Home Owns: Getting Ahead

Throughout our financial life, how we manage our money and what we use it for will change. However, for most of us, one of the most significant financial moments in our lives will be buying a home.

This webinar looks at how you can manage your home loan, leverage this asset and plan for a better future.

Manage Your Home Loan

There are three factors to consider when looking at how to manage your home loan and reduce the overall cost of this debt:

1: Interest rates. Selecting the right rate will help ensure you get the best home loan for your circumstances. It's not as simple as opting for the cheapest rate as this may mean you're missing out on features important to you. Consider things such as:

- **Honeymoon rate** - a reduced interest rate for an initial period.
- **Packages** - a bundle of several products together at a discounted rate. These often have an annual fee; you need to consider whether the benefits are worth the fee.
- **Fixed versus Variable rates** - you need to decide which option you prefer or whether you want to split the loan, allocating a portion to each rate type to take advantage of its benefits.

2: Repayments. A reduction in total interest payable can be achieved by either changing your repayments from monthly to fortnightly, and/or making additional repayments when possible. This results in a decrease of the amount of interest accruing and the overall term of the loan.

3: Offset facilities. An offset facility is one where the balance held in a transaction account is netted against the balance in the home loan, and in which the interest is calculated on the netted balance (i.e. the home loan amount – the transaction account balance). This means the interest cost is reduced so more of your repayment goes to paying off the principal, reducing the term and interest costs in the long run.

Leverage your asset

Generally, over time the value of a house will increase, and as the debt is repaid the amount of equity increases. You can then borrow against this equity, leveraging your home (asset) to finance things such as investments, education and more.
By considering what events are likely to occur throughout the asset’s (your home’s) life cycle, such as educating kids, buying an investment property, overseas travel, you can better plan when you might want to access the available equity.

Knowing that your home is more than just a place to live and taking advantage of the equity within it enables you to:

- Leverage the accessible equity for other investments that help grow your wealth
- Use its borrowing power as security for an investment property, meaning you don’t have to save for a cash deposit
- Have the freedom to finance things such as private education, overseas travel and more
- Have a certain degree of peace of mind that if the unexpected happens (in terms of accident or illness), you can access the funds if needed

**Plan for a better future**

Planning for a better future is about understanding how our finances will fluctuate during our life and putting steps in place now for our desired future.

Our financial journey has many ups and downs though for most of us, it can look similar to the following Financial Lifecycle:

Therefore it’s a worthwhile exercise to define where you currently are on this cycle and consider what actions you are taking right now, what you have coming up and whether you need to change anything to prepare for a better tomorrow.

It’s only through actively planning for our future that we can potentially have the future we want.

*Any information provided is of a general nature. Before making any decisions please ensure you seek appropriate professional advice to ensure it is appropriate to you.*