

Offset Accounts

An offset account is typically a type of bank account that's linked to your home loan. You can deposit your salary and savings into the account and the balance is then offset against the amount owing on your home loan.

The advantages of an offset account essentially depend on how much money you have sitting in it and the type of offset you have.

IMPORTANT INFO

- Typically offset accounts come with annual fees, so you'll need to consider if the amount you'll save will be greater than this fee. Your broker can help you with these calculations.
- Not all home loans are eligible for offset accounts. Your broker can provide you with guidance on this.
- Typically the reduced interest on your home loan is greater than the interest you would earn if the savings in the offset account were in a savings account, however you should always consider this question based on your personal position.
- A redraw facility can be a cheaper alternative, however this will depend on your personal needs and financial position.

How does it work?

If you have a home loan of \$500,000 and around \$40,000 in your offset account, you'll only be charged interest on the loan balance of \$460,000 (\$500,000-\$40,000). Because the offset account acts like an everyday transaction account, your \$40,000 is still accessible whenever you need it.

Something to keep in mind is that offset accounts often come with a package fee. Because of this, it is a good idea to consider the amount you will be able to have in your offset account to determine your savings versus cost. We have an offset account calculator on our website or reach out for a chat to calculate the potential savings.

Need more information?

Offset accounts may differ between lenders so it's important to understand your chosen lender's product information.

It should be remembered that this fact sheet is intended to provide general information of an educational nature only. It does not have regard to the financial situation or needs of any individual and must not be relied upon as financial product advice.

As this information has been prepared without considering your objectives, financial situation or needs you should, before acting on this, consider the appropriateness to your circumstances. As always, if you have any questions, you can contact your broker.