5 SIMPLE STEPS TO A MORTGAGE FREE HOME

AUSTAR FINANCIAL SERVICES LIMITED

A few simple changes to the way you manage your mortgage can save you thousands of dollars in interest costs and take months, or even years, off your home loan.

1) Pay as much as you can afford

Are your home loan repayments as much as you can comfortably afford? You could save a lot by increasing your repayments by just $20 a week. On a Variable Rate loan you can set your repayments above the minimum required payment amount, at no extra cost.

The principal repayments on a Fixed Rate Loan can also be increased, provided the increased payment is maintained for the remainder of the fixed rate period. Alternatively paying fortnightly instead of monthly equates to an extra month's worth of repayments per year!

2) If your interest rate falls, keep your repayments the same

Take advantage of any interest rate drops by keeping you repayments the same or to a similar amount. You'll effectively make extra repayments because you're paying more than you need to. Also, because you're already used to paying this amount, you won't even notice nor do you have to keep an eye on it.

3) Protect yourself against interest rate changes

It isn't easy to predict when and by how much interest rates will fluctuate. Splitting your home loan into a part variable, part fixed structure can help protect you from interest rate changes, in the short term at least. You will still be able to focus on repaying extra into the Variable Portion, but to a level that will be more affordable for you should Variable Rates change dramatically.

4) Put your spare cash into your home loan first

Putting spare cash into your home loan rather than into a savings account can work out much better for you. The amount you'd save in interest on your loan will probably outweigh the interest you'd earn through saving. By using a Variable Rate Loan for your extra cash, you won't be charged any fees for additional repayments, nor will you be taxed like you would in a savings account.
Lump sum payments can be permitted on Fixed Rate Loans however Early Repayment Adjustment Fees often apply. You may also be restricted to how much and how often you can make lump sum payments. So it's best to check with your mortgage adviser before making any lump sum repayments, or your mortgage adviser can structure your mortgage to allow you to make lump sum payments.

5) Regularly review your mortgage

We often see our mortgage as a 20-30 year debt because that is what we are told it is. Therefore we don't want to think about it too much and we class it as a inflexible oppressive never ending bill!

However, it's a good idea at least every year or two, to regularly review your loan and repayments with your Mortgage Adviser. Over time your circumstances and the lending environment can change, so there is no reason why your mortgage can't change too!

Just because your mortgage has a 20 year term, that doesn't mean it has to be!! Talking to your mortgage adviser and applying these 5 steps will reduce that debt faster and save you thousands on interest. And of course, ultimately putting more cash in your wallet at the end of the day!!

Our team of specialist mortgage advisers are here to help... because they are not bank staff they have YOUR best interests at heart and will help you achieve your goals faster!

09 281 3690 | www.afsnz.co | admin@afsnz.co | PO Box 48038, Blockhouse Bay, Auckland 0600