



OFFSET ACCOUNT VS REDRAW FACILITY

Crunching the numbers to illustrate the savings available

Shift your savings into an offset account or re-draw facility linked to your mortgage and you could watch your mortgage interest shrink and your loan term reduce!

An offset account is a transaction account linked to your home loan which allows you to withdraw money or use a debit card as needed. The main feature of an offset account is that the money in the transaction account is 'offset' daily against the balance of your home loan. The interest is charged against the reduced amount instead of the full outstanding balance.

A redraw facility allows you to withdraw any additional repayments you have made towards your home loan above the minimum repayment requirements. The funds in a redraw facility are not generally available 'at-call' as in an offset account.

Here are two helpful examples to show you how they work:

Let's say you signed up to a 30 year loan and you are now five years into your \$600,000 mortgage when you start your 100% offset account. You will save \$24,189.03 in interest and cut 10 months off the term of your loan.

Loan amount	\$600,000
Loan term	30 years
Interest rate	2.8%
Repayment frequency	Fortnightly
Offset amount	\$25,000
Start offset at	5 years
Interest saved	\$24,189.03
Time saved	10 months
Original total amount	\$887,176.64
Updated total with offset	\$862,987.61



In example 2, let's say you make repayments above your minimum, do not redraw these funds at all throughout the life of the loan and the variable interest rate remains at 2.8% (as we know rates fluctuate but we will use this as an example only). Using the same data as above you will save \$25,460.16.

Loan amount	\$600,000
Loan term	30 years
Interest rate	2.8%
Loan type	Variable
Repayment frequency	Fortnightly
Extra contribution	\$100 per fortnight
Extra contribution starts after	5 years
Interest saved	\$25,460.16
Time saved	2 years 21 fortnights
Increased repayment amount	\$1,237.41

Finding the right mortgage product and features for you can be overwhelming. As your finance specialist, we have the knowledge and access to many lenders to help you make the right decision to suit your circumstances.



Chase Finance Pty Ltd

Kent Town SA 5067 Toorak VIC 3142

1300 137 045

finance@chasefinance.com.au

www.chasefinance.com.au