

# WHAT IS AN OFFSET ACCOUNT?



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When you take out a home loan many banks will let you open a Transaction Account linked to the loan, this is an Offset Account. Any money you have sitting in this account will be offset against the balance of your home loan.

## How much will an Offset Account save me?

That will depend on the balance of the funds in the account, lenders will usually calculate interest on a daily basis, but let's say your home loan is \$350,000 and the interest rate is 5%.

If you have \$10,000 in your Offset Account for the life of the loan (30 years) you will save a total of around \$32,500 and shave a year and a half off the life of the loan.

## Why wouldn't I just put my money in a Saving Account?

Many people choose Saving Account's over Offset Account's, currently the RBA interest Rate is 2.5% with many Saving Accounts earning around the same percentage of interest.

If your interest rate on your home loan is higher then effectively you are saving more interest on your home loan than the interest you would earn if your monies were in a Saving Account.

## How does an Offset Account work?

An Offset Account generally works just like your Everyday Account. Most banks will provide you with a Debit Card and you can access the account via online banking. Do look out for any extra fees when setting up an Offset Account.

If you are paying an Annual Package Fee for your home loan then an Offset Account may be included as part of this package, although some banks will charge an ongoing monthly fee.





## Contact Us

### Vista Financial Services

107A Main South Road  
O'Halloran Hill, SA 5158  
08 8381 7177

[www.vistafs.com.au](http://www.vistafs.com.au)

## Things to look out for

When setting up your Offset Account look for a No Balance Limit. This means you can put as much money as you like in to the account, offsetting more of your Mortgage.

Also look for 100% offset. Some lenders may have partial Offset Accounts. Making sure the account is 100% Offset will ensure the total amount in the account is working for you.

## Finally.....

Most lenders only have an Offset Account available for loans with a Variable Interest Rate, although a few do have this option with their Fixed Rate loans.

Some choose to split the loan leaving a portion on fixed and a portion on variable to ensure they can access the offset facility.

If you would like to review your home loan or are in the market for a new property feel free to contact us.