



key mortgage solutions
finance for home and business

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money matters

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The benefits of making extra repayments to make your money work harder

Home ownership has long been touted as the great Australian dream, but nobody wants to live with a mortgage forever. If you can afford to pay more than the minimum repayments on your mortgage, it may help you save money in the long term.

How does it work?

Your minimum monthly repayments go towards paying off the principal of your loan (that is, the amount you borrowed to buy your home) as well as the interest that is accrued on that balance. Any extra repayments you make above the minimum set by your lender go towards the principal of the loan rather than the interest.

That means you will pay less over the life of your loan because you will reduce the interest charged on the balance. Over the life of your loan that could add up to tens of thousands of extra dollars in your pocket.

What are your options?

There are three options for making extra repayments which can be effective in minimising your mortgage debt.

1. Switch to fortnightly payments

Firstly, you can switch to paying fortnightly,

so that you pay half your normal monthly repayment each fortnight. Plus, there are 26 fortnights in a year so you'll end up paying the equivalent of 13 monthly installments, not 12. That's an extra month's repayment you may not even notice.

2. Make a lump sum payment

Another strategy is to make one-off lump sum payments when you have some extra money, such as your tax return, a work bonus or an inheritance. Once again, by reducing your principle, you'll pay less interest in the years ahead.

3. Pay a little extra each month

If you can afford to, paying more than the minimum required each month is worth considering, and even a small amount can make a big difference over the term of the loan.

For example, on the average Australian mortgage of \$363,600 with an interest rate of 3.99%, if you start paying an extra \$100 each fortnight five years into your mortgage, you could save a total of \$21,469.82 while cutting two years and 9 months off the life of your mortgage.

Consider an offset account

If your goal is to pay off your mortgage faster and save on interest, you could consider an offset account.

An offset account is a savings account linked to your mortgage so that any money in your offset account reduces the interest charged on your loan. For example, if your loan size is \$400,000 and you have \$10,000 in your offset account, you only pay interest on \$390,000.

Other options for making your money work harder

If you have extra savings, you may want to consider other ways of making your money work for you.

Depending on the amount of your extra savings, you could consider buying an investment property and you might even benefit from tax deductions through negative gearing.

As always, we would be pleased to talk about how you could get a home sooner and show you how these different scenarios could work for you for your home loan.



HOME LOANS



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INSURANCE



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When is the right time to sell your home?

If you're thinking of selling, it's a good idea to run through a quick financial health check and do your homework on current average home prices in your local area.

Making up your mind to sell your home can be a tricky process. Even when you're under pressure to sell – because you need more space or you're downsizing your home – it's important to take a good look at your finances and the current housing market forecast before taking the plunge.

What's my financial situation?

As you've already bought a home, you've learnt important lessons about what's involved in securing finance for a property purchase. If you're debt-free with cash in the bank, selling your home and buying another is far less likely to be a source of financial stress. With fewer outstanding debts you should be in a much better position to get the right deal on finance for your next home. Knowing your financial

limits when it comes to buying before you sell is also very important.

Can I afford to sell my home?

If you're going to sell, a few smart investments in repairs, updates and maintenance can make a big difference to the final selling price. So you might need to have some money up your sleeve to pay for sprucing up your home for viewings with fresh paint, a quick makeover for outdated bathrooms or kitchens and a thorough trim and tidy up for the front of the house and gardens. Simple but clever styling tricks can also help.

What's the housing market forecast for my suburb?

Knowing the approximate price you'll be getting, now or in the future, can play a big part in your decision to sell. Taking a look at average home prices by city or state will give you a rough idea of what to expect for your own property if you decide to sell now. However, it's important to get a clear idea of how quickly, and for what price, properties are selling locally. You can check the latest auction and sales results, or take the next step and organise appraisals with local estate agents.

If your home isn't already located in one of the best suburbs to live in, think about whether it's an area experiencing urban renewal and gentrification. New café and retail precincts, schools and hospitals or transport links could all make your suburb more popular, so you may get more if you sell in the future.

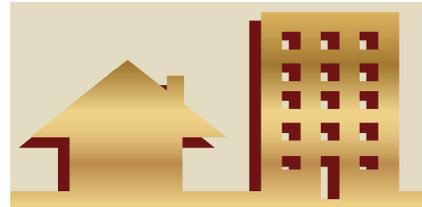
How is the economy affecting housing market predictions?

Current trends in interest rates are important to consider as they can have a big impact on the housing market and property values. If rates are already low and there is high demand from buyers, it could be a good idea to sell before interest rates rise again.

Should I buy or sell first?

Choosing to sell or buy first depends on your situation – whether you're comfortable with renting while you search for your new home or can afford to cover double repayments if you've bought before selling. And housing market predictions will also play a part. If it's a buoyant market, you're more likely to find a buyer, but if you're under pressure to sell quickly to make settlement on a new property, you may be forced to agree to a lower price.

Your financial circumstances will likely dictate whether it's better for you to buy or sell first, so it may prove beneficial to speak with your mortgage broker about your options.



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