**The Compound Effect: Building Your Household’s Wealth**

Wealth is within reach for many people; however, according to a recent study 63 percent of Americans said it’s not likely they’ll become rich.1 Don’t just dream of being wealthy; start taking the steps to make it a reality. There is no secret to becoming rich--it takes time, sacrifice and good financial sense. Here are a few ways to build your household’s wealth.

**Let Compound Interest Work for You**

Compound interest is your interest earning interest. While the concept may work against you when you take out a loan to buy a car or use your credit card, it works in your favor when you’re saving money. For example, if your savings is growing at a rate of four percent, your investment will double in eight years and quadruple in 16 years. Your money will grow exponentially the longer you save: the more money you’ve saved, the more your money will grow.

**Tap into Your Home Appreciation**

[Experts expect](https://www.pulsenomics.com/Q4_2016_HPE_Survey.php) home prices to appreciate 3.24 percent and grow by 21.4 percent cumulatively.2  If a homeowner purchases a home this year for $250,000, they could earn more than $40,000 in equity over the next five years. Although the home value of the average American family’s home is $165,000, home values vary by market.3 If you’re curious about the value of your home, give us a call!

**Build Equity in Your Home**

One of the most compelling reasons to own a home is it allows you to build wealth over time. Saving for a down payment, especially if you plan to put down more than 20 percent, helps you adopt good financial habits. The more you put down when you buy, the higher your share of equity when you close. Although for the first five to seven years, the majority of your payment will go toward interest, over time more money will be applied to the principal. There are many tools online that calculate your current and future equity in your home, including this one [here](http://www.mortgage-info.com/mortgage-calculators/equitygrowthcalculator.aspx).

Build equity sooner by choosing a shorter amortization term. While your payment may be higher, you’ll likely qualify for a lower interest rate and will pay less interest over the life of the loan.

**Pay Down Your Mortgage…or Not**

Many homeowners grapple with whether or not to pay down their mortgage. On one hand, if you pay it down, or pay it off early, you’ll save money on interest, which you can use to make other investments. On the other hand, if your goal is to be debt free, it’s better to pay off your higher-interest debt, such as credit card debt, first before paying down your mortgage debt. Additionally, if you’re saving for retirement, putting extra cash toward your retirement accounts will help you build a nice nest egg to enjoy later on. Your financial advisor can help you decide if paying off or paying down your mortgage is right for your goals.

**Purchase Investment Property**

Investment properties provide passive income to your growing financial portfolio. More than 25 percent of Americans say real estate is the best way to invest money you may not need for the next 10 years.4 While many people flip houses to make money—that is, they buy a home at a low price, fix it up and sell it quickly—others purchase multifamily properties to create monthly cash flow to save or to reinvest in other properties.

The longer you own a property, the better investment it becomes as you’ll continue to build equity. While rental costs rise with inflation, your mortgage will remain the same. The best part? Once you pay off the mortgage, your cash flow will increase.

There are tax benefits to owning investment property as well. You may be able to claim deductions for depreciation, as long as it fits within the guidelines; repairs, travel expenses, interest and more. If you’re thinking of purchasing investment property, talk to your tax professional to get the details.

Sources: 1. BankRate.com

2. Pulsenomics, Home Price Expectation Survey Q4 2016

3. Statistic Brain, August 1, 2016

4. The Motley Fool, July 30, 2016