

How to pay off your home loan faster and save big bucks

Reducing the life of your loan isn't difficult; there are many simple things you can do to cut years off your mortgage. Here are some tips that will help you be mortgage-free sooner than planned.

Small extra repayments

One of the most obvious ways to pay off your home loan quicker is to make extra repayments. Depositing lump sums, such as a tax return or work bonus, will always be beneficial, however it doesn't always take large amounts or windfalls to make a substantial difference – planning for regular, small cash injections can have a great impact over the life of a loan.

"Let's say we give an extra \$50 a fortnight on a \$500,000 loan, that saves you \$32,000 of interest over the life of the loan which in turn will save you just over two years," explains the finance broker. "That's only \$25 a week."

Switch your payment intervals

If you find that you don't have the discipline to make extra repayments, then simply switching your payment structure can also help save years off your mortgage, as well as simplifying your finances if you are paid fortnightly.

"Because there are 12 months in a year but 13 four-week cycles, by switching your payment intervals from monthly to fortnightly, you are essentially paying off an extra month per year," says the finance broker.

Make sure you have the right type of loan

Ensuring your loan allows extra repayments without penalty will let you to make the most of bonuses or funnel small extra payments to reduce the loan principle more quickly, saving on interest immediately, while an offset account will use your savings or living expenses to reduce your principle, while still allowing you to access these funds from a transaction account.

"I've set the mortgage on my investment as interest-only but I make the principle and interest payment equivalent by putting surplus rental income into an offset account," says the finance broker. "Because interest is calculated daily but charged monthly, any money sitting in the account will help reduce the loan."



Although you may have to pay extra fees for the offset or redraw account, these may well be lower amounts than the interest saved. Talking to a finance broker is the easiest way to work out whether this option is financially sound.

Paying off your home loan faster isn't difficult, however it does require financial discipline and expertise in ensuring the right loan features are in place. Find an [MFAA Accredited Broker](#) who can match you to your perfect loan..