



# Utilising your offset account

## What is an offset account?

An offset account is a transaction account attached to a home loan. The balance of a 100% offset account is taken away from the principal remaining on the loan for interest calculation.

Offset accounts were initially only available with variable home loans. However, in recent years this facility has also been rolled out to some fixed rate loans. Contact us to discuss available options.

## Savings account vs offset account

You may be thinking you would prefer to have your savings earning interest in an investment account or term deposit rather than leaving it in an offset account *not* earning interest.

It is nice to see the interest go into your account however, with discipline, you will be financially better off with the money in your offset account. Generally the saving in interest payments on your property loan will be greater than the interest received in an investment account – especially at the moment with the cash rate being the lowest in many years.

In addition, any money received in an investment account will be treated as income for tax purposes. If your property loan is for your home the interest saving will be tax free.

## Make the most of your offset account

Place as much savings/money into your offset account as possible. The best way to do this is to use the offset account as your everyday banking account. Have your salary or wages paid directly into your account to ensure that you have the maximum amount of funds in the

account to offset interest charges. You will still have immediate access to your money as with any normal account.

## Use your interest free period credit card

Pay for all your monthly expenses on your interest free period credit card and then pay the balance in the interest free period. This way you will gain the benefit of free funds from the bank to pay your bills while your money remains in your offset account reducing your interest bill.

This only works if you pay the credit card balance within the interest free period. If you don't, the interest expense on your credit card is significantly more than the interest saving of funds in your offset account.

## Be disciplined

The idea is that you are also using the account to accumulate your savings.

You need to be disciplined to make sure your savings grow over time. The best way to do this is to establish a budget and monitor your actual expenditure against it.

If you lack discipline and tend to spend readily available money you may consider:

- using the offset account as a savings account only, and
- not having the offset account linked to your keycard or eftpos card thereby limiting your ability to gain immediate access to the savings.

If using this approach remember to set aside your savings first when you are paid forcing you to be more disciplined with your expenditure.



Please contact us to discuss on 1800 13 1937 or email us at [info@cumberlandfinance.com.au](mailto:info@cumberlandfinance.com.au)