

# FIXED RATE VS. VARIABLE RATE

## HOW DO YOU CHOOSE?

When taking out a private loan, it's important to look beyond just the current interest rates and lender options; factors like fixed or variable rate loans can also impact which loan is right for you.

### FIXED RATE

- Fixed interest rates are typically higher.
- A fixed rate stays constant throughout the loan term, ensuring your monthly payments remain unchanged.
- If rates drop after you've locked in a fixed rate, monthly payments may be higher compared to a variable rate.

### VARIABLE RATE

- Variable interest rates are typically lower.
- The variable rate can increase or decrease based on changes in the Prime Rate, causing your monthly payments to fluctuate.
- If the interest rate goes up, your monthly payments could become higher than those with a fixed rate.

Deciding between fixed and variable interest rates can be difficult. While variable rate loans often start with a more appealing interest rate compared to fixed rate loans of the same term, this initial rate can change over time. Therefore, it's important to look beyond the initial rates and consider the long-term trends of market interest rates, which typically fluctuate in cycles.

### BEFORE BORROWING A PRIVATE LOAN CONSIDER

- Whether you're comfortable with interest rate fluctuations and the potential changes to your loan payments. With the possibility of rate swings, borrowers might prefer the security and predictability of fixed loan payments.
- The loan term. With a longer-term variable rate loan, you'll need to be prepared for a longer period of interest rate fluctuations and the resulting changes to your family budget.
- Although no one knows whether, when, or how much interest rates will change, common sense indicates that rates will change.