Either…or

Pay down your mortgage or stick close to the minimum payment?

Bryan Lee, president of Plano, Texas-based Strategic Financial Planning, says before even considering hitting that mammoth mortgage sum that you first focus on your credit cards. If you're staring down revolving debt with what could be 15 or even 20% in interest, you want to get that paid down near zero. But if that isn't a factor, what about just keeping the money you have in your savings account? While Jayne Ferrante, a Fresno, California-based certified financial planner, agrees with having a cushion in case of a firing or the unexpected, beyond that the savings account is a bad move. "You're getting next to nothing on your money right now," she says, "so you'd be far better off paying down the mortgage instead." Ferrante crunches the numbers this way. Let's take a mid-40s couple who bought a home in 2005 with a 30-year mortgage of $207,000 at an interest rate of 6%. With a monthly payment of $1241.07, not including property taxes and insurance, they'll pay $446,785 to completely pay off the house by 2035. Now let's say they're fortunate enough to have $26,000 to spend. If they put it towards their home they'll save $69,477 over what they would have paid on their mortgage. By subtracting the $26,000 extra their "gain" on the investment, Ferrante says, is 3.938%. However, it's actually lower because the extra interest counts as a tax deduction—that will move the percentage gain closer to three percent than four. Another area to consider is refinancing—especially if you can knock a few percentage points off your mortgage rate. Ferrante says the key question here is whether you plan on living in your house a while—with refinancing fees costing in the thousands, if you don't stay then you take a loss. The 26K payment into your home may also help you qualify for refinancing to begin with if you're one of millions of Americans with damaged credit and not enough equity. Now what about that stock market route? If you don't need your money for 30 years, the Dow Jones Index has come out in your favor historically, often quadrupling your investment. Therefore, stocks are a worthwhile risk for at least a portion of your money—a portion you still must be willing to lose. However, if you need to cash out even in just the next five years, say if you're in your 60s and staring down retirement, you shouldn't invest heavily in the market because of a high level of volatility, says Ferrante. A safer area? One would be paying off your house!