

How to pay off your bond in 10 years

If you've just bought your first home, the day that your mortgage will be fully paid off and the property will really be yours probably seems a very, very long way off.

The good news, however, is that there are tried and tested ways to bring that day much closer – and save yourself tens of thousands of rands in the process, says Shaun Rademeyer, CEO of BetterBond, SA's leading mortgage origination group.

“Did you know, for example, that if you have a home loan of R800 000 at an interest rate of 9,25%, you could drop your bond repayment period to 17 years instead of 20, and save R178 000 in interest, just by paying an extra R500 a month into your bond account?”

“And if you were somehow able to make an additional payment of R2950 every month, you could slash the bond payoff period to 10 years just like that - and save R532 000 worth of interest.”

Unfortunately, though, most homeowners just don't have that amount of extra income to hand every month, especially if they are first-time buyers, so they need to find other ways to chip away at their home loan balance and repayment period. Here are some expert alternative suggestions:

- Become a Scrooge. Start eliminating all unnecessary expenses, review your insurance premiums and put a limit on your cellphone usage.
- Increase your earnings. Take extra shifts at work, sell something at weekend markets, or look for some evening, holiday or freelance work to bring in extra income that you can put straight into your bond account.
- Rent out some space. Even if you don't have a spare room to rent out, you can perhaps still make some extra cash to put towards your “bond liberation day” by renting out a storage space, garage or carport
- Make a lump-sum payment. If you receive an inheritance, tax refund, or bonus, apply it to the principal balance of your home loan. The interest savings are likely to be better than most other investments.

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