Praise for *How to Pay Your Mortgage Off in 10 Years*

At a time when Australians are worrying about the impact of interest-rate rises, this is a welcome handbook for those wanting to stop panicking and start feeling in control of their financial future. Serina's tips are practical and pragmatic, and her worked examples help put each option into perspective so readers can apply the content to suit their circumstances. Add it to your must-read list if you've got a mortgage, or really any debt you're trying to pay off.

Lacey Filipich, financial educator and award-winning author of *Money School*

Every good financial plan involves eventually repaying your home mortgage. It's easy to say but can be hard to put into practice. *How to Pay Your Mortgage Off in 10 Years* doesn't just give you the theory behind why paying your mortgage off can work – it also provides practical suggestions that you can use to take action and get started.

Michael Miller, financial planner

HOW TO PAY YOUR MORTGAGE OFF IN 10 YEARS

(EVEN WHEN INTEREST RATES ARE GOING UP)

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PART I

TAKE A GOOD LOOK AT YOURSELF

Chapter 1

On being mortgage free

My name is Serina. I own my own home, mortgage free.

I love fashion and a bit of bling. I love to dress up for meetings, for functions and just because.

I love to travel. I take my family skiing each winter, and we enjoyed a family cruise around New Zealand last Christmas. While on our trip, we sailed into Milford Sound on Boxing Day in perfect, still weather, enjoyed a tour of art deco architecture in a vintage car at Napier, had cocktails most nights with dinner and soaked in hot springs – I even got a massage.

I love that I was able to buy my kids a gaming computer – each – with dual monitors, plus laptops and tablets. I am relieved that I'm able to afford serious orthodontic work for my eldest son. And I love being able to travel with my youngest son to attend table tennis meetups and tournaments.

My husband Neil and I don't have any money owing on our home. We live in a comfortable three-bedroom apartment in a leafy inner suburb of Canberra. We have no car loan. We pay our credit cards off in full every month. I have good superannuation – my husband has even better superannuation – and we have other investments including exchange traded funds (ETFs) and a few higher-risk angel investments. We have three investment properties.

Four years ago, I quit my job. It was a tense time in my department, and I was stressed and unhappy. Quitting when I did allowed me to spend time with my boys during the devastating bushfires (our community was blanketed in thick smoke for three months), the COVID-19 pandemic and other difficult times. It also allowed me space to explore some startup dreams, start a savings and investment podcast, write another book and do more freelance writing.

We have an enviable social life. We are blessed to have many friends, and we go out often (or often-ish). Both Neil and I are active in community-based activities and associations. We love concerts, and one of my favourite things to do is to be in the front row (or at least close).

I paid off my first property, the former family home, in 2016. That was a dream of mine, and I was so proud when I reached my goal ahead of schedule. I then bought the inner-city apartment my family now lives in. Then I met Neil, he moved in, and we bought more investment properties together while paying off the mortgage on the apartment.

It is possible.

Of course, life hasn't always been like this. My current financial situation didn't happen overnight. It took years of discipline and focus. While it's not such a big deal now if I want to splurge occasionally, for many years I was extremely frugal in my personal spending. I rarely took holidays, bought concert tickets (or went out at all) or bought new clothes. I even grew my hair long so that I could go without haircuts.

I once went to a Christmas party where a couple proudly shared that they had bought a new car. Another was going on an overseas trip. Those luxuries simply weren't on my radar at that time, but my frugal approach was more than worth it. I gained momentum on investing and paying down my mortgage, and I reached my goal even faster than I had planned. Now my husband and I jointly work towards building our wealth, and that period of frugality set us up well for our future investing discipline. From little habits, big things grow.

No-one said it would be easy

You may have heard of the marshmallow experiment. It's one of the most famous studies about delayed gratification, conducted by psychologist Walter Mischel and his colleagues at Stanford University in the late 1960s and early 1970s. In the experiment, young children were taken to a room where there was one marshmallow on a table. They were told they could either eat the marshmallow right away or they could wait a few minutes and receive a second one.

Could you resist the temptation to eat a marshmallow if you knew it would be doubled in a few minutes' time? Some children could, but many couldn't. The significance of the experiment is that the study found the children able to delay gratification tended to have higher academic achievement, better social skills and other positive life outcomes. I would expect that they would also tend to be better investors.

How much are you currently paying in rent, or on your mortgage repayments? Can you change aspects of your current lifestyle now to reduce your home loan debt and pay your mortgage off earlier? Even within 10 years? Even when interest rates go up for a period of the term of the loan?

If you can, it stands to reason that a few years down the track you'll have more money for marshmallows, figuratively speaking. With your mortgage a thing of the past, the money you had been spending on repayments will suddenly be free for other things. That sounds pretty good, doesn't it? I guess that's why you're reading this book!

Home ownership is never easy

Before we go any further, I want to talk about the affordability of home ownership and how it has affected different generations. While it won't help you pay your mortgage faster, it will help to explain why your mortgage is so large and put today's struggles into the larger context.

