

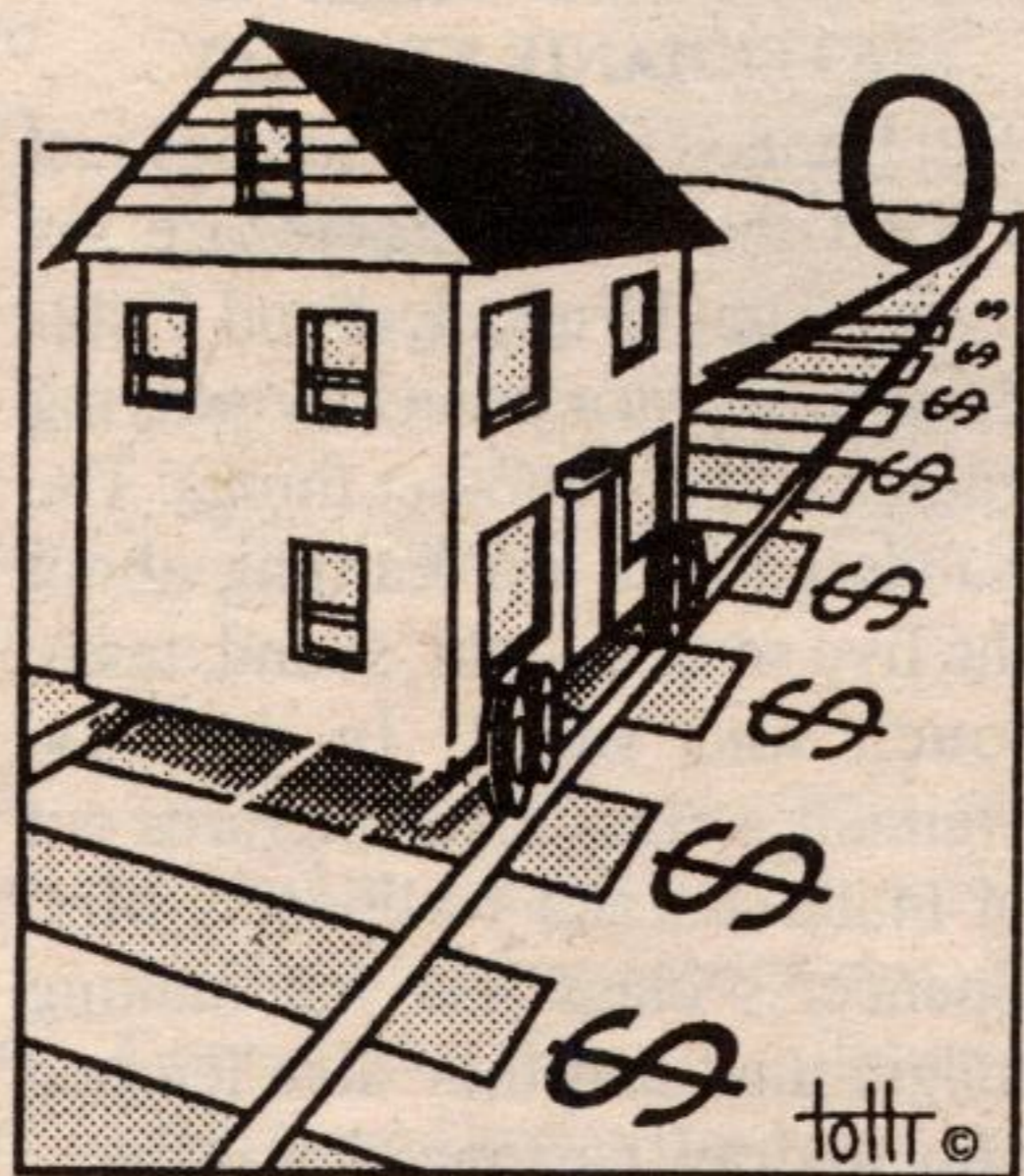
Pay down your mortgage faster

BY RICK BATES, C.A.

