worth less than what you initially paid. Conversely, if you own 20% of your home, and the mortgage company or bank owns 80%, your losses are capped at 20%.[2]

Are you considering paying off your mortgage or another large debt? Let's talk about how to best leverage your investments to help meet all your long-term goals.

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Citations

1. Finance.Yahoo.com, November 5, 2020
2. FoxBusiness.com, November 3, 2020