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**Compound Advantages in 2010 – Part One**

Why not make 2010 the year when advantages compound on advantages?

This turn-around will partly depend on the local impact of continued global economic shifts, but your attitude toward what is happening in your life and community is a key factor.

"Wait and see" attitudes can be expensive in real estate; moving from a  because by the time a positive or negative shift is clearly evident to everyone, forward thinkers have acted to their advantage.

To cultivate this foresight, decide which possible changes could improve your situation and your real estate's, and which could make things worse. Prioritize each of these lists: positive, according to the goals you have set, and negative, from worst-case scenario on down. Evaluate how prepared you are to make advances if and when any of those situations arise. This visioning and musing build the mental flexibility and creative resilience necessary to thrive, whatever 2010 throws your way.

If it is savings that matters more than spending, compound interest should be a sought-after earnings accelerator.

Compound interest is interest on interest. That is, interest on the original amount, the *principal*, and also interest charged on accumulating interest. For instance, with semi-annual compounding, the amount of interest charged over six months is added to the balance to create a new amount on which to calculate interest. Compounding is a savings boost for investors, but a debt accelerator in mortgages and other compound-interest debts.

This is why the amount you borrow when arranging a mortgage can be doubled or tripled over the life of the mortgage.

Early in a mortgage, payments largely constitute interest due, with little repayment of principal. The amount of interest charged in a period, for instance over six months or one year, is added to the balance to create a new amount on which to calculate interest. At higher rates, compounding has a substantial impact. For example, at 8% interest, compounded annually, the interest charged on $100,000 would be $8,000. In the second year, interest would be charged on the new balance of $108,000. Annual compounding is the normal savings mode while, not surprisingly, semi-annual compounding is common in residential mortgage lending.

Eventually, the original mortgage principal would double to $200,000 as the interest accumulated.

- Use an online mortgage calculator to experiment with various rates and other variables relevant to your situation.

For a rough estimate, use the Compound Interest Rule of 72: To determine the doubling point, divide 72 by the percentage of interest. For instance, at 8% the $100,000 mortgage would double in (72/8=) 9 years, if the rate remained unchanged and no principal was repaid. If payments were missed or rates increase, doubling would occur sooner.

Since mortgage interest is usually not income tax deductible, minimizing the burden of compounding is an important way to reduce debt:

- Buy a lesser property and arrange a smaller mortgage.
- Keep the amortization period as short as possible and decrease the period on each renewal date.


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