As consumers continue to be obsessed with ridding themselves of debt, financial institutions are responding by offering homeowners a wide variety of options for paying down mortgages sooner. One increasingly popular option is making weekly rather than monthly mortgage payments. And the numbers show why.

Say you are carrying a \$100,000 mortgage amortized over 25 years. Recently you may have been able to renew that mortgage at 8.5 per cent for five years, resulting in monthly payments of approximately \$795. Over 25 years, you would make 300 monthly payments totaling about \$240,000. Since you initially borrowed \$100,000, this means that you have paid about \$140,000 in interest over the life of your mortgage.

If you opted to pay your mortgage on a weekly basis, your payments would be almost \$200 (\$795 divided by four) and your mortgage would be paid off in 19.5 years. (Note: always insist and check to make sure that your instructions are being followed.) You would have paid a total of roughly



\$207,000 or \$107,000 in interest. Thus, you would save over \$30,000 in interest if you paid your mortgage weekly instead of monthly.

That savings results from the fact that you are effectively making the equivalent of one extra monthly payment per year when you pay on a weekly basis. That is, there are 13 four-week periods in a year and only 12 one-month periods.

If you decide to pay your mortgage weekly, do the simple calculation yourself. Take the amount of the monthly mortgage payment and divide it by four to determine what you will pay weekly and make sure that your lender calculates the payments in the same way. If calcula-

tions are simply based on the amount it would take each week to pay off the mortgage in 25 years, you will have lost the effect of getting out of debt earlier than scheduled.

Another option for retiring mortgage debt early is to make annual lump-sum payments, though these can be more difficult to budget for than weekly payments. Nonetheless, say you keep the same 8.5 per cent interest rate on your \$100,000 mortgage for the entire 25-year amortization period. If you paid an extra \$1,000 at each anniversary date of your mortgage, you would clear off your mortgage at the end of 19 years. That means that you would have paid a total of about \$201,000 compared to \$240,000 if you just kept to the monthly payment schedule.

Some lenders also let you double up on payments or have other options for paying more against your mortgage each year. All reduce the length of time you will carry your mortgage debt and thus help put more money back in your pocket.

Rick Bates is assistant professor of accounting and finance with the University of Guelph.

Have fun in winter weather

There are so many winter activities in Acton, there has to be at least one for everyone. We can choose from downhill and cross-country skiing, skating and snowshoeing. For the young — and young-at-heart — there is freestyle skiing and snowboarding. And, of course, ball hockey!

These winter activities and others can be lots of fun, but they require a healthy respect for the weather. On that matter, the Canadian Fitness and Lifestyle Research Institute offers a few safety tips.

• **Dress for the weather.** Layers of loose-fitting clothing trap air and provide good insulation. The

inner layer should be absorbent; the middle layer(s) warm; and the outer layer water repellent and wind resistant.

• **Top things off.** Keep the hands, feet and head warm. Wear mitts or gloves, warm socks, a hat and even a face mask on very cold days.

• **Get set.** Warm up and stretch indoors before going out in the cold.

• **Beware of the wind.** Take the wind chill factor into account; plan routes so that the wind is at your back near the end of the session.

• **Watch for fatigue.** Don't push yourself in extremely cold weather.

• **Use the buddy system.** Try to be active with a companion, and keep your eye on one another.

• **Don't dally.** When activity is finished, come in from the cold and change into dry clothing as soon as possible.

In short, don't let the weather slow you down. "Mall walking" is fine, but why not get outside and enjoy Acton's winter wonderland?



We Wish You A Merry Christmas!

Saturday's Santa Claus Parade was a big success judging by the smiles of the "presents" in the top photo. The Salvation Army Band's annual appearance was a treat for young and old. Many thanks to weather central for delaying the rain! (Mike Albano photos)

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