

Getting your house in order before the holidays could save you thousands

It's hard to believe that we're entering that busy season! Most retailers have been reminding us that holiday season preparations are already underway. For many though, pesky debt responsibilities can dampen their planning and holiday enjoyment. Others may not worry about their debts, thinking they can always get their financial house in order after the holidays.

But if you're concerned about your debt obligations, consider adding one more task to your pre-holiday season to-do list! See if you can use your home equity to consolidate your high-interest debt into a new or existing mortgage. You'll lower your payments, save on interest and can power down your debt faster. In almost every case, you're better off holding your debt in a mortgage than in any other lending vehicle. Why? Because Canadian homeowners are benefiting from mortgage rates that are still among the lowest in decades.

Worried about penalties to break your current mortgage? Have your situation assessed; there's a good chance that the savings each month will far outweigh any penalties.

Consider a situation where your current mortgage is \$155,000 at 6% and you have a monthly payment of \$992. In addition to your mortgage you have a car loan of \$20,000 and credit cards maxed out at \$20,000. You are paying \$1,200 a month on the car loan and credit cards for a total monthly payment of \$2,192. You're feeling financially stressed with that monthly payment so you meet with a qualified mortgage planner to assess your situation.

Your mortgage planner presents a scenario in which you get a new mortgage for \$198,000 to cover the original \$155,000, the \$40,000 in credit cards and car loan, and \$3,000 to break your mortgage. Your new mortgage is also at 6% but you now have a much lower overall monthly payment of \$1,267.

With this new scenario, monthly payments are \$925 less each month; a great improvement in cash flow! And if you put \$400 of that cash flow into your monthly mortgage payment, you reduce your amortization from 25 years to 15. We're a fortunate generation of homeowners. We can benefit from low mortgage rates to enjoy our lives and our homes – and to manage our debt wisely.

Home equity debt consolidation is a golden opportunity, especially if you're concerned the holiday season will further add to your debt burden. Aside from the debt stress relief and interest savings, restructuring your debt will also give you a fresh start at responsible financial housekeeping. Create a plan for this year's holiday spending; set a budget and work within that amount. If this debt consolidation exercise gives you new financial comfort, you'll want to maintain that ease by living within your means during and after the holidays.

Homeowners are recognizing that they need to get smart about debt. Canadians pay a shocking amount of money on their high-interest debt, whether it's credit cards, unsecured loans, or tax bills. It all adds up. But if you have equity in your home, there's no good reason to be carrying high-interest debt.

Independent mortgage planners – who have access to more than 50 different lenders, including most of the major banks – have become specialists in helping Canadians restructure debt. In addition to offering access to a broad range of mortgage options, these experienced planners provide credit advice and debt management tips that can help save thousands of dollars. It's a great place to start. A mortgage planner can help you sort out your debt so you can plan your ideal and well-budgeted holiday season!

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