

INTEREST SAVER/100% OFFSET ACCOUNT

This is typically an every day transaction type account whereby the interest paid to the account is used to reduce the amount of interest calculated on the associated home loan. Generally you would have all your salary paid into this account, as well as hold all your savings within it, in order to reduce the balance upon which interest is charged on your mortgage loan.

Because interest is calculated daily in most cases, you save interest every day with every dollar in your offset account. This is a very effective tool for Mortgage Reduction and can help you cut years off your loan.

However, a word of warning is required. Ensure that the offset account you choose pays the same interest rate as the rate on your home loan. The early version Offset accounts often didn't pay the same rate of interest, and yet were labelled "100% Offset". Technically, the banks were indeed using the interest on "100% of the offset account balance" to reduce interest on the home loan, only they were using a lower rate of interest on the offset account! It's worth doing your homework on this one – getting the right kind of offset account could save you years on your home loan compared to the wrong type.

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