

# Dargan Financial

the way mortgage brokers should be

## The 5 essential tips for paying off your home loan!

Disclaimer – The information provided in this eBook is for general information purposes only. It is not intended to be used as substitute for professional legal, financial or investment advice. This information is prepared without taking into account any person's individual objectives, financial situation or needs, thus all examples given are not specific to your situation or a guarantee of result. No liability will be accepted for loss or damage arising out of the use or misuse of such information. Please [contact us](#) if you have any queries. This eBook is the property of The Trustee for the Dargan Financial Discretionary Trust and any information within cannot be reproduced without our written permission. You may distribute this eBook without our permission.

# 1. Get the best possible deal on your home loan

**Did you know** that most banks only give their new customers the best discounts on their loans?

**The banks know** that if you have your cheque account, credit card & home loan all with one bank then you are less likely to change lenders. **So of course they try to get more money from you!**

**The solution** is to [talk to your broker](#) to see what is on offer from your bank and other competing banks. **Best of all this is free!**

**The savings** can be substantial! If you have a loan of \$300,000 at 7.00% instead of 7.15% you can save a fortune, and this is a small loan with a **tiny rate difference!**

\$300,000 @ 7.15% over 30 yrs = \$2,026.22 / month  
= \$729,439.20 over 30 yrs

\$300,000 @ 7.00% over 30 yrs = \$1,995.91 / month  
= \$718,527.60 over 30 years

**A saving of \$10,911.60!**

**Want to save even more?** What if you switched to the cheaper loan at 7.00% and paid \$2,026.22 / month (the repayment on your old loan)?

\$300,000 @ 7.00% paying \$2,026.22 / m = 28.55 yr term  
= \$694,195.31 in total

**A saving of \$35,243.89!**

**And this is all without changing your budget!**

**Contact us** to see which loans are appropriate and how much you can save.

## 2. Make extra payments

**Every dollar you put onto your loan** is saving you money! You would be surprised how much you can save just by paying a little extra on your loan.

**Did you know** that with a new loan of \$300,000 at 7.15% over 30 years that your payment can be broken up as follows:

Interest	= \$1,787.50
Principal	= \$238.72
Regular monthly payment	= \$2,026.22
Total payments over 30 yrs	= \$729,439.20

**So less than 12% of your repayment is actually paying off the loan!**

Note: As you repay the loan the principal component becomes a higher % of the repayment. The above example is showing the payment breakdown for your first repayment.

**So what would happen if you paid \$2,500 / month?**

Interest	= \$1,787.50
Principal	= \$712.50
Regular monthly payment	= \$2,500.00
New loan term	= 17.61 yrs
Total payments over 30 yrs	= \$528,252.55

**That's a saving of 12.39 yrs and \$201,186.65! You can save even more by switching to a better rate as well!**

### 3. Use an offset account or line of credit

**An offset account** is a normal cheque account that is linked to your home loan. **Interest is calculated on the overall balance of the home loan and the offset account.** If you had \$5,000 in your offset account and a \$300,000 home loan then interest would be calculated on only \$295,000.

**A line of credit** is a flexible loan which acts just like a bank account. You get your salary paid into the loan and can access your available redraw via ATM, credit card or cheque. **Because all your day to day funds are in your loan account the balance is lower and you pay less interest.**

**You can save even more** by paying all your bills on your credit card. This increases the day to day funds in your offset account or line of credit, and so pays less interest. If you have a good rewards program you may even be able to get a free holiday each year! **This will only work for you if you are good with your money and pay the credit card off in full during the interest free period.**

**Both types of loans essentially work on the same idea, however offset accounts are far easier to manage.**

**How much can you save on your \$300,000 loan at 7.15%?**

Home Loan	= \$300,000
Average offset balance	= \$5,000
Interest is calculated on	= \$295,000

**You would end up saving \$10,725 over 30 years!**

**Did you know some lenders are giving FREE offset accounts with unlimited FREE transactions via any ATM in Australia (yes even other banks ATMs)! [Contact us](#) for the details.**

## 4. Know when to fix and when to stay variable

**Did you know** that the banks often try to make extra money by **increasing their fixed rates when the media is running lots of scare stories** about interest rates?

**Australians are terrible at choosing when to fix!** Historically **more people tend to fix when rates are high** compared to when rates are low!

**Why do we get it wrong?** Because we let emotions get in the way of a decision that should be based on logic!

**Ideally you would want to fix your rate for longer terms when economists say rates are near the bottom of the interest rate cycle. Lock your rate in for shorter terms if rates are rising.**

**“I didn’t get the rate I applied for???”** When applying for a fixed rate **you get the rate that applies on the date your loan is advanced.** Most lenders allow you to choose to “rate lock” your loan for a small fee, so you are protected if rates move before your loan is advanced.

**A fixed rate is not flexible!** If you repay the loan or make extra payments during the fixed rate period **then you may have to pay the lender “break fees” which can be extortionate!** Some lenders allow you to make extra repayments without these penalties. If you think this may affect you then tell us when applying for your loan.

**Talk to your financial advisor** or accountant to get the right financial advice for your situation. We aren’t economists or financial advisors and so can’t help you predict the likely direction of interest rates.

**Talk to your broker** to see which lenders are offering the best fixed rates. It is quite common for some lenders to run **fixed rate promotions** well below the fixed rates offered by the other banks.

## 5. Buy an investment property

**Do you have a high disposable income?** If so, then this can be the best way to get rid of your debt in seven to ten years!

**On average Australian property doubles in value every 7 to 10 years!**

**It costs less than you think to own an investment.** The tenant pays you rent and the government may give you tax deductions, making the debt less of a burden.

**There are HUNDREDS of books that can teach you how to invest in property.**

Some of our favourites are from [Steve McKnight](#) or [Peter Spann](#).

**Did you know** that different lenders assess investment properties in different ways, **choosing the wrong lender can restrict the amount you can borrow!** [Contact us](#) to discuss which lenders are suitable for you.