

Wealth Advisor Rob Tetrault Explores Impact of Rising Interest Rates on Mortgages

Exploring Mortgage Dynamics: Rob Tetrault on Rising Interest Rate Impacts

WINNIPEG, MB, CA, October 7, 2024 /EINPresswire.com/ -- Renowned [wealth management advisor, Rob Tetrault](#), dives into the current macroeconomic landscape and its implications on mortgage rates, joined by estate planning specialist, Adam Buss. As interest rates rise, understanding their effects on [mortgages](#) is crucial for homeowners and potential buyers.

With inflation becoming a pressing issue, the Canadian Central Bank has responded by increasing interest rates, recently raising them by 75 basis points. This trend is expected to continue through 2023. The U.S. Central Bank has taken similar measures, reflecting a broader economic strategy to control inflation. These rate hikes have significantly impacted mortgage rates, which had reached historic lows during the pandemic.

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“Over the last year and a half, we saw interest rates at unprecedented lows, offering incredibly cheap money for home buyers,” Tetrault explains. “Now, we've seen a dramatic swing of 4% in the other direction, affecting fixed-rate mortgages particularly hard.”

Adam Buss further elaborates on the types of mortgage rates available and their respective impacts. Fixed-rate

mortgages lock in an interest rate for a set term, typically one to five years, providing stability despite market fluctuations. In contrast, variable-rate mortgages fluctuate with the prime lending rate, which banks adjust based on the Bank of Canada's rate changes. This can impact monthly payments for homeowners with variable-rate mortgages, lines of credit, and personal



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loans.

Homeowners with existing mortgages face a dilemma: continue with a variable rate, hoping it remains advantageous, or switch to a fixed rate to ensure predictable payments. "Currently, there's a significant spread of over 2% between fixed and variable rates, the highest we've seen in a while," Buss notes. "This spread indicates that banks have already factored in anticipated future rate hikes."

For those nearing the end of their mortgage term, early renewal options may be available, allowing them to lock in a rate before their current term expires. However, this decision depends on individual risk tolerance and financial planning. Tetrault emphasizes the importance of planning, especially for those on tight budgets. "Planning for potential increases in mortgage payments is essential. Extending the amortization period or finding additional cash flow solutions can help manage these increases."

The discussion also touches on the implications for homebuyers with pre-approvals. As interest rates rise, stress tests become stricter, reducing the amount potential buyers can borrow. "A pre-approval from five months ago might no longer be valid under current rates," Buss explains. "This means buyers may need to adjust their expectations in the housing market."

Rob Tetrault and Adam Buss's insights highlight the need for careful financial planning and consultation with experts to navigate these changes. For more information and professional advice on managing mortgages and wealth, [visit Tetrault Wealth Advisory Group - CG](#)

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