



POINT  
FINANCIAL  
SOLUTIONS

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## HOW TO SHAVE YEARS OFF YOUR HOME LOAN

One in two borrowers are worried they will never pay off their home loan, while 40 per cent fear carrying a home loan into retirement, new research has shown.

But despite concerns over carrying too much debt, four out of five borrowers are paying back more than is required.

In fact, 45 per cent of mortgage holders expect to pay their loan off at least five years early, according to the survey commissioned by ING.

Committing to a 25 or 30-year home loan may seem daunting, but there are a handful of strategies you can use to slash a huge chunk of time from your mortgage.

### 1. MAKE BIGGER REPAYMENTS

Over the life of a loan, interest makes up a significant component of the total amount paid. At current rates that can be up to about 40 per cent of the total amount you pay to the bank, and that's if rates remain steady.

However, increasing the size of your regular repayments, especially early in the life of a loan, can significantly reduce the length of your mortgage. The goal of getting rid of the mortgage is paramount among home owners. Sometimes known as "bad debt" borrowers are focussed on paying off their owner-occupied loans.

According to MFAA's repayment calculator paying an extra \$100 per month on a \$500,000 loan with a 4 per cent interest rate and a 30-year term will take more than two years off the length of the loan and save

\$30,305 in interest. An extra \$500 shaves more than eight years off the loan, saving \$112,323.



### 2. CONTRIBUTE LUMP SUMS

A large one-off payment, such as a tax refund or a bonus, will make a big impact if it's put towards the loan instead of spent.

In the above scenario, a \$20,000 lump sum payment in the first three years of your loan will reduce your loan length by 2 years and save you about \$36,000 over the life of the loan, depending on when the payment is made.

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Even small amounts can make a difference, and banks and third-party apps offer digital tools that help borrowers make extra contributions by rounding up transactions, with the balance paid into the loan account or high-interest savings account.

### 3. TAKE ADVANTAGE OF LOAN FEATURES

You don't actually have to make additional repayments on your loan to see a saving. Utilising an offset account allows you to retain control over any extra money you can set aside, while reducing the interest you pay.

When calculating interest, the balance of the offset account is deducted from the principal, meaning the more money in your offset account, the less interest you'll pay.

If you have extra money in your account, it means you're getting ahead on your loan and not paying as much interest as you would be without it.

### 4. GET THE RIGHT LOAN

Home owners should be negotiating the best possible deal when taking out a loan. There are a number of products across a multitude of lenders and as a borrower you can't be across them all. Be proactive and talk with your mortgage broker who has the expertise and knowledge to help you make the right decision.

Getting ahead is not just about making necessary repayments and using an offset account. It's about making sure the loan is the right one for you.

### SEEK EXPERT HELP FROM US

At M Point Finance we sit down with our clients and help them understand their goals. Paying off the loan as quickly as possible is generally a major goal for our clients. We ensure that the loan is right for you and your financial needs. Chat to us about your situation and let us talk to you about your current home loan and whether there are better options out there.