

## What's the Cost & Risk of a 30yr Mortgage?

If you are in your 40's and thinking about purchasing or re-financing a house, then there are a lot of things that you should be thinking about. The 30 vs. 15 year mortgage is probably at the top of the list.

Although the 30 year might look attractive because of the lower monthly payments, think about how old you will be when you in the last 10 years of the mortgage. If you are 45 today, then you'll be 65, and still have 10 years of mortgage payments ahead of you! Do you think that you'll want to work until you are 75 in order to pay off the mortgage? How many 60 and 70 year olds do you see in high paying jobs today? If you are like me, you haven't seen too many. By the way, a lot can happen health-wise when we are in our 60s and 70s. So you may not even be around to make those final payments.

The point is, as long as you are making those mortgage payments, you (and your family) are exposed to risk. Before you commit to a new mortgage, extrapolate out to 20 or 25 years and ask yourself if you think it makes sense to still be making mortgage payments. Maybe a better strategy is to think about when you want to be free of mortgage payment, and use that as a guide.

By the way, I know that most people already know this but here is a table showing the cost of a 30 year vs. 15 year mortgage for a \$200,000 loan. I'm using some average interest rates for illustrative reasons. Note the almost \$100,000 difference in interest payments. Imagine what you could do with \$100,000.

| <b>Term</b>                    | <b>30 years</b> | <b>15 years</b> | <b>Difference</b> |
|--------------------------------|-----------------|-----------------|-------------------|
| <b>Interest Rate</b>           | 4.25%           | 3.63%           | 0.62%             |
| <b>Monthly Payment</b>         | \$984           | \$1,443         | \$459             |
| <b>Total Interest Payments</b> | \$154,197       | \$59,662        | \$94,535          |

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