



05/24/2007

Mortgage Payments or Retirement Savings? You Can Do Both!

Is it possible to buy a home, make monthly mortgage payments and still save for retirement at the same time? This may seem like an incredible challenge, especially if you are a younger homebuyer, perhaps with a growing family. The answer is that you should be able to do both, but the reality of it depends on many different factors. Take a look at the following suggestions that may help you effectively put money towards both your home and your retirement account.

The first step to being able to manage both goals is to start with buying a home that you can truly afford, not one where the payments stretch you to your full financial limits. Of course it is appealing to buy the biggest home in your price range, the home in the best neighborhood, but it might cause you to sacrifice financial security in the future. Choose a home and a mortgage that will provide you with comfortable mortgage payment. This may mean considering a different type of home, like a townhouse or a condo for example. Maybe it is not what you had in mind, but getting your foot in the real estate door with something less expensive may allow you to build up equity and move to something bigger in the near future, and still allow you to put money towards your senior years.

Another tip for managing both your mortgage and your retirement is to not let discouragement set in. Many people become frustrated as they think about how much money they need to save up and how stretched their current resources are. Even if you are not able to contribute the full amount you would like to your 401k or other savings plan, the important thing is to start contributing something. Even the smallest amount accrues interest and your small deposits will build up over time. As your income increases, or your financial responsibilities shift, you can start saving more. For now, consider ways you can cut your current spending in order to put money towards retirement.

Similarly, if your employer offers a 401k matching plan, take advantage of that program. This can be a huge help to supplement your savings while your income is stretched due to a young, growing family or other factors. Even if you don't feel like you can contribute much, your employer is basically offering you free money. Contribute what you can and let this program take some of the burden off your shoulders for both making your mortgage payment and trying to create future security. As many of these employer-matching programs have waiting periods before you can enroll, be wary of job-hopping. You will hardly be able to take advantage of these savings plans if you are constantly starting with a new company.

Trying to accomplish two important financial goals simultaneously, paying down your mortgage and saving for retirement, can be a very tricky task. The key is to stay focused and have a long-term perspective instead of becoming overwhelmed by the more immediate strains on your budget!