I was having coffee with a finance writer last year when I mentioned, in passing, one of my investment properties and some issues I was dealing with. The mood turned icy. I could see the (younger) guy was struggling with an inner rage.

'Oh, shit,' I thought to myself. 'He thinks I'm an entitled gen-X property owner. This could get ugly.'

And yes, he had some awful stories. As we talked, I learned that his experience had been of greedy landlords who overcharge, fail to undertake essential maintenance and abuse their position of privilege. He, and many in his generation, felt that the high cost of housing had pushed home ownership out of his reach – and that the generations before, especially those who are now property investors, are to blame.

He's probably sick of being told he just needs to tighten his belt, cut back on lattes and ditch the avocado toast – especially when other generations are free to indulge. From his perspective, the difficulty in reaching home ownership can't be solved just by forgoing a few little luxuries, like occasional brunch.

He does have a point. Research *does* show that overall the path to home ownership is harder than ever before – especially due to the high cost of housing. According to Dr Peter Tulip, chief economist at the Centre for Independent Studies, 'home owners, or households, as a group are paying a larger share of their income in interest than they did in the 1980s'. As interest rates go up, the sheer size of many mortgages is putting unprecedented stress on household budgets.

I don't need to be an economist to see that housing affordability is an issue: all I have to do is start searching for property online or talk to first home buyers about their mortgages. Cost of living is a hot political issue, especially as it's becoming more and more expensive to buy a dream home.

I was lucky that I bought my first home – the former family home – on the upswing of a major property boom in early 2001. My former husband and I then started investing in property around 2004. We had some more luck catching a Canberra property mini-boom and continued building our portfolio over the next nine years. But that's when the luck ended.

It all came unstuck when I filed for a Domestic Violence Order in the ACT Magistrates Court in August 2014 – and again the next year. Suddenly, I was a single mother with two young kids to support. While I had a good job, I was battling the highest childcare costs in Australia, legal bills and 10 negatively geared mortgages. At the same time, the rental income from those investment properties plummeted, in some cases by 40 per cent.

I could have lost everything, but I didn't. While my department at work wasn't exactly compassionate, my job was at least stable. I communicated regularly with the bank. In the process of separation, my ex-husband and I sold off properties: one sold to a developer at a larger than expected profit, others brought more moderate returns and one sold for a loss. This freed up equity and meant we could reduce debt.

My big lesson from all of this was the importance of not over-extending yourself and ensuring you have sufficient reserves for the unexpected. The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry unearthed stories of over-geared property investors, just like me, who *did* lose everything when the unexpected happened. Looking back, though we thought we were doing the smart thing by buying properties, renting them out and investing in shares and index funds, I'm not sure we got better returns than we would have had we just knuckled down, paid off our mortgage on our home and contributed more to our superannuation. It certainly would have been less stressful.

I'm sharing my experience because it's easy for first home owners and those just getting started to assume that everyone in previous generations had a smooth ride – especially when mortgages are hitting record highs, wages aren't keeping up with inflation and interest rates are continuing to rise. However, it's important to remember that everyone has their own story, and everyone has faced their own challenges.

Going through separation and the resulting money stress was challenging, but I'm resilient, and it made me a stronger person. I'm very grateful that I made it through with solid property assets. I remember joking to my family lawyer that it could have been worse: as at least there was money to lose. She became serious in response and told me that one of her other clients was going through personal insolvency. Yes, it happens to many people who go through relationship breakdowns.

Looking beyond my personal story and experiences now, there is the sad fact that women in their late 50s have the fastest growing rate of homelessness in the country. Homelessness and housing stress in Canberra, where I live, is made more acute by some of Australia's highest rents. For some older Australians, elder abuse is also a problem, and we know that the elderly are at heightened risk of financial scams.

Positive difference for today's buyers

This is not a book that is intended to make you feel bad for enjoying life. I have many hacks for saving money, and it's up to you whether and how you choose to implement them. I will not judge you or your financial priorities. Nor am I going to suggest that paying your mortgage off early will be easy; for many people it will require focus, discipline and strategy. However, I *am* going to tell you that it *can* be done – and I'm going to give you strategies and motivation to help you do it.

Although home ownership is less affordable than ever before – you're not imagining it! – engaging in intergenerational warfare is not productive. Cher may have hoped to turn back time, but it just isn't possible. And being consumed by a 'what about me – it isn't fair' attitude doesn't help to pay down your mortgage. Every generation has its challenges but also its own unique opportunities, so I want to finish this chapter by examining some of the *advantages* of being or becoming a home owner today.

