

Pay off the house—or keep investing?

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Not tax, legal, or investment advice. Simplified napkin math—not a comprehensive plan. Seek a qualified professional or coordinated team working on your behalf.

The question

Should I pay off my existing mortgage, or keep the loan and invest the money? Compare the financial trade and the emotional trade separately.

Who this applies to: homeowners with a fixed, fully amortizing mortgage and enough liquid funds for full payoff after protecting reserves. Other loan structures need comprehensive modeling.

Why it matters

Payoff can reduce required payments and increase home equity, but uses liquid money. Investing may compound—or lose value while mortgage payments continue. More invested assets do not mean more home equity.

Part 1: Five Yes answers to begin

1. Can you identify enough liquid funds for payoff while protecting emergency reserves? YES
2. Can you confirm a fixed, fully amortizing loan and a dated payoff quote? YES
3. Can you identify income left after living costs, property costs and other commitments? YES
4. Can you identify the account, withdrawal costs and tax questions for professional review?
YES
5. Can you compare loss risk and debt comfort without assuming guaranteed investment returns? YES

These fictional Yes answers establish readiness only, not suitability. No / Not sure means identify the missing record or constraint first.

The decision tree

All Yes → compare both scorecards. Income gap → review reserves and funding. Unmet payments → no wealth ranking. Then choose questions for a comprehensive professional review—not an automatic verdict.

Financial scorecard: count both sides

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Part 2: Fictional napkin math

Home \$500,000; mortgage \$250,000 at 5%, 20 years remaining. Liquid funds \$300,000 after protected reserves. Payoff fees \$0. Same 10-year horizon and \$2,000 monthly income surplus before P&I. Same home growth: 0%.

Investments: 5% gross return – 0.5% fee drag – 0.5% tax-drag proxy = 4% annual net assumption. Income-only funding; mortgage tax benefit defaults to zero.

At 10 years	Pay off now	Keep mortgage
Liquid investment account	\$367,404	\$495,433
Home equity	\$500,000	\$344,446
Combined wealth	\$867,404	\$839,879
Remaining scheduled mortgage	\$0	\$155,554

What these numbers suggest

Under these assumptions, keeping the mortgage ends with less combined wealth. This does not decide the trade for you.

Keep-minus-payoff wealth: -\$27,525. Monthly P&I: \$1,650. Income shortfall: \$0. Unmet payments: \$0.

The paid-off path invests the full monthly surplus, including freed mortgage payments. The retained-loan path invests only what remains after P&I. Both start with identical total resources.

Liquidity is not equity

Home equity is home value minus debt. Paying debt down increases equity; leveraged investing does not. Investments are potentially accessible but exposed to loss. Home equity is not automatically spendable cash.

Emotional scorecard: your trade-off

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No grade. No points. No automated recommendation.

What helps you sleep better?

Not decided. Consider a mortgage-free home, more accessible funds, or a balance of both.

How comfortable are you carrying debt?

Not decided. Distinguish “I can afford it” from “I want to carry it.”

How stable does your nonportfolio income feel?

Not decided. Stable, variable, or expected to change? Bring the reason to your team.

How would a market loss feel while payments continue?

Not decided. Ask to see the dollar shortfall, not just a percentage.

Market downturn and withdrawal risk

Replace the first month’s net return with –30%: keep-minus-payoff wealth -\$139,388; unmet payments \$0. Move the same loss to the last month: difference -\$66,725; unmet payments \$0. Same return observations, different order.

These examples are not worst cases or probabilities. If income is insufficient, selling assets for payments can consume principal. Losses can deplete the account and leave payments unmet. The tool withholds a terminal wealth ranking if that happens.

You decide what trade is worth exploring

A higher projected balance does not erase debt discomfort. Feeling secure does not establish affordability. Compare both scorecards with a qualified team before choosing.

Coordinate the complete decision

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Mortgage deductions: conditional, not automatic

The optional model starts at zero. Reviewed qualifying interest is added to other allowable itemized deductions. Only the increase above the larger of the entered standard deduction or other itemized deductions is multiplied by the entered marginal rate.

Example—not statutory amounts: standard deduction \$30,000; other itemized deductions \$20,000; eligible interest \$12,000. Incremental deduction is \$2,000, not \$12,000. At an illustrative 24%, modeled benefit is \$480. Actual tax-return comparison may differ.

IRS Publication936 explains itemization, qualifying debt, loan-use and debt-limit conditions. Publication530 explains the standard-versus-itemized choice. This tool does not establish eligibility, encode every limitation, or calculate an actual return. No automatic benefit is assumed from borrowing to invest.

Timing and limits

Growth first; payments and contributions at month-end; optional tax benefit credited at year-end. Tax benefits stop after payment failure. Fixed amortizing loan only. Common property/living costs must already be subtracted from monthly surplus. Liquidation taxes, penalties, state taxes, special deduction rules, inflation and selling costs need separate review.

Your next move: professional review

Bring the payoff quote, account-tax information, reserve needs, income budget and both scorecards. Request comprehensive review with a CEPA-credentialed, Q4-trained financial advisor and a qualified tax professional. These credentials do not replace tax, legal or investment qualifications. Advisor availability is unverified.

No appointment or comprehensive-tool link is verified in this prototype. No bank connection or client data is collected.

Official sources, checked October23,2026

IRS Publication936 — Home Mortgage Interest Deduction
IRS Publication530 — Tax Information for Homeowners