

The Interest Tax Deduction

In Canada, any interest paid on loans used to purchase investments can be deducted from your annual income for tax purposes. Unfortunately, the one exception is a mortgage used to finance the purchase of a primary residence. However, this bothersome caveat can be sidestepped by performing an asset swap. An asset swap is done by selling all of your investments, using the money to purchase your home, and then taking a mortgage out to buy back your investments. At this point your mortgage has been used to purchase eligible investments, and so the interest is tax deductible. *Consult your financial planner first to make sure this is a good solution for you.

TIPS

- Always send additional principal payments separately from the monthly payment and indicate on the check that the money is to be applied to the principal balance only. Otherwise the payment processing center may just apply it as a partial payment to your next month, or send the check back.
- Savings vary depending on the mortgage amount, interest rate, and term. Use online mortgage calculators to estimate how much interest you could save using the methods discussed in this brochure.

Sasha Miletic, Broker

REMAX Preferred Realty Ltd., Brokerage
Independently Owned and Operated

6505 Tecumseh Road East
Windsor, Ontario N8T 1E7
519.962.9150 (direct)
519.944.5955 (office)
519.790.0110 (fax)
info@SashaMiletic.com

For a FREE list of Bank Foreclosures, visit:
www.SashaMiletic.com

Not intended to solicit property currently listed for sale.

Copyright © 2010 by Sasha Miletic all rights reserved. Reproducing any part of this report without obtaining written permission from Sasha Miletic is strictly prohibited.

HOME BUYERS



3 Easy Ways to Save on Interest

3 Easy Ways to Save on Interest

With the average conventional loan term of 30 years, borrowers can expect to pay nearly 1 ½ times a home's purchase price in interest over the life of the loan. Today's record low interest rates can improve that figure, but your savings doesn't have to stop there. Here are 3 other ways to increase your interest savings on your new loan.

1. Reduce your mortgage term

By reducing your loan term to 15 years, you can cut the amount of interest paid by well over half. For a \$100,000 loan, total interest paid over 30 years at 6% will be \$115,838.44. A 15 year loan at the same rate will only see

\$51,893.80 in total interest. Plus, you'll build equity faster, and pay off your mortgage in half the time. The difference in payments is not as steep as you would expect. For this scenario, a 30 year loan will carry a payment of \$599.55 while the payment on a 15 year loan would be 843.86. If you cannot afford to go down to a 15 year term, there are also 20 and 25 year terms available. The savings will not be as significant, but certainly worthwhile.

2. Make an extra payment each year

By making just one extra payment on a 30 year mortgage of \$100,000 at a 6% interest rate, will save you \$25,494.01. You will also pay off the loan 5 years sooner!

If paying an additional monthly payment is not feasible, consider making smaller payments to the principal when you have extra money. With this same scenario, paying an additional \$20 to principal every month will save you \$11,465.19 and pay off your loan two years faster. That's serious savings just for the price of takeout!



3. The bi-weekly payment

Some banks offer borrowers the option of paying their payments on a bi-weekly schedule instead of monthly. Even though you pay the same total every month, you will save \$25,641.80 in interest over 30 years! You will also build equity faster, as more of your monthly payment will be applied to principal.