Less bias in obtaining a loan

Once upon a time, a bank manager (usually a white, middle-aged man) would decide who qualified for a home loan – and who didn't. You had to make an appointment for an in-person interview with that person. Unsurprisingly, most successful applicants were also white men. Diversity wasn't really a thing – and that wasn't so long ago. Ita Buttrose, ABC Chair at the time of writing, founding editor of *Cleo* and the former editor of *The Australian Women's Weekly*, was a young and powerful woman in the media in the 1970s and 1980s, but even as a working mum of two she struggled to get a loan on her own.

Now, more women are buying property than ever before. In fact, in 2022 the number of single women who bought a home almost matched that of single men. That correlates with my observation that young women are increasingly buying their first home before they meet and settle down with a partner.

Australia is also a much more multicultural community than it used to be. While bias and barriers do still exist, being able to apply for loans digitally rather than having to be interviewed in person at the bank branch by a white, middle-class, middle-aged man should make it easier for people from culturally and linguistically diverse communities to obtain mortgages.

Access to digital banking

I remember getting my first full-time job and having to run out to the bank at lunchtime to deposit a cheque for rental payments. These days, all those sorts of payments can be made online. Not only that, you can automate your loan repayments. (This is usually set up soon after you receive your mortgage funds.) You can even automate additional payments and make one-off payments whenever you like. For instance, if you decide not to buy something, you could transfer that amount straight onto your mortgage. We'll discuss mortgage repayment strategies later in this book.

More flexible working arrangements

There are now more and more opportunities to work from home, which can mean a fortune in saved travel costs (more on this in chapter 9). It can also mean that you can practise geographical arbitrage – basically, you can earn a city salary while living in a cheaper area, perhaps even one more suited to your lifestyle ambitions, such as a small country town.

For example, Misty and her husband wanted to buy a home for themselves, their two boys and their golden retriever Terry. But with Canberra experiencing a property boom that suddenly made it the most expensive city in Australia in which to rent, making their home ownership dreams difficult to realise, they decided to do things differently. They bought a four-bedroom home in Chinchilla, around three hours west of Brisbane, for $250,000 – less than a quarter of the price they would have paid in Canberra. Misty's husband was able to convince his department to allow him to work remotely, and the family quickly made friends in their new community. 'It's like winning lotto,' Misty often says of their tree change.

Availability of online comparison tools

The internet has revolutionised our capacity to research, and this includes the ability to compare the best possible interest rate for our mortgages using online comparison tools. Don't forget to check out the fees as well, as they will impact the overall cost of your loan. Good sources for this information include *Money* (specifically its annual 'Best of the Best' awards), Canstar, Finder and InfoChoice.

You could even ask Siri or Alexa if you don't want to type everything into a search engine, and behavioural retargeting means that once you start searching you're likely to be advertised mortgage deals for weeks. (Just be sure to do your research before choosing one of those options.) Simply put, there is no excuse in this day and age for *not* spending a bit of time informing yourself about the best mortgage rate.

Convenience of side hustles

It is now easier than ever to pick up a side hustle and earn extra income to pay off your mortgage faster. Whether it's listing your services on Airtasker, selling crafts on Etsy or doing some freelance writing, the opportunities supported and made convenient by today's technology are astounding. These side hustles can even grow to become large and profitable businesses. We'll discuss generating additional income in greater detail in chapter 13.

Greater competition in the market

In the 'old days', it was generally only the major banks or credit unions that offered mortgages. Recently, many new non-bank lenders have emerged that offer mortgages, such as Firstmac, loans.com.au and Pepper Money. There are also divisions of major banks that offer internet-based loan services, such as UBank (NAB) and Unloan (CommBank). These lenders don't even have a storefront, and you usually apply for loans online. Because they are not heavily invested in physical assets such as real estate in expensive CBD locations, they can usually pass on competitive rates to borrowers. The greatest advantage of these new players in the market, however, is that more competition between lenders for borrowers results in better deals. Exploit that!

Power of dual incomes

It wasn't that long ago that most households got by on a single income. For instance, until 1966 female Commonwealth public servants were required to resign upon marriage. These days it's the norm for women to work, and most households are on a dual income. Notwithstanding the persistent gender pay gap and the high cost of childcare, many families now have more than one person earning an income. This means it's possible to work together to pay off a home sooner.

Summary

- If you don't have a mortgage or rent to pay every month, you have more income to do other things – whether that's travelling, pursuing a passion or not working at all.
- People who practise delayed gratification (that's waiting before splurging) are more likely to be successful in life. Pausing on discretionary spending now to pay off your mortgage will let you reap huge rewards in the future.

- Home owners are currently paying a larger share of their income in mortgage repayments than they did previously – and this will increase as interest rates get higher.
- Buying a home and paying off a mortgage are more difficult than ever before, but life in the 2020s still offers many advantages to help you achieve your home ownership goals.

Now that I've painted a picture of what life without a mortgage on your home can look like, shared my own story (the good and the bad) and discussed both the challenges and the advantages of achieving home ownership today, it's time to crunch some numbers. In the next chapter we're going to explore why paying your mortgage off – and quickly – is a sound financial strategy.