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Paying off your mortgage early might not make sense

March 26, 2017 By Sheryl Nance-Nash Special to Newsday



A mortgage rate graph is displayed on a computer in North Andover,

Mass. on March 6, 2017. (Credit: AP)

There are few greater feelings than making that last mortgage payment. Some people feel better still if they pay it off early. But sometimes it doesn't make sense to pay off your mortgage early.

- **First things first:** Be sure you have adequate emergency savings before you put extra money into paying off the mortgage early. Then consider what's the best use of any extra money you have.

While taking a shorter-term mortgage or prepaying principal saves you tons in interest, remember that mortgage interest is typically tax deductible.

Warren Goldberg, founder of Mortgage Wealth Advisors in Plainview, offers an example. If you had a 5 percent interest rate on your 30-year fixed mortgage, depending on your tax bracket, your equivalent, after-tax interest rate might only be 3.3 percent. Even in today's tumultuous market, it's not difficult to earn a return greater than 3.3 percent after taxes.

"By paying the minimum on your mortgage and investing the balance, your money can be working for you. Your investments can be earning more than the interest you are paying," says Goldberg.

David Reiss, a professor at Brooklyn Law School specializing in real estate, agrees: "If you have not maxed out your retirement savings, it might make sense to direct your extra funds to tax-advantaged retirement accounts. You could end up being better off overall as those accounts grow tax-free over time."

- **Consider other debts:** Most likely your mortgage is your biggest debt. Much as you would like to get the albatross from around your neck, if you have burdensome credit card or medical bills, put any excess funds toward those instead of paying your mortgage faster.