OWN HOME LOANS

7 Ways to Own your Home Sooner

Top tips to help you save money and pay off your mortgage early.

Do you want to own your own home but shudder at the thought of paying off a mortgage? The good news is you don't have to be stuck paying off your mortgage for 30, 25 or even 20 years! Our strategies make it easy.

There's no escaping a home loan for most people, but there are strategies you can put in place to avoid years of slogging away at repayments. These strategies will help you save a considerable amount of money, slash years from your loan term, and ultimately own your own home sooner.

I am committed to going above and beyond for my customers, not only in getting the right home loans to best suit their individual needs, but most importantly, creating perfectly tailored strategies to pay their loan off as fast as possible, building wealth through property.

Rory Sercombe / Owner
Own Home Loans

1. Choose the right loan

Is your home loan setting you up for failure?

When it comes to lenders, they're not created equally. Some are very product-focused rather than solution-focused. This means you'll be given a loan product that meets your needs for all intents and purposes but isn't necessarily tailored to your situation with smart strategies to help you smash your goals.

Here are a few signs to look out for when deciding on a home loan:

- **It has a great honeymoon rate but a very high rate afterwards. Make sure you choose a loan that you're confident you can afford after the honeymoon period.**
- **It doesn't allow extra repayments. Paying extra when you are able can go a long way towards saving you money.**
- **It doesn't offer an offset account. An offset account can significantly reduce your interest expense over the life of your loan — potentially saving you tens of thousands of dollars.**
- **It doesn't have the ability to 'section off' your money. Separating your accounts can help you budget more effectively. Paying off your home loan fast doesn't mean you have to forgo the finer things in life — separating your funds and including a designated 'splurge' account means you can keep your budget on track and still enjoy life.**
- **The interest rate isn't optimal. Try to get the best rate possible. But if a rate sounds too good to be true, it probably is! Always make sure you understand the comparison rate. This shows the effective rate you'll end up paying once fees and charges are factored into your loan repayments. An extremely low-interest rate with high fees and charges may end up costing more than a higher interest rate with low fees.**

To pay your mortgage off early, your loan needs to have features that suit your needs and allow you to make additional repayments. When your finance strategy is perfectly tailored to meet your needs, you can get the most out of it and zoom through the repayment period.

Here's the Tip:
Review your loan and make sure it's got the right features for your needs.

2.
Pay more

We all know that paying more money will reduce our outstanding debt quicker. What most people don't realise, however, is what a huge difference paying even just a little more can make.

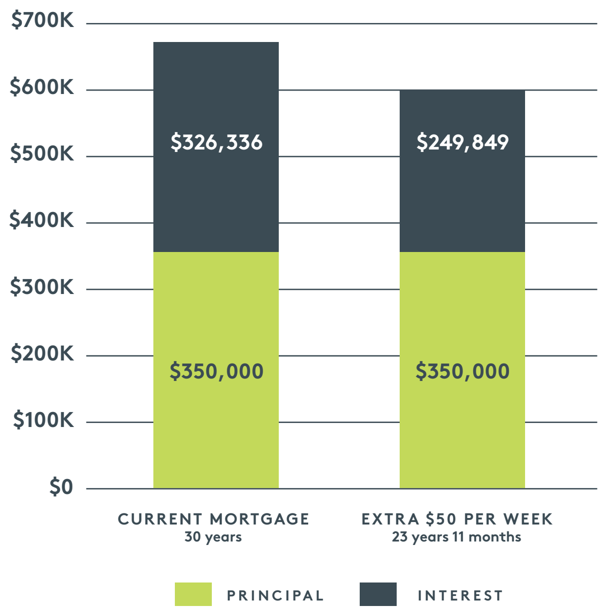
These two examples demonstrate how a small extra payment can have a significant effect on your loan.

