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Fact Sheet: 20 ways to a slimmer home loan

Have you been struggling to get ahead on your home loan payments, or finding it hard to balance the budget? Here are a handful of tried and tested strategies to help you whip your finances into shape.

How can you save if you're barely making ends meet with your current income? We recommend the following plan of action to help you trim down your mortgage while beefing up your bank account.

1. **Create** a realistic budget and stick to it. The key word is 'realistic'. There's no point placing a strict budget on yourself that you know you won't stick to. Get yourself a spreadsheet and list absolutely everything down to the last cappuccino. Make sure you include everything you spend on a weekly/fortnightly/monthly or yearly basis. At Loan Wize we have a budget planner that can assist you get it right.
2. **Budget** for larger items like rates and car registration. If you put a little aside each month, your credit card won't take the hit come premium time. Insurances can often be paid by the month without any additional cost as well.
3. **Allow** yourself occasional treats, but don't lose sight of your end goal. Be realistic about your goals and try not to sacrifice your lifestyle too much because this is a budget that you want to keep for the next 20 years, or 10 years at least.
4. **Get educated**. Keep up-to-date with the latest mortgage products available and pay attention to the interest rates in the marketplace. At Loan Wize we can ensure that your loan is still competitive, as we know of any new products available that will save you money. In fact, if we recommend a refinance, we will always prove that you will be better off afterwards.
5. **Squirrel away** a small amount each week for the upcoming Christmas/holiday period and save yourself the 'January Blues'. Start saving now no matter how small, set up a direct debit from your transactional account to a savings account – you can't spend it if it's not there!
6. **Separate funds** that are being held for future expenses into a special interest-bearing, no fee account, or a home loan offset account. This stops you from 'accidentally' spending those funds and has the added bonus of earning interest, better yet, put the money where you don't have easy access to it. That means making sure it's not in an account where you have access with your ATM/EFTPOS or credit card.
7. **Shop around** for the highest interest rate in savings. There are plenty of products in the market offering high interest rates with no fees. It pays to search around for the best deal.
8. **Channel** any surplus funds into the debt account that charges the most interest while maintaining minimum payments on other accounts. For example, if your credit card interest rate is 17% and your store card has a rate of 13%, direct minimum payments to the store card and surplus funds to the credit card – this will save the interest paid at a higher rate.
9. **Continue** to live on your previous salary even if you are lucky enough to receive a pay rise – that way you can use the extra funds towards savings or your mortgage.
10. **Fix** your repayments on a make-believe rate rise. Get ahead of any future rate rises and fix your repayments on a higher rate now as if the rate were 1–1.5% higher. This enables you to pay your home loan off quicker and save a lot of money in interest before any rate rises and thus get ahead while rates are unchanged.



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11. **Make fortnightly repayments.** Set your repayments fortnightly instead of twice monthly, as you will then be making 26 payments in a year rather than 24. This in turn will save you interest costs and reduce the term of your loan. For example, if you have a \$250,000 loan for 30 years at 7.82%, a fortnightly repayment will save you \$114,926.11 and reduce the loan term by seven years and three months over the life of the loan.
12. **Get a cheaper credit card.** Switch to a low-interest card and choose one without annual fees or transfer fees. If you have \$1,000 on your credit card at 15% interest, switching to a lower interest card at, say, 8.9% with no annual fees will save you more than \$800 in interest and fees each year. If you put that savings in your mortgage, you'll cut your 30-year \$250,000 loan by three years and eight months and save more than \$58,000 on interest.
13. **Avoid** fee-charging ATMs. You're throwing away up to \$5 every time you use these cash machines. If you use them three times a week, you'll be wasting up to \$60 per month. Avoiding them and using the savings on fees towards your mortgage would save you more than \$54,000 on interest and reduce your mortgage by three years and four months. Think in advance about what cash you will need for the week, and withdraw through your own bank ATMS or EFTPOS when doing the shopping.
14. **Check** your insurance rate and coverage. Make sure you've taken adequate insurance to cover your expenses and mortgage repayments in case something happens and you can't work. Mortgage protection and income protection insurance can be expensive, so make sure you shop around for products that offer enough coverage at a lower premium.
15. **Brown bag it.** Bringing your lunch from home more often in the working week and putting the savings made into your mortgage can significantly reduce your interest payment and the term of your loan. A sandwich can cost you \$7 to buy. If you made your own lunch for just three days a week, you could save \$21 a week or \$84 a month. If you put that extra monthly payment into a 30-year \$250,000 mortgage at a rate of 7.82%, you would save yourself about \$71,519 in interest over the life of the loan and reduce its term by four years and five months. Now that's a result that's easy to digest!
16. **Give up** smoking. If you smoke a packet of cigarettes a day at \$10 a packet, by giving up and putting that money into your mortgage weekly, you save 10 years and seven months off your \$250,000 loan over 30 years. If you give up now, you might be here long enough to see the savings as well!
17. **Walk** more often. If you walk a little more, say to the shops or to work or picking up the kids, you could save a considerable amount on fuel. A full tank of fuel on the family car costs probably \$60 or \$70. Any savings can be channelled into your home loan.
18. **Spend** more time with your family. Aside from getting to enjoy the house you pay so much for, you can also save money. If you can save \$20 per week and pay it off your loan rather than an afternoon at the pub with the boys, then you'll save four years and three months off your mortgage, not to mention \$68,811 in interest.
19. **Ditch** the takeaway. We all love the takeaway meal and seem to eat them on a regular basis. If you were to give up one super-sized takeaway meal a week, say \$7, and pay it off your home loan you'd save nearly \$25,000 and also about two years off your loan – plus imagine how good you'll look!
20. **Get** a pay increase. Tell the boss you've done a great job and you want a pay increase. An extra \$100 a week saves just under 13 years off a \$250,000 loan and a whopping \$174,000 in interest. If he says no... get a new job, but make sure you don't leave your current job until you've found a new one.

Our Professional Mortgage Specialists can assist you in ensuring you have the most competitive loan for your personal circumstances and that you are on your way to reaching your home loan repayment goals sooner! Just call us.