FACT SHEET

HOW TO GET THE MOST OUT OF REFINANCING

Everyone wants to pay less on their mortgage, and refinancing is one strategy to help lower your interest rates - but is it worth it?

We take a look at how you can get the most out of refinancing.

WHY REFINANCE?

Generally, people refinance to negotiate a better deal on their home loan and pay it off sooner. Depending on your situation, you should be able to save money by taking advantage of lower interest rates, or new products that weren't available when you first negotiated your home loan.

To help put it in perspective, let's say you previously took out a $300,000 loan at 7.5% over 30 years with monthly repayments of $2,098. If you refinanced to a new loan at 4%, you could save $239,543 ($665 per month) over the life of the loan by making repayments of $1,432 per month.

Once you've refinanced, if you continued making the same minimum repayments as your previous loan ($2,098 per month), you'll potentially save $346,912 and pay off your mortgage 165 months early.

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MAKE IT WORK FOR YOU

Take advantage of your refinance loan by:

- **Consolidating debts:**

Home loan interest rates are often lower than those for other forms of credit, so you can save money by consolidating debts such as credit cards or personal loans into your mortgage. Beware, however: paying off a short-term loan over a longer period will likely incur extra interest and fees over the longer term. Out the money saved from consolidating your debts into your mortgage, as if you were still repaying the other debts, to reduce the overall debt faster.

- **'Splitting' your loan:**

Nominate a portion to be charged at a fixed rate of interest for a set period of time, with the balance charged at a variable interest rate. When the fixed rate period ends, the loan reverts to the variable interest rate. You benefit from the security of the fixed rate and the flexibility of a variable rate loan, and are impacted less if interest rates rise.

- **Having an offset account:**

The balance of your offset account is subtracted from the remaining principal amount before interest is applied, meaning you spend less on interest over the course of your loan.

- **Making extra repayments:**

Any payments made on top of your regular repayment will save money by reducing the amount of interest you'll pay.

WHEN SHOULD YOU CONSIDER REFINANCING?

Life brings change and your mortgage needs to keep up: maybe now you have a partner, a young family, a new job that pays more, or have become empty nesters with extra cash on your hands. If the terms of your current loan don't allow you to pay more (or less) on your principal amount, it could be worth considering refinancing into a more flexible arrangement.

Refinancing or loan switching can save money, but you might incur costs such as exit and establishment fees, government charges and administrative or legal expenses. These costs need to be weighed against the benefits to determine if you'll save in the long run.

Today's home loan market is very competitive, and there might be a loan out there offering the features and flexibility you want. Before you make any decisions, however, be clear on your reasons for refinancing.

It's also a good idea to speak to an experienced mortgage broker or financial expert to ensure you're making the right move for your financial situation.

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