Your interest rate *may not be what it seems...*

At a time of almost constant (even daily) changes in the finance world - and an absolute overload of information online - it's easy to see why some consumers are becoming 'switched off'.

A recent study[1] about financial literacy found 57% of respondents didn't know that **banks determine actual interest rates** - not the RBA. It also found 36% didn't realise if they reduced the length of their loan they reduced the amount of interest they paid!

What does that tell us? Well...

It tells us there are potentially a LOT of people who could be enjoying savings on their home loan AND other loan products - **if only they knew how.**

So how important is financial literacy?

Let's face it, many of us find the ever-changing world of finance and banking complex. And yes… pretty dull. But a lack of interest in educating ourselves about our home loan - usually the BIGGEST financial commitment we have - **is often costing us money!**

It's interesting that the same survey found 74% of us don't know what a comparison rate is…

Do you? And what SHOULD you know?

Comparison rates

Lenders are legally required to display a comparison rate when advertising most loans. This is a tool to help identify the **true cost of a loan** by combining all components into a single percentage rate*. It includes:

- the loan amount
- the loan term
- the repayment frequency
- the interest rate, and
- the fees and charges connected with the loan**

For example at the time of writing this article, one lender was advertising an interest rate of 3.78%. Sounds good doesn't it? But the comparison rate was 4.36%. Now that's a difference of $580 interest each year for every $100,000 of borrowing you have. That is a little over $2,000[2] per annum on the average Australian loan.

The mandatory comparison rate was initially introduced to stop lenders advertising *very low interest rates* that lured borrowers into loans

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that actually ended up costing more than they expected. A low rate may look attractive at first glance but it doesn't always mean it is the lowest rate.

While the comparison rate can be used as a guide it is also important to consider the features of the loan and how these may benefit your particular circumstances and future goals. The rate alone should NOT be your sole consideration when obtaining finance.

Remember, whether you are looking to buy your first home, upgrade, downsize, refinance, invest in property or even buying a new car, as your finance specialist it is our job to do the research for you to determine the loan product most suitable for your circumstances.

Mortgage brokers now account for more than 50% of the home loan market.[3] **There is a good reason for that!** We have to constantly adapt with the times, the policies and the changing finance market to provide more than just a loan service.

We are your finance concierge, educator, confidant and specialist working for YOUR best finance options without the trickery of advertising low interest rates as a lure for your business.

If you are thinking of reviewing your current loan - DON'T do it alone!

Our role as your finance specialist is to help you make the best financial decision for your personal situation. We consider such factors as:

- how long you are planning on having the loan
- your employment status, age and financial position
- what job/personal circumstances may be happening in your future
- your family situation and potential future financial expenses (known and unforeseen)

AND we look at more than one lender for your solution.

Call us TODAY. We're here to answer any financial queries you may have.

1. mebank.com.au
2. An average Australian loan of $357,200 ABS Feb – 2016
3. corelogic.com.au

* Assumes a loan balance of $150,000 over 25 years. Different amounts and terms will result in different comparison rates

** Costs such as redraw fees or early repayment fees, and cost savings such as fee waivers, are not included in the comparison rate but may influence the cost of the loan.

Are you keen to slash thousands in interest off your loan?

Then contact us for our article 'Top 15 ways to OWN your home sooner'.

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