

## How to use your offset account and make the most of your money



### Salary

- Your salary should be credited to your offset account
- Try to match your home loan repayments to your salary credits – eg, if you are paid at the beginning of the month, your loan repayments should be debited at the end of the month



### Rental income

- Any rental income or other income you receive should be credited to your offset account



### Credit card

- Use a credit card for everyday spending
- Make sure you arrange for direct debit to pay the credit card balance in full every month on or before the due date

*all income you receive should go into the offset account*

*offset linked and repayments made to home loan*



### Offset account

- This is a fully transactional account
- To maximise interest savings, use this account as your savings and transaction account, all into one
- Some lenders offer multiple offset accounts if you prefer your funds to be segregated for different purposes

**Eg: Average offset account balance: \$20,000**

*repayments made from offset account to credit card*



### Home loan

- The repayment term of your home loan should be principal and interest (P&I) repayment so that you will eventually pay off your debt

**Eg: Average home loan balance: \$300,000**



### Investment loan

- Interest-only (IO) repayments are suitable to investment property loans if you have a home loan
- It is recommended that you pay down your non-deductible debts (eg, your home loan) before paying down your deductible debts (eg, your investment loans)

### Offset account vs savings account

#### Scenario 1: Put \$20,000 in your offset account

If you have a \$300,000 home loan and you keep \$20,000 in a linked offset account, you will only pay interest on \$280,000 of your home loan. Assuming your interest rate is 4.5% per annum, you would save around \$924 a year.

#### Scenario 2: Put \$20,000 in a high-interest savings account

If you have out \$20,000 into a savings account instead which earns interest of say 2.71% per annum, you would earn \$542 in interest a year. However, the interest earned would form part of your taxable income.

### Winner: Offset account!!

Based on the example above, using an offset account is potentially more beneficial unless you can get a substantially higher return on your savings elsewhere.