

Common Cent\$: 5 WAYS TO PAY OFF A LOAN EARLY

If you're like most Americans, you owe money toward a large loan. Whether that means carrying thousands of dollars in credit card debt, having a hefty mortgage in your name or making car loan payments each month, loan debt is part of your life. This means you're looking at hundreds of dollars in interest payments over the life of the loan(s). There's also the mental load of knowing you owe perhaps tens of thousands of dollars and that you'll be paying back the loan for years to come.

It can all get kind of depressing—but it doesn't have to be that way.

Did you know there are simple, but brilliant, tricks you can employ to lighten the load? With a carefully applied technique, you can pay off your mortgage, auto loan, credit card debt and any other debt you're carrying quicker than you thought possible. These tricks won't hurt your finances in any dramatic way, but they can make a big difference to the total interest you'll pay over the life of the loan and help you become debt-free faster.

You can free up more of your money each month, use your hard-earned cash for the things you want instead of forking it over in interest and live completely debt-free sooner than you'd dreamed. It's all possible!

A note of caution before we explore these tricks: Check with your lender before employing any approach, as some loan types have penalties for making extra or early payments.

1. Make bi-weekly payments

Instead of making monthly payments toward your loan, submit half-payments every two weeks.

The benefits to this approach are two-fold:

- Your payments will be applied more often, so less interest can accrue.
- You'll make 26 half-payments each year, which translates into an extra full payment on the year, thereby shortening the life of the loan by several months or even years. If you choose this method with a 30-year mortgage, you can shorten it to 26 years!

2. Round up your monthly payments

Round up your monthly payments to the nearest \$50 for an effortless way to shorten your loan. For example, if your auto loan costs you \$220 each month, bring that number up to \$250. The difference is too small to make a tangible dent in your budget, but large enough to knock a few months off the life of your loan and save you a significant amount in interest.

For a potentially even bigger impact, consider bumping up your payments to the nearest \$100.



3. Make one extra payment each year

If the thought of bi-weekly payments seems daunting but you like the idea of making an additional payment each year, you can accomplish the same goal by committing to just one extra payment a year. This way, you'll only feel the squeeze once a year and you'll still shorten the life of your loan by several months, or even years. Use a work bonus, tax refund, or another windfall to make that once-a-year payment.

Another easy way to make that extra payment is to spread it out throughout the year. Divide your monthly payment by 12 and then add that cost to your monthly payments all year long. You'll be making a full extra payment over the course of the year while hardly feeling the pinch.

4. Refinance

One of the best ways to pay off your loan early is to refinance. If interest rates have dropped since you took out your loan or your credit has improved dramatically, this can be a smart choice for you. Contact [credit union] to ask about refinancing. We can help even if your loan is currently with us.

It's important to note that refinancing makes the most sense if it can help you pay down the loan sooner. You can accomplish this by shortening the life of the loan, an option you may be able to afford easily with your lower interest rate. Another means to the same goal is keeping the life of your loan unchanged and with your lower monthly payments, employing one of the methods mentioned above to shorten the overall life of your loan.

5. Boost your income and put all extra money toward the loan

A great way to cut the life of your loan is to work on earning more money with the intention of making extra payments on your loan. Consider selling stuff on Amazon or eBay, cutting your impulse purchases and putting saved money toward your loan, or taking on a side hustle on weekends or holidays for extra cash. Even a job that nets you an extra \$200 a month can make a big difference in your loan.

Triumph over your loans by using one or more of these tricks to make them shorter and pay less interest. You deserve to keep more of your money!

Your Turn: Have you used any of these methods or a different approach for paying off a loan early? Tell us about it in the comments.

SOURCES*:

<https://www.thebalance.com/how-to-pay-off-debt-early-315571>

https://www.google.com/amp/s/www.huffpost.com/entry/top-6-ways-to-pay-off-any-loan-faster_b_1624242/amp

<https://www.payoff.com/life/money/6-ways-to-pay-off-your-car-loan-early/>

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