

Surviving and Thriving: A Mortgage Blueprint for 2009

Canadians are definitely talking about the economy – what the government should do about it, what's happening in their own industries, and how things are shaping up with the micro-economy under their own roof.

It was a bit of a white-knuckle ride for most Canadians in 2008. But there are some sensible strategies that can help you survive and thrive in the current economic climate. Some of it is the same financial common-sense that we've always known... but haven't always followed. These strategies include how your mortgage can be one of your greatest financial assets in the months ahead.

1. If you have a variable-rate mortgage, you probably chose this option when you could get a nice discount off the prime rate. With rates falling, you are in a great position to enjoy your discount and you have certainly benefited from the many recent prime rate decreases.
2. If you are four months within renewal, touch base with your mortgage planner now who can outline your renewal options. Since the credit crunch seems to be staying with us into 2009, both fixed and variable rates continue to be at a premium so you may want to consider a lower-rate one-year mortgage that allows you to switch for free to a longer-term fixed or variable mortgage at anytime during that year. This way, you along with your mortgage planner have some time to watch and assess where rates and the economy are going.
3. If you're worried that your household income could take a hit this year – a reduction in pay or even a job loss – then you should also contact your mortgage planner to discuss the possibility of building a financial buffer using today's low mortgage rates. It's a good idea to apply while you are still employed because it's easier to access your equity when you actually don't need it.
4. If you're carrying high-interest consumer debt that is eating into your cashflow and racking up large interest costs, this is a great time to deal with it, especially if you'll be adding your holiday bills to your overall debt load. You may want to take a close look at rolling all of your debts into a new mortgage, which can boost your cashflow and help you save thousands in interest costs. Your mortgage planner can show you an analysis of your situation and how you may be able to benefit.
5. While you're at it, take a look at some of the innovative new mortgage/Line of Credit (LOC) combinations that allow you to tap into your equity and, with the help of a financial planner, create a tax-deductible mortgage, possibly investing while the markets are down. Or you could use your equity for renovations or other needs. An open LOC allows you to pay your mortgage down as fast as you can to save interest, while giving you access to your equity later if you need it, without having to reapply.
6. Look for ways to speed up your mortgage pay-down. Change from monthly payments to weekly or bi-weekly payments, for example. Or take your tax refund and put it against your mortgage principal. Your interest costs will go down with every dollar you've reduced on your principal amount.
7. Don't neglect your savings. In managing debt, you want to make sure you don't need to use credit to get you through a financial emergency when your car breaks down or your washing machine quits. Make a point of setting aside a small sum every paycheque into a special emergency fund. It's easier to do if you can smooth out your monthly budget: by rolling your high-interest debt into your mortgage, for example, or asking your utilities provider to put you on budget-billing to even out your payments over the year.

It's always a good idea to get an annual review of your mortgage situation. So take the time to meet with your mortgage planner and get your blueprint for surviving and thriving in 2009.



Designed around you.™