
Home loan portability

If you are like most people, you won't live in the same house for the entire 25 or 30 years of your loan. With many home loans, you can now sell one home and buy another without having to reset the loan, thereby avoiding all the normal set-up and exit fees. There are however constants on the loan amount required on the new loan which may negate the benefit of this.

Match fixed rate

If it makes sense, make sure you match the fixed-rate period of your mortgage to the time that you may keep a property should you have an intent to sell in the near future e.g. do not take a fixed rate for ten years if you may sell the property in three years.

Use a loan with a 100% offset account

Mortgage offset accounts allow you to use your savings and income to reduce the amount of interest you pay on your mortgage, without actually locking away your money. An offset account is a separate bank account to your home loan or a loan split, but it is linked, from the same provider and opened at the same time. The balance in your offset account is 'offset' from your loan balance when calculating interest, your total loan amount. If example you have a \$300,000 home loan, and you have \$10,000 in your offset account interest is calculated on the balance i.e. \$290,000 and so the money in your offset account saves you interest without you having to physically deposit it into your loan account.

Another benefit of using an offset account is the potential tax savings. As you don't actually receive any interest payments on your savings, because it is sitting in your home loan offset account, you don't need to pay tax on earning interest. You therefore get the full, tax-free benefit of the savings interest in reducing your home loan debt. This often operates best when your mortgage offset account is used as your primary bank account – for savings, lump sum payments and salary payments.

Mortgage offsets can be very effective if used correctly, but bear in mind that some lenders may charge additional monthly fees, for the privilege of this feature. It's important to do your sums, as it might not suit your circumstances, especially if you have a large mortgage and little savings to put in the offset account.

Direct salary credit

Your salary is an excellent example of a regular payment that should go directly into your home loan, even though you draw against it. It's a common feature amongst most home loans.

And since all of your income goes in to your home loan, it reduces your principal balance outstanding – as well as the interest it attracts.

You benefit because the lower interest bill allows you to pay off your home loan more quickly.

CONTACT US

.....

