

Savings on mortgage interest

payments per year	duration of payments	mortgage amount	interest charge	total	savings
12	30 years	\$80,000	\$172,151	\$252,151	
13	22 years & 8 Months	\$80,000	\$110,647	\$190,647	\$61,504
26	22 years & 6 Months	\$80,000	\$109,764	\$189,764	\$62,387
12	15 years	\$80,000	\$74,702	\$154,702	\$97,449

Here are some other ways to save big on a mortgage

By Ted Bugenski
guest writer

Second of 11 parts

Last week we demonstrated that you can save a bundle by making 13 (instead of 12) payments a year. You must indicate on your 13th payment that it is to be used to reduce the principal. Otherwise, the savings institution might just consider it a payment made a month early and put most of the money toward interest.

But what if you couldn't afford to pay more than \$703 per month. Then are you out of luck? Not really.

Twice-monthly payments — Suppose you can't pay more than \$703 per month, but you could pay \$351.50 (\$703/2) twice a month, since you get paid every two weeks. By making this change, you will reduce the life of your mortgage from 30 to 22 1/2 years and your interest savings would amount to a whopping \$62,387. Incidentally, it would be understandable if you look at these huge savings figures with skepticism. However, these are true savings figures.



finances and you

Sid Mittra

Reduction of the term of mortgage — If you are one of the few fortunate homeowners who could make a higher monthly payment, you may wish to convert your 30-year mortgage into a 15-year mortgage. Naturally, your monthly payments would increase from \$703 to \$860 per month. But by doing so you will pay off your mortgage in 15 years and will save \$97,449 in interest charges.

Details of the amount of money that could be saved by making (1) 13 payments a month, (2) bi-monthly payments, or (3) converting the 30-year mortgage into a 15-year mortgage are given in the accompanying table. Clearly, savings in each case are sufficiently attractive to warrant your serious attention.

Benefits extend to existing mortgages — Interest charge reduction strategies apply to existing mortgages as well, although the amount

of savings won't be quite as impressive. For example, if you took out a 30-year mortgage on which 10 years are still remaining, you can still save on interest charges by adopting any one of the three strategies we have discussed. Of course, savings on your mortgage won't be as much as would be the case if you convert a newly approved 30-year mortgage into a 15-year mortgage.

Summing up — In conclusion, there are ways of reducing your interest charges on a conventional mortgage. However, you would be well advised to consult your financial planner before making a move.

Sid Mittra is a professor of finance, school of business at Oakland University and owner of Coordinated Financial Planning.

7 steps small businesses can use to solve problem



focus: small business

Mary DiPaolo

There is a simple seven-step system that has been proven to help business owners and managers effectively resolve problems.

Developed by Herb Mitchell Associates, a California-based management consulting firm, these steps should be followed in the order listed.

Mitchell's group points out that sometimes the problem-solving steps overlap, as it is necessary to work on two or more phases at the same time.

The important point is to understand that all seven steps in the formula must be completed or the system will not work.

Step one of the process involves identifying the real problem. Until you correctly define your problems clearly, concisely and objectively, you are not likely to solve it.

Many times a business owner or manager will waste valuable time working out a solution for the wrong problem — or for one or more symptoms of a larger problem.

In most cases, identifying the real problem is the most difficult and time-consuming step in the problem solving process. As you move through the remaining steps of this process, you may find yourself returning to this first step to redefine the problem.

NEXT, an essential step in successful problem solving is to write

down your problem in specific terms that leave no doubt in your mind as to what you are trying to resolve. If your definition is too broad, the guidelines to solving the problem will not be specific enough to lead you to a workable solution.

After you have written down your problem, make sure it is not a conclusion rather than a definition. For example, a business owner who has problems with salespeople productivity and writes "I need to motivate my sales staff to call 10 more prospects each day" has written down a conclusion rather than the definition of the problem.

Instead, the problem should be stated as "Three of my salespeople are not producing sales to budget. Therefore, our sales are 10 percent below minimum requirements to reach our needed profit."

Remember that if you cannot write down your problem in simple and realistic terms, go back to step one. Do not attempt to solve a problem until you can define it clearly in writing.

STEP THREE of the problem solving process is to gather information about your situation. The key is to collect timely, relevant and accurate data that can help you to identify and subsequently evaluate alternative solutions.

It also is important to determine if the information is an established fact, an expert observation or a personal unfiltered opinion.

Also try to avoid the mistake of stacking evidence by confining your information search only to the facts that support your own preconceived ideas.

The best gut feelings for solving problems always come after the facts are gathered, not before.

Next week we will present the remaining steps of the problem solving process for business owners and managers.

Mary DiPaolo is the owner of MarkeTrends, a Farmington Hills based business consulting firm. She also is producer and host of the cable television series "Chamber Perspectives."

marketplace

Prudential-Bache Securities moved its Bloomfield Hills branch to 1533 Woodward. The telephone number is 433-8374.

Albin Business Copiers of Farmington received the Million Dollar Circle Award, the Top Regional Dealer Award and the Top Dealer-Nationwide Award from Konica Business Machines U.S.A. Inc. The award, based on 1989 sales results, is given to an authorized Konica copier dealer.

Votrax Inc. of Farmington Hills will order its TI Interface from Dialog Corp. of Parsippany, N.J.

Erhard BMW moved to 4065 W. Maple in Bloomfield Township. Erhard is replacing Strike & Spore Bowling Lanes near Telegraph. Erhard is the second-largest exclusive BMW dealership in North America.

Sheila Sloan Public Relations Inc. of Southfield will handle public relations for Erhard BMW in Bloomfield Township.

Olga's Kitchen Inc. of Troy appointed Baker Advertising Inc. of Troy to handle its advertising.

Ross Roy Productions won the International Film & TV Festival's Gold Award for producing Chrysler Motors 1990 new product announcement show, "The Power of Partnership."

Kirco Realty & Development Ltd. moved its corporate offices to 201 W. Big Beaver Road, Suite 200, Troy. The phone number is 680-7180.

O/E Automation of Troy is selling its Florida and Texas subsidiaries.

Olga's Kitchen Inc. appointed Baker Advertising Inc. of Troy as its advertising agency.

Smarteye Corp. of Troy hired J.E. Advertising Inc. of Troy as its advertising agency.

The Claymore Shops and Ralph Lauren Polo Shop of Birmingham appointed Dennis R. Green & Associates of Southfield as their advertising agency.

Rainbow Computers of Troy signed a franchise agreement with Microage Computer Centers to become the only Detroit area Microage location.

Capital Systems Inc. in Farmington Hills opened at 38040 Forestbrook Drive, Farmington Hills. The company will sell retail management systems in Michigan. The phone number is 478-7298.

Florists' Transworld Delivery Association commemorated its 80th year with the formal dedication of a four-story addition to its Southfield headquarters.

O/E LEARNING, the educational and training services subsidiary of O/E Automation of Troy, received a Lighthouse Beacon Award from Port-lance Lighthouse.

Ventures Group Inc. hired Casey Communications Management Inc. of Southfield as its public relations agency.

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