

— Back to Basics —

10 Ways to Reduce Your Mortgage Faster

Thanks for requesting your report on how to reduce your mortgage faster and be debt free sooner.

The following pages outline 10 simple strategies that you can use starting today.

Should you wish to discuss this further, please feel free to call us on 1300 187 894 or email finance@pebgroup.com.au.

We wish you well in obtaining your goals.

PEB Finance
Keeping things simple

www.pebgroup.com.au

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Strategy 1

Increase the frequency of your repayment.

The following example illustrates by paying your loan fortnightly you can reduce your loan term.

This is because if you pay fortnightly you are getting an extra couple of payments in a year without probably realising it!

Example: Loan amount \$350 000 over a 30 Year Term at an interest rate of 4.8%.

Monthly Payment \$1836 Loan Term 30
Fortnightly Payment \$918 Loan Term 25 years 6 months
and a saving of \$50 000 in interest!

Strategy 2

Use an Offset Account if Beneficial

An Offset Account is simply a savings/transaction account that is linked to your mortgage.

By way of example, if you had a \$350 000 mortgage & \$10 000 parked in your savings account, when interest is calculated on your home loan, its based on an \$340 000 loan amount, therefore your loan is paid out faster.

This can really work for you if you have excess income after mortgage payments and living expenses.

For your benefit we suggest you complete our BUDGET PLANNER and then call us - 1300 187 894.

It is important to realise that an offset account requires you to have excess income to be of any real benefit.

Strategy 3

Make Sure You have the Right Home Loan Product

With so many hundreds of products available it's hard to know which product suits your own personal circumstances.

Do you need a **No Frills Loan** or one with **Redraw?**

Generally speaking a No Frills Loan has an interest rate slightly less than the standard variable rate. If additional loan features are of no benefit to you why pay a higher rate of interest?

Or are you better off with a **Professional Package?**

It's important that you determine this early on otherwise you could be paying a lot more than you really have to! It's all about choice.

Strategy 4

Increase Your Regular Payments

This coupled with increasing your frequency is a powerful way of reducing your mortgage faster.

Example: On a Home loan of \$350,000 with a 30 year term & an interest rate of 4.8%, repaying an extra \$50 per fortnight would save you 2 years in repayments and \$24,000 in interest.

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Strategy 5 Deposit Lump Sum Payments into Your Home Loan

Many of you may receive bonuses or tax refunds. Use these funds to reduce your loan faster by crediting these to your loan account. You will be amazed at the difference this can make.

Strategy 6 Know What You're Spending

We can all cut costs without having to change our lifestyle. Are you on the right phone plan? Can you save on your car insurance? Your savings can be redirected to your home loan to reduce the overall interest charged.

Use our **BUDGET PLANNER** to really see where your money goes!

Strategy 7 Consolidate High Interest Loans

You may have credit cards, personal loans that are at a higher interest rate. Consider consolidating these to a lower rate of interest. It is important here though, that you do not only pay the minimum required as you may extend your loan term overall, therefore costing you more. For example if you consolidate these into your home loan then you do not want to be paying these over a 25 or 30 year term. It's important to determine the right repayment so this will save you money! This repayment will often be less than what your paying on the high interest facilities therefore improving your cash flow.

Disclaimer: Information provided in this document is of a general nature and you should consider your own individual personal circumstance. Talk to us and we will tailor a package suitable to you.

Strategy 8 Reduce the Term of Your Loan

When taking out a home loan consider your loan term. Why take an original term of 30 years if you're comfortable with a 20 or 25 year term? By taking a longer term you are only increasing the amount of interest you pay back. Alternatively take a 30 year loan term initially however set up your loan repayments based on a shorter long term.

Strategy 9 Don't Pay Interest on Credit Cards

We suggest that you pay off your credit card each month to save interest. Keep your limit to what you require and not what the lender is prepared to offer. Some lenders will set up an automatic sweep of your credit card if you prefer, this means your card is paid each month from an account you nominate.

Strategy 10 Consider Buying an Investment Property

As most of the repayments to an investment property can be covered (in many cases) by the tenant/rent and tax credits, it may be a good time for you to consider Investing in Property. If a property gained 7.25% growth each year, it will double in value in 10 years! This property could then be sold and a lump-sum payment could be put toward your Home Loan. You should seek professional advice.

SUMMARY

These are just some strategies that you a use to reduce your loan faster - speak to us today by calling us on 1300 187 894 – we'd be glad to help and remember we are about – keeping it simple.

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