

Redraw or Offset

What is the best option for you?



Beyond just interest rates, certain loan features can significantly impact how much you pay and how flexible your borrowing experience is. Two popular options are redraw and offset accounts. Although they both help reduce the interest on your mortgage, they work differently. Here's what you need to know to make the right choice for your situation.

■ What is a Redraw Facility?

A redraw facility allows you to make extra repayments on your home loan and then access those additional funds later if needed.

For example: if your minimum repayment is \$5,500 but you pay \$6,000, the extra \$500 is paid into your loan. This reduces your overall balance and the interest charged. If necessary, you can request to withdraw that extra money later.

Advantages:

- Speeds up your loan repayment process by making extra payments.
- Reduces interest over time while keeping your extra funds accessible.

Things to consider:

- Some lenders have limits on how much you can withdraw or how often.
- Withdrawals might not be instant.
- Fees or conditions could apply.
- Lowers the principal amount of the loan, which may be a consideration if you plan to turn a property into an investment property in the future.

If you're interested in this type of loan, we can help you find lenders that offer flexible redraw options tailored to your financial plans.

■ What is an Offset Account?

An offset account is a transactional bank account linked directly to your home loan. It functions like a regular savings or everyday account—you can deposit your salary, pay bills from the account, and in some cases, have a debit card linked to the account. The money in this account reduces the amount of interest charged on your loan.

For example: if you have a \$1,000,000 home loan and \$20,000 in an offset account, you're only charged interest on \$980,000.

Advantages:

- Lowers interest costs while keeping your funds accessible.
- In some cases, can be used for daily banking.
- May help you pay off your loan faster.
- Does not lower the principal amount of the loan, which is advantageous if you wish to turn a property into an investment in the future.



Things to consider:

- Lenders charge higher fees for offset accounts or limit how many you can have.
- Not all offset accounts offer a full offset—some are only partial.
- As your broker, we can help you compare options to find an offset account that suits your spending and saving habits. We can also calculate how much you need to maintain in your offset account at a minimum to offset the fees, charges, and potentially higher interest rates. *For Example: The annual fees for an offset account typically range from \$120 to \$395. Given an annual fee of \$248 and an interest rate of 5.39%, a minimum balance of \$4,601.11 must be maintained in the offset account throughout the year to fully offset the cost of the account's annual fee.*

Deciding between Redraw and Offset

Don't worry if you're unsure about these two options. The most important thing is to select a loan that aligns with how you manage your money.

Some loans include redraw and offset features as standard, while others may charge extra or offer fewer benefits. We are here to help you understand these options so you can make confident decisions and avoid paying unnecessary fees, charges, or higher interest rates.

Now is a great time to get organised. If you're considering reviewing your loan structure or purchasing a new property, understanding features like redraw and offset accounts can give you added flexibility.

Reach out today if you want to know whether a loan with offset or redraw features is best suited to your financial situation.



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