Is it the right time to

fix my interest rate?

Interest rates and home loans continue to be a hot topic in financial circles. 2015 has seen the lowest cash rate - and resulting interest rates - in Australian history. Can they go any lower?

Opinion remains divided as to whether they will go any lower - and also when. In addition, the RBA no longer controls whether your home loan interest rate will go up or down. Lenders have been setting their interest rates independently of the RBA for around four years.

The only thing that IS certain is that they WILL eventually rise again.

So what loan is the right one for YOU?

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. A number of lenders have recently reduced their fixed rate loans and there are even a couple of lenders that allow you to redraw the excess payments during the fixed term. Split loans combine features of both variable and fixed loans allowing you to broaden your options.

Features to consider

It is important not to judge a home loan solely on interest rates. Be aware of other fees including upfront fees and ongoing monthly fees. We can help you review the costs and benefits of extra features, such as an offset account or redraw facility, possibly saving you money.

Other loan features to pay attention to include lenders waiving fees and charges for other accounts held with them (such as monthly transaction account keeping fees). Make sure extra repayments are not penalised. Some loans, such as fixed loans and some no-frills variable loans, may limit the amount that you can reduce your loan.

How easy is it to switch to another home loan?

Many people end up paying more than they need by staying with an existing loan or lender because they think it is 'too hard' to investigate switching to another option. You should ask yourself whether the loan and structure you have is working for you and whether you have achieved your financial objectives. Can you improve on those?

> ***"I think the only thing that is certain is that uncertainty is likely to persist for some time to come"***

*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.

As your finance specialist we research alternative products and/or available lenders. If changing products is suitable for your situation, we help make the process as smooth as possible – even if you wish to stay with the same lender!

The ban on exit fees came into effect in 2011 and applies to home loans entered into after 1 July 2011. Many lenders have also extended the removal of exit fees to existing loans. Check with us first! We can advise you if there are any exit charges for your individual loan.

Standard costs such as mortgage stamp duty and mortgage registration will also apply (although in some states you may be exempt from paying mortgage stamp duty).

If you HAVE NOT reviewed your financial situation in the last 12 to 18 months then you are more than likely MISSING OUT on some great finance offerings.

It costs nothing for us to double check your situation and may in fact save you hundreds each month.

Variable loans

Advantages

- When the Reserve Bank or lending institutions lower interest rates, these savings will usually (but not always) 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.
- Provides more flexibility than other types of loans

Disadvantages

- When the Reserve Bank or lending institutions increase rates, the interest rate on your loan will also increase. As a consequence you will pay more interest.

Fixed loans

Advantages

- If interest rates increase during the fixed period, your loan interest rate and repayments will not rise. Loans can typically be fixed for periods between 1 to 5 years.
- Budgeting is easier by offering you the predictability of a set repayment each month and giving you security over your financial situation.

Disadvantages

- When interest rates go down, the rate on your loan will remain the same so you will not have the benefit of potential savings.
- Most fixed loans limit the flexibility of being able to make extra repayments to repay your loan early. Some lenders allow extra payments for a fee, however generally you are not able to redraw the extra repayments during the fixed rate period.
- If you choose to exit or switch your loan, there may be early termination fees.

If it's time for you to have a finance review, call the office for our **Finance Update form.** Simply complete the form, scan and email back to us. We will contact you to book an appointment if we believe it will be beneficial to have a chat.