Original loan terms:

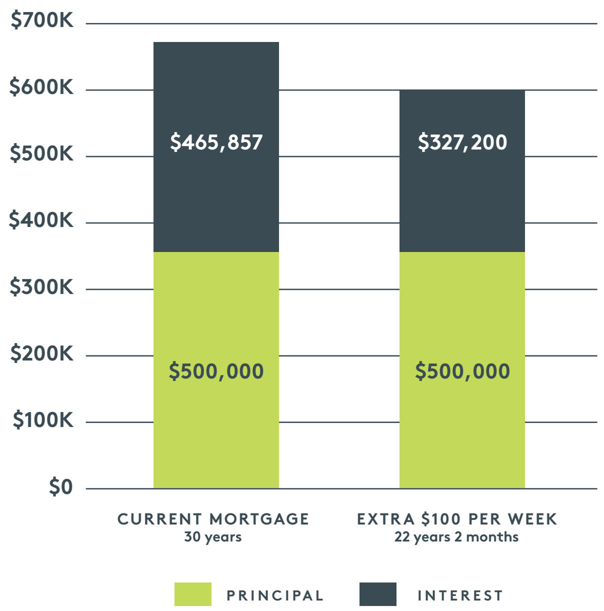
Loan Amount - $350,000
Interest Rate – 5%
Loan Term – 30 years
Minimum Monthly Repayment – $1,879

Here's the Tip:
Pay more than your minimum repayment whenever you can. If you do this consistently, you'll shave years off your mortgage and enjoy the interest savings!
But where does the money for extra repayments come from? Check out tips 5 and 6 for ideas.

A $350,000 mortgage, adding <u>an extra $50</u> per week to your repayment



A $500,000 mortgage, adding <u>an extra $100</u> per week to your repayment



→ PAYING AN EXTRA <u>$50 PER WEEK</u>

Now, let's see what happens if you pay an extra $50 per week.

Loan Amount - $350,000

Interest Rate – 5%

Loan Term – less than 24 years

Monthly Repayment – $2,096

By adding just $50 per week to your repayments, you can reduce your mortgage by six years! At the minimum payment, those six years would have cost $135,288 ($1,879 per month over 6 years). But you cut those six years off your mortgage just by paying an extra $50 per week, saving you **$72,888** in interest!

→ PAYING AN EXTRA <u>$100 PER WEEK</u>

When the figures are higher, the impact extra repayments make is higher too.

Loan Amount - $500,000

Interest Rate – 5%

Loan Term – 30 years

Minimum Monthly Repayment – $2,685

Now, let's see what happens if you pay an extra $100 per week.

Loan Amount - $500,000

Interest Rate – 5%

Loan Term – just over 22 years (22.1) Monthly Repayment – $3,118.34

By paying $100 extra per week on this mortgage, you save eight years of repayments! At the minimum payment, those eight years would have cost $257,760 ($2,685 per month over 8 years). But you cut those eight years off your mortgage just by paying an extra $100 per week, saving you **$143,360!**

3. Pay more often

Making more frequent payments is a simple but effective way to pay your loan off faster — and pay less interest! One of the best strategies for this is to make fortnightly rather than monthly repayments.

The trick is to divide your monthly repayment in half and pay that amount every two weeks. (For an extra boost, round it up or add a bit more!) By the end of the year, you will have paid an extra month's payment, probably without noticing any difference in your disposable cash.

This is one of the easiest strategies for getting ahead on your mortgage. It also works if you want to pay weekly. Just divide your monthly repayment by 4 instead of 2.

This is because there are 12 months in the year and 52 weeks. When you divide the month by 4 to get your weekly payments, you're assuming there are 28 days in the month — which there aren't! Those few extra days on top of the 28 you've counted, add up to roughly a whole extra month. So by dividing your monthly repayments by 4 or 2, the amount you're paying is equal to 13 months of repayments made over 12 months.

For example, imagine your monthly repayments are $1,000 (or $12,000 a year). When you divide that by 4, you get $250 per week. But $250 per week for a whole year is equal to $13,000. An entire extra month of repayments!

The impacts of this strategy are twofold:

- **You're paying slightly more money.**
- **Because the repayments are being made more frequently, the balance of the loan is progressively reducing. So when the interest charge is applied at the end of the month, it will be a smaller amount than it would have been if interest was being calculated daily on a larger balance.**

**Here's the Tip:
Make repayments every 1-2 weeks. It's a great way to make an extra month's payment each year.**

4. Offset your loan

A mortgage account with a 100 per cent offset is a fully-featured transaction account that sits alongside a home loan. In many ways, it acts just like a regular bank account.

However, along with the usual facilities, like ATM access and direct debit, there's a significant advantage: any money sitting in an offset account reduces the amount that the bank calculates interest payments against.

The loan principal is reduced for the purposes of calculating interest just by having money in the offset account — without increasing the repayment amount.

How exactly does an offset account work?

