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with kelly keehn coin

the ABCs of debt

Spring is in the air and so is mortgage season. If you've recently come across a small fortune, you might be thinking about buying a home in Calgary.
Or perhaps you're one of the lucky real estate moguls who have invested for a few years and hold a tidy sum of built-up equity.
And if you fall into the category of the latter, you might, like many, be examining using your equity for a home renovation or even to purchase other investments (which, by the way, would then make that portion of your interest payment tax deductible - see your financial adviser for more information).
However, the ABCs of financing are anything but elementary. Consider the following before heading into your local bank:
Mortgage vs. Secured Line of Credit (often also called an equity take out)
With mortgage rates still considerably low, many banks boast favourable rates and flexibility with a secured line of credit as your rate hovers around prime (may be more or less depending on your credit history, employment strength and other lending criteria).
However, as prime increases or decreases, so does your payment. The obvious downside could mean getting stuck with a larger payment than you can afford.
On the plus side, if rates remain low, the rate of a secured line of credit is generally lower than that of a mortgage.
Plus, you can pay it off any time and most banks will allow you to lock into a regular mortgage should you think rates are on the rise.
With a conventional mortgage, rates are higher than that of a secured line of credit, but can often be negotiated with your bank. The added benefit of rates being low is that you lock it in for the length of your term.
However, if you guessed wrong and rates are actually set to go lower, you're stuck with a higher-than-market rate.
Consider that with a regular mortgage, you are required to pay principal, plus interest, every month.
With a secured line of credit, you are only required to pay an interest-only payment similar to how a credit card works.
This could be an advantage or disadvantage depending on how diligent you are with paying down your credit.
If you think you'll slide with the lure of paying a low-interest-only payment, opt for the mortgage.
Plus, if you sleep better at night knowing what your mortgage payment will be for the next several years, choose a regular mortgage.
Financing real estate is likely the largest debt you'll incur in your lifetime. I'd love to tell you I can predict where interest rates are going.
Unfortunately, the last time I checked, my crystal ball had a severe crack in it.
So, to be on the safe side, book a meeting with your banker and learn the facts before signing on the borrower's line.

Kelley Keehn is a financial expert, speaker, elder planning counsellor and author of four books, including The Woman's Guide to Money and The Prosperity Factor for Kids. Her mission in life is "to make you feel good about money."

Keehn will be signing her newest book, *The Prosperity Factor for Kids* at Coles, TD Square, April 19, from 11:30 a.m. to 1:30 p.m.

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