



Three Reasons Why Not to Re-Mortgage

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The market for re-financing has been booming. How can there be any reason not to re-mortgage as long as the interest rate stays relatively low? We have identified 3 reasons why not to re-finance. Our reasons are based on logical, long-term financial budgeting decisions that will bring “Financial Peace of Mind” and help you to achieve financial flexibility.

Re-finance to pay of credit card debt. We are constantly bombarded with the logic of this, but what good is it to take money from the equity in your home (equity is like a retirement savings), which increases your mortgage, when the majority of people will begin to carry a credit card balance within 3 months? 72% of people we surveyed had new credit card balances over \$1,000 being carried from month to month.

Of course the concept of paying off high interest non-taxable debt and replacing it with low interest tax-deductible debt is great. However, you need the desire, dedication and discipline to not use your credit cards and carry a balance. Are you sure you can do this?

Re-finance without a financial plan. When it comes to re-mortgaging, so many of us see that we can take money out and still have virtually the same mortgage payment. Yes, you may have a specific use for the money (i.e. paying off credit cards, buying a new car, etc.) and a little left over for a vacation or new wardrobe. Before you jump into this with both feet, sit down and determine why you really need the money. Do you have a written spending plan? When writing down where the money will go, you are more likely to rule things out and need less money. You will borrow less and therefore spend less.

Re-finance when you are looking for a lower payment. If you want to take advantage of lower interest rates by all means do so. This extra money (\$100-200/month) should have a dedicated place to go. It could go to your savings account, your rainy day fund or towards paying off credit card debt. You need to be disciplined about not letting this money slip away. The best way to do this is with a family budget and the BUDGETkeeper SYSTEM.