Here's an example of how an offset account works: If a home buyer has a principal of $350,000 outstanding on their mortgage and also has $10,000 in a linked offset account, the bank will only charge interest on $340,000.

The money saved in interest goes straight into paying down the loan principal. This reduces the amount of interest paid over the life of the loan. It also reduces the overall loan term. In a nutshell: you spend less money and pay it off faster.

Lenders calculate interest on mortgages daily, so offset accounts can be used proactively. For example, having your salary paid into an offset account means the loan principal is reduced by that amount as soon as you receive your salary.

You can even use interest-free days on your credit cards to pay for goods and services. This keeps your cash in your offset account, working for you for longer.

If you want to take this one step further, multiple offset accounts can work really well. They allow you to break up your money into different 'buckets'. You can have one for savings, one for spending, one for a bills account, maybe a kid's account or a holiday fund. You decide how your money is broken up; the important thing is that each of those accounts offsets the interest on your mortgage. So you not only get the benefit of breaking your money up into effectively budgeted buckets, but you also have all of your money offsetting the interest on your mortgage. This strategy can be really powerful.

To get the most bang for your buck, have your income paid into your offset account instead of your spending account. Then, have a fixed amount transferred automatically to your spending account, so you get used to spending a specified amount of money. When you get extra funds, such as a tax return or bonus from work, that money won't go straight into your spending account, So you're less likely to spend it pointlessly.

Here's the Tip:
Explore all loan features – especially offset accounts!

5. Budget, save and bank the difference

This tip is simple but true: a budget will help you get ahead with your loan.

By being proactive about our living expenses and budget, most of us can reduce our costs significantly. What non-essential expenses can you forgo? Can you save on your monthly bills by changing to a less expensive plan or by conserving energy to reduce your power bill?

By cutting back on simple things like takeaway food, and by reviewing and comparing costs such as insurance and electricity, you can not only save money on these bills, but you can put that money directly towards your home loan.

Remember Tip 2 - a little bit extra can make a big difference!

If you'd like to know what sort of dent you could make in your mortgage by contributing your newfound savings, once you work out how much you can save in your budget, let us know! We'll crunch the numbers for you to see how much you could save on your loan by putting that money towards your mortgage payments.

Here's the Tip:
Compare prices of health insurance, car insurance, electricity, internet bills and any other regular bills you have. Often, if you call your current providers and ask for a discount, they'll happily oblige to retain your loyalty. Put the money you save towards your mortgage.

6.
Invest and put the profits into your mortgage

This one might need a financial plan. Between a good mortgage broker and financial adviser, a plan that suits your needs could see you through your loan with money that you haven't even started earning yet.

There are so many ways to start investing: managed funds, direct stocks, buying a property, and more. Choose the one that's right for you, and use the profits wisely to make yourself home loan-free.

Having multiple income streams is really important for wealth creation. Think of it as diversifying your income! You don't need to start big — just get started.

A word of warning: beware of cryptocurrency. If something seems like it's too good to be true, then it probably is! Crypto is a speculative investment. Many people have made their riches, but for a long-term investment strategy, as far as I see it, it's not much better than gambling.

Here's the Tip:
If you haven't started investing yet, check out Raiz. You can invest tiny amounts of money — called micro-investing — and start diversifying your income. raizinvest.com.au

7.
Put a plan in place and review it

Planning is the key to any successful strategy. When it comes to a home loan, the one thing you can't do is set and forget. An annual review of your loan and financial situation will ensure that you are in charge, that your money is being used to your advantage, and that the banks are not taking advantage of you.

We see people all the time that are being charged old, expensive rates by their lenders. Did you know that on a $500,000 mortgage, a 0.5% discount equals over $200 per month in interest? It doesn't take long for that to add up!

Make a plan, stick to it, and keep it flexible for when your situation changes.

Here's the Tip:
Contact us to claim your free home loan review. We can help you get the right loan, manage it properly, and keep monitoring it, so you know when to make adjustments. Let us help you Own your Home, Own your Life, Own your Future!

Need more help?

Armed with our tips, you're now ready to take action and change your future!
We'd love to help you get these strategies set up with a loan that perfectly suits your needs.
For more detailed and personalised advice on how you can slash years from your loan and save a massive amount of money, claim your free home loan review.

CLAIM YOUR FREE HOME REVIEW

*All advice in this guide is general and doesn't take your personal circumstances into account.
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