



To fix or not to fix? **That is a really BIG question!**

With interest rates on the rise and a current topic of conversation, many clients are asking the question: Do we fix our loan or is it better to have a variable rate?

Which loan is right for me?

Well, that all depends on your circumstances. Variable and fixed loans have their advantages and disadvantages so it's imperative to consider these before making a decision. Split loans combine features of both variable and fixed loans allowing you to broaden your options.

Variable Loans

Advantages

- When the Reserve Bank or the market lowers interest rates, these savings will usually be passed on to you.
- You can make additional repayments without incurring a penalty then have the option to redraw the additional funds at a later date.
- You have the option to split your loan so that it is both fixed and variable.
- Provides more flexibility than other types of loans.

Disadvantages

- When the Reserve Bank or market increases rates, the interest rate on your loan will also increase - meaning you will pay more interest.

Fixed Loans

Advantages

- During the fixed term, your repayments won't change making budgeting easier.
- During the fixed period, if interest rates go up your loan interest rate and repayments won't change.

Disadvantages

- Most fixed loans limit the flexibility of being able to make extra repayments (without being charged a fee by the lender) to shorten the duration of your loan. There are some lenders that allow extra repayments into the fixed home loan for a fee, however you are not able to redraw the extra repayments during the fixed rate period.
- When market rates go down, the rate on your loan will remain the same so you won't have the benefit of potential savings.
- If you choose to exit or switch your loan, there may be early termination fees.

How easy is it to switch to another financial product?

Many people end up paying more than they need by staying in an incorrect loan because they think it is 'too hard' to investigate switching to another option. We research alternative products available for you and if changing products is the right solution for your situation, then we help make the process as smooth as possible.

Remember, there may be large costs such as rate break fees to refinance and discharge the current loan and you might lose access to your funds for a period of time. Standard costs such as stamp duty and registration will also apply (although in some states you may be exempt from paying stamp duty). There are many factors to be considered before making a change to the configuration of your loan. This is where we are able to help you.

*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.