Break-Even Analysis

Step 1: (if more than 1 debt to be paid out)→ Det. Avg rate of debts to be paid out

Step 2: Det. approx. int% spent on debts to be paid out

Step 3: Det. int% to be spent on proposed option

Step 4: Det. savings b/w proposed and current

Step 5: Divide costs of proposed option by savings (step 4) = how long it takes to justify switch

Thoughts:

- If it takes too long to justify/break-even can the borrower just work on improving situation in meantime ie.
    - if switching from a C to a B lender, and it takes 2 years to justify the switch, could the borrower just improve their situation over the two years and make the jump to an "A" lender at that time?
- Ensure you're relying on sound data ie. ensure the time it takes to break even is less than the term ie.
    - if borrower take a 1 year term, but it takes 1.5 years to break-even, what if the new lender doesn't renew after 1 year?
    - Or, vice versa. What if current mortgage renews soon, and there is no guarantee that the lender will renew, or (if they will renew) not at the same rate?