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S&P 500 4,401.10 -45.72 (-1.03%)	Dow 30 33,953.76 -334.88 (-0.98%)	Nasdaq 13,622.77 -168.89 (-1.22%)	Russell 2000 1,872.91 -23.87 (-1.26%)	Crude Oil 71.63 -0.16 (-0.22%)	Gold 1,916.70 -10.40 (-0.54%)
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Ask a Financial Advisor: Should I Invest or Pay Off My Mortgage?

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Jami Farkas

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You're in an enviable financial position. You've managed to [save a considerable amount of money](#), got a large bonus, received an inheritance or you have good chunk of change left after meeting your financial obligations. What's the best way to use that cash though? Should you invest it or pay off your mortgage?

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GOBankingRates asked financial advisors to weigh in, and it turns out the answer isn't one-size-fits-all. From money experts themselves, here are five questions to ask to help you [decide if paying off the mortgage or investing would best benefit you](#).

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Symbol	Last Price	Change	% Change
IAU iShares Gold Trust	36.22	-0.07	-0.19%
NJR New Jersey Resources Corporation	46.69	-0.37	-0.80%
XOM Exxon Mobil Corporation	105.42	-1.50	-1.40%
NAPA The Duckhorn Portfolio, Inc.	12.58	-0.07	-0.55%
TTEK Tetra Tech, Inc.	162.29	-1.93	-1.18%

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Prior to deciding where to direct your funds, make sure your financial condition is stable, said Henry Habgood, a wealth advisor with Washburn Capital Management.

“You need to consider the bigger picture,” he said. “What money do you have set aside for emergencies? Do you have any big expenses coming up? How much do you have in liquid assets currently? If you already have a comfortable amount of money set aside for emergencies and major expenses over the next six months and you have liquid assets as a way to backstop yourself, then you’re in a position to choose between the two.”

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What Is the Interest Rate of Your Mortgage?

In financial terms, the main factor to take into account is the interest rate on your home loan, said Kendall Meade, a financial planner at [SoFi](#).

“When it comes to deciding between investing or paying off your mortgage it really comes down to opportunity cost. What could I do with this cash other than paying off my mortgage and what would that give me? For example, you could instead invest that money, and depending on how you invest it — over the next 30 years that could outpace the interest you would pay on the mortgage.

“With higher interest rates, it still comes down to opportunity cost but it may make the paying down your mortgage argument more competitive. The long-term historical return of the stock market adjusted for inflation is 7%, which does not guarantee future returns but serves as a starting point. When mortgage rates were 3% it could easily be argued that over the long term, you could earn a higher return by investing than what you were paying in interest. However, when interest rates are closer to 7% it becomes a toss-up and above 7% it could make more sense to pay off your mortgage.”

How Much Equity Do You Have in Your Home?

If you receive a lump sum of cash, such as an inheritance, how to spend it depends, in part, on the amount of equity you have in your



investments set aside for retirement, then this is also a simple conclusion — use the inheritance money you did receive to get caught up where you should be at your age,” he said. “If you have a combination of some equity in your home, but not a lot, and also not much set aside for retirement, then you may very well need to do both. Every situation is different, and you should talk to a financial advisor you can trust.”

Do You Have Tolerance for Risk?

Every investment poses a risk, but it could pay off with big earnings.

“If the interest rate on your mortgage is low, and you’re comfortable with investing, it might make sense to invest that money,” said Andrew Boyd, a financial and wealth advisor at [Finty](#). “Over time, the potential returns from a well-diversified investment portfolio could exceed the interest saved from paying off your mortgage early.”

Is the Mortgage Debt Unsettling?

“On the personal side, some individuals are uncomfortable having any debt,” said Joseph Doerrer, CPA, CFP and vice president of wealth planning at [Mezzasalma Advisors](#). “The mental relief gained from knowing that this debt is paid off now may be far greater than any other long-term financial gains obtained through a different financial strategy where the debt is kept open.”

Boyd agreed.

“If you’re more conservative or nearing retirement, paying off your mortgage could provide peace of mind, as it significantly reduces your monthly expenses,” he said.

Why Not Do Both?

James Allen, financial planner and founder of [Billpin](#), said that in some situations, it makes sense to use available funds to both pay down your mortgage and invest.

“Paying off your mortgage early is a guaranteed, risk-free return equivalent to your mortgage interest rate. That’s a pretty sweet deal, especially in a volatile market. But here’s the twist — don’t rush to pay it all off at once.

“Instead, make additional payments toward your principal to reduce the total interest you’ll pay over the life of the loan. This way, you’re



Meade mentioned.

“So, in essence, my advice is this: Don’t choose. Play both sides of the coin,” he said. “Pay down your mortgage to save on interest and invest for potentially higher returns. It’s a balanced approach that spreads your risk and could leave you sitting pretty in the long run.*

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Dick

2 July, 2023

I had a financial come to my home unannounced I had earlier talked to his firm on the phone and couldn't get any straight forward answers to had already decided to not use his firm. After he talked me into letting him come in and listen to his speech, he wanted me to take out a mortgage on my home ...

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