



**BERG  
FINANCIAL SERVICES**

## **NEWSLETTER**

### **How to Pay your Mortgage off Sooner**

Buying a Home is the biggest purchase most of us make in our lifetime, so big, in fact, that nearly all of us need to borrow money to achieve it. To be able to Pay off our Home Loan sooner you need to make certain that you have the right Home Loan in the first place.

Just as searching for the right home for you and your family's needs is something that requires a lot of thought, so is looking for the right Home Loan. Berg Financial Services offer invaluable assistance in helping you determine what your borrowing needs are now and in the future.

There is a myriad of Home Loans available from a myriad of Home Loan Lenders, all with many varying features and benefits. You need to be sure that you are getting one that fits your lifestyle and meets your needs. Depending on your circumstances the right Home Loan can generate significant savings.

The important message is to think of the "big picture". Berg Financial Services have a broad knowledge of Banks and other Financial Institutions individual policies and products and we can help to guide you through the Lending maze and facilitate an outcome customised for you.

The next thing to consider once you have your Home Loan is how are you going to clear it as quickly as you can? Listed below are some tips to help you achieve this goal.

### **Extra Repayments**

#### **Increase the Frequency of your Repayments**

One of the easiest ways to reduce your Interest costs is to make fortnightly or weekly repayments in lieu of monthly. There are 26 fortnights / 52 weeks in one year but only 12 months.

If you split your monthly repayment into two or four, paying fortnightly/weekly means that you actually make 13 monthly repayments in one year.

### *Make Larger Repayments*

It is also prudent to increase the amount that you are paying for each instalment, whether it is monthly, fortnightly or weekly, even if it is only by \$10- or \$20-. This also assists in reducing the amount of Interest you pay and decreasing the term of your loan to pay it off sooner.

You should also consider making lump sum payments to your Home Loan such as Tax Refunds.

### *Some Helpful Home Loan Features*

#### *Offset Account*

A Mortgage Offset Account is an account that may be used for day to day Banking transactions that is linked to your Home Loan, but not a part of it. Funds deposited into an Offset Account do not earn credit interest however the balance is “off-set” against the balance of your Home Loan, reducing the amount of interest paid. For example if you have a Home loan with a balance of \$200,000- and a balance of \$2,000- in your Offset account: Home Loan Interest will only be calculated on \$198,000- ( $\$200,000 - \$2,000 = \$198,000$ )

Because a Mortgage Offset Account does not earn credit interest you are minimising your taxable income making it a tax effective alternative.

#### *Redraw Facility*

Redraw is an option that is available with most Variable Home Loans. It is not usually available with Fixed Rate Loans. Redraw facility allows you to pay additional funds to your Home Loan but still be able to access it (or redraw it) if required. Because you are reducing the amount of the debt with extra payments, Interest is charged on a lesser amount making it a smaller cost.

To build up the amount available for redraw you can either increase the amount of your regular payment and / or make lump sum payments.

Mortgage Offset Accounts and Redraw facility are closely related in that they essentially achieve the same outcome.

## **Low Interest Rate Home Loan**

Most Finance Providers offer a basic – no frills Home Loan that is known as Base Variable Rate Home Loan.

Base Variable Rate can be up to 0.60% less than Standard Variable Rate which effectively means you could save thousands on Interest.

Base Variable Rate Home Loans have little, if no flexibility. This varies from Bank to Bank with different options in each case. Some may offer Redraw Facility for a charge or some may exclude weekly or fortnightly repayments.

It is essential that you determine if a Base Variable Rate Loan would fit your lifestyle before you proceed with this option. Berg Financial Services is able to assess if this is a possible alternative for your situation.

## **Refinance and/or Switching**

We all have different financial goals, situations, needs and budgets. At different times in our lives these fluctuate and change as well, so it is vital that our financial facilities evolve to keep pace with our lifestyle.

Berg Financial Services recommends a yearly review of your entire Financial Portfolio.

In some instances it may be of financial advantage to refinance your existing facilities to secure more relevant loan features and more attractive Interest Rates. Again it is important that you don't lose sight of the "big picture" as sometimes exiting (or getting out of) a loan may be more expensive than setting up a new one. Sometimes just switching to a different Home Loan product with more or less features can save you money.

If you have Credit Cards and/or small Personal Loans it may be cost effective to consolidate all of your lending into one facility to minimise the interest that you pay – generally Home Loan Interest Rates are much less than Credit Card and Personal Loan rates. This can only be done if you have enough equity in your property to support your total debt.

Berg Financial Services can lead you through the network of bank jargon to calculate the best option for you.

We can help you to determine how much equity you have in your property/ies and work with you to select the most cost effective alternative for your individual budget and lifestyle.

### **Did you know?**

Do you check your Home Loan Statement regularly?

Lenders are not infallible, they rely on their computer systems to compile information and balance your deposits and charges. Sometimes errors can occur.

It is important to always check your statements to confirm that you are being charged the correct Interest Rate and not being charged any irrelevant fees. You need to reconcile that all of the deposits that you have made have been credited to your Loan account.

If there is an unusual or one off fee on your statement and you do not know what it is, you need to question it. A simple phone call could have it reversed if you have been charged a fee in error.



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