**Should you pay off your mortgage early?**

If you have enough money left over at the end of the month, you might be wonder what to do with it.

One of the best things you could do with any spare cash is consider paying off your mortgage early. By overpaying your mortgage, you could make big savings on your interest and cut years off your mortgage term.

So, how much could you save? Let’s look at an example.

Let’s assume you have a repayment mortgage of £150,000 that you’re paying back over 25 years, and you’re paying 5% interest.

Your current monthly mortgage payments would be just under £877 a month.

If you could pay an extra £150 a month, that would cut your mortgage term from 25 years to 18 years 10 months. So you would have reduced your mortgage term by 6 years and 2 months.

That’s almost a third of your mortgage term.

And best of all, you would have saved over £31,000 in interest payments.

Imagine what you could do with £31,000.

It’s worth pointing out that there are times when you shouldn’t overpay your mortgage, such as if you owe money on a credit or store card, or if you have a personal loan. That’s because you will pay a higher rate of interest on these types of debt than on your mortgage.

If you have cash to spare you should pay off these debts first.

You should also have some rainy day money for unexpected expenses.

Try to save enough to live on for three months if you can.

You also shouldn’t overpay your mortgage if you’ve got a big purchase to make in the next few months as you may not be able to borrow back the money you’ve overpaid.

Before you make a payment ask your lender when it’s best to overpay.

With most mortgage deals it shouldn’t make a difference, but with some older mortgages you may be better off making one payment at the end of the year.

Make sure you don’t pay off more or you could have to pay a charge,

Check with your bank how much extra you can pay off and find out if your lender has a minimum amount for overpayments.

To find out more visit our website [www.moneyadviceservice.org.uk](http://www.moneyadviceservice.org.uk)