

# QUARTERLY QUESTION

## Should I refinance my home loan regularly?

It's interesting that when our home or car insurance is due for renewal most of us invest time to shop around and check we're still on a good deal. Yet we hesitate when it comes to reviewing our home loan!

With the RBA cash rate at an all-time low and lenders continually offering new rates and loan products we are often asked by clients WHEN and WHY they should review their loan.

**Gone are the days when we stayed with the same loan or lender for the full 25 or 30 year term of a home loan – the mortgage market is now very competitive.**

Regardless of a changing landscape, any decision to refinance your loan should consider your individual circumstances, your current needs AND your future financial goals. As your finance specialist that's where we can assist!

### **Q. When should I consider refinancing?**

You might think refinancing is simply a good way of reducing your loan repayments. But there are also 'life events' that could be a worthwhile reason to review your finances. These include:

#### **Increased equity in your home**

Perhaps it's time to consider an investment property?

#### **Children starting school**

It's not unusual for parents to spend between \$10,000 and \$19,000 on long day care. What will you do with your savings once you are no longer paying fees?

#### **Re-entering the workforce**

With kids off to school maybe mum has gone back to work? Any increased income is a good reason to review your finances and perhaps even consider investing.

#### **Finally paying off your car loan**

Before you buy a new car do you realise that the same amount you pay for your car loan each month could possibly give you the opportunity to enter the investment property market?

#### **Children finally leaving the nest**

What a great time to ensure you are effectively planning your retirement income and lifestyle.

### **Q. What benefits may result from refinancing?**

#### **Lower rate = lower repayments**

Maybe. However any decision to refinance should not be based solely on a lower interest rate. Your long term goals as well as current needs should be considered.

Switching to a lower rate while maintaining your current higher repayments could significantly reduce your loan term and total interest over the life of the loan.

You should also consider the costs associated with refinancing to determine the overall benefit.

As your finance specialist we will explore your personal circumstances to determine if refinancing is suitable for your particular situation.

#### **Improved loan features**

If you've had your home loan for a few years refinancing may provide new loan features that will allow more flexibility such as:

**Repayment flexibility** - the ability to make extra payments could also result in a reduction of the loan term and interest payable.

**Redraw facility** – allowing you to redraw from your extra payments when required.

**Flexible rates** – switching between a variable and fixed rate or splitting your loan between the two may assist you to manage your mortgage in line with interest rate movements.

**Portability** – taking your loan with you if you move could save on fees.

#### **Eliminate features you don't need**

Perhaps you no longer require some features of your current home loan? If so it may be worth talking to us to explore loan products more suitable for your current situation.

A loan with extra features will generally attract a higher interest rate and a 'no frills' loan will have a lower rate. Suitability will depend on your individual financial situation and the overall benefit provided by a product. Is it worth paying extra for features you don't require?

### **Q. How often should I review?**

We recommend an annual home loan check-up. Sometimes we can improve the financial position of our clients and sometimes you will already be in an appropriate loan for your situation.

A quick call will allow us to give you comfort that all is still good (or not) with your finance. Wouldn't you like the reassurance of knowing?



**Call the office TODAY**

and we will be happy to book you in for a review

\*Disclaimer: This article is generic in nature. All investment decisions should be considered wisely and based on your personal and financial circumstances. Seek proper advice before committing to any course of investment action. This is not deemed as advice.