

The Power of Offset

An offset account can provide huge savings over the life of a home loan so be sure yours is set up to get the best bang from your buck.

It is an account that enables you to have every cent of your money working to reduce the home loan rather than sitting idly in your savings account.

The money in an offset doesn't earn interest; instead the balance is deducted from the value of your home loan when monthly interest is calculated. If you have a home loan worth \$500,000, for example, and \$30,000 in the offset account, your loan interest will be based on a balance of \$470,000.

An offset account gives you instant access to your finances, which means you can use the account to pay off bills and daily expenses. While using this account won't reduce the amount of scheduled loan repayments, it will reduce the overall repayment amount over the life of the loan.

As your mortgage adviser, we can help you calculate how much you are likely to save with an offset, but first here are our tips and tricks for maximising the power of offset.

Watch out for fees

Steer clear of offset accounts that charge account keeping fees as these might outweigh the interest that will be offset.

Choose fully offset

Opt for a fully offset (100%) account instead of the less effective partial offset, where the balance of the savings account will only partially be deducted off the balance of the loan account.

Make every dollar count

Maximise the amount of money sitting in the account at all times. If you put as much as possible into the offset and keep it there for as many days as possible each month, your savings are bringing down the interest incurred and hence reducing the home loan.

Pay in your salary

Have your salary paid directly into the offset account so this money can immediately start reducing the interest on your home loan. Let's say you get paid on the 10th of the month and your mortgage comes out on the 22nd of the month, you could save the difference in interest on the amount in your account for all the days in between this period.

Use your savings

The interest you save with an offset will generally be worth more to you than the interest you could earn with a savings account. Depending on your rate, it could return more than the best high interest savings accounts. In addition, any interest you earn through savings is usually taxable, but anything you save through offset isn't as no interest is earned.

For further information, please don't hesitate to call AlphaLoan today so we can match your needs against 100's of home loans from our panel of lenders, including all the major banks and many more!

Web: www.alphaloan.com.au

Mob: 0411 886 310

Email: gvimpani@alphaloan.com.au

