What's an amortization schedule? Understanding how to save big bucks!

How does purchasing a house for $200,000 at 4.5% and paying an extra $164,813 for interest over 30 years make you feel? Understanding your mortgage amortization schedule can save you thousands or tens of thousands of dollars. As you find extra cash, you can potentially lower the amount of interest you pay without refinancing your loan. Check with your lender to determine how to make "principal only" payments leading to an early payoff without penalties.

As you make extra "principal only" payments, which is the money you borrowed, this eliminates interest you pay with that extra payment. In the example above, if in the 3rd month in your new home, you make an extra $263 "principal only" payment, this saves $748 in interest. That's a great return on your investment! Each month you make a payment the interest you pay goes down and the amount of principal goes up. This is not to say that the last years of early mortgage payments isn't worth it, but the biggest dividend is making those small "principal only" payments in the first half of your mortgage.

You might say that paying off your mortgage is dumb because you lose your mortgage interest deduction for income tax purposes. Think again! A debt-free home for your family is significant if the Lord takes you home, especially if your spouse is staying home to raise the kids. When you are older, having your home paid for is the one biggest positive financial move prior to retirement. It will still cost your family about 6% of the total value of the property to maintain it each year without a mortgage. For a 300,000 property, that's $18,000 per year for taxes, insurance, utilities and maintenance/upkeep. If you now take the standard annual income tax deduction instead of itemizing your tax return, keeping your mortgage as a deduction costs you interest without any tax benefit.

Jean Folger, "Mortgage Amortization Strategies." *Investopedia*, August 1, 2019, https://www.investopedia.com/articles/personal-finance/051914/mortgage-amortization-strategies.asp