41 Ways To Pay Your Mortgage Early Without Sacrificing Your Lifestyle Or Investing

2K FINANCE

Edition 1

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You don’t want to have so much money going toward your mortgage every month that you can’t enjoy life or take care of your other financial responsibilities

Dave Ramsey

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Acknowledgment

To our clients. You are the driving force behind exploring new & different ways that we can help all our clients & those simply curious for knowledge. Thank you for trusting us with your financial lives & we look forward to a future together.

Introduction

In April 2024, the average Australian household had an owner-occupied mortgage of $625,791 with monthly repayments of $3,863 (Source Money.com.au). Over a 30-year mortgage this equates to $1,390,049 in repayments & a whopping $764,258 in interest repaid. In perspective this is the same as an average household's income for 16.5 years. Imaging what you could do with all that money if you were able to save it.

When 2K Finance was formed, it was formed with the ethos of educating people on achieving their financial goals. For the majority of our clients, they simply want to own the home they live in mortgage free without having to invest or save cents on the dollar. Most importantly, they want to do so while still enjoying their life.

This book explores the tips & tricks that the average household can implement everyday to save hundred or thousands of dollars off their home loan & achieve their goal of being mortgage free sooner than expected. All without compromising your lifestyle or having to invest. We explore industry insights, how each tip works, how to implement them & the savings you can expect.

Note, there are different ways to pay off your mortgage including upsizing, using equity in one property to fund the purchase of another etc. In this book we focus purely on paying off a mortgage on a single owner-occupied property without the need to invest or compromise your lifestyle.

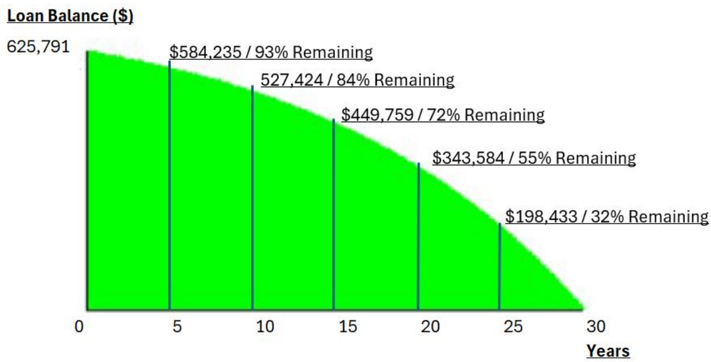
All the potential savings examples calculated in this book are based on the following household scenario which best represents the situation of the average Australian household with an owner occupied mortgage.

Mortgage: $625,791
Monthly repayments: $3,863
Interest rate: 6.27%
Loan term: 30 years
Repayment type: Principal & interest with variable repayments
Average household income: $121,108

Without interest repayments, this loan would only take 13.5 years to repay. 16.5 years & $764,667 goes to the banks!

Fundamentals to Understand

With all mortgages, initially most of your repayment is interest. In the first month of an average Australian repayment of $3,863, the interest paid is $3,270 with only $593 going toward the principle. Compared to your final repayment where $20 is paid in interest & $3,841 goes towards your principle. This partly has to do with how interest is charged, which as shown below means your principal is repaid exponentially, not linearly, as shown below.



In the early years you're mostly paying interest with very little going towards principal.

To put into perspective, by the 20th year of your mortgage, you would only have paid down 45% of your mortgage. 55% of your mortgage is paid in the final 10 years. In a deeper perspective, <u>32% of your loan in paid in the final 5 years!</u>

Because of the way interest is charged, to maximise interest saved off your mortgage as well as time it is best to **<u>attack your mortgage early on</u>**. If you were to add $10 in extra repayments to your mortgage from day one, you would save $19,116 in interest & 0.5 year off your loan term compared to is you started 10 years into your loan term.

Though the best time to implement money savings strategies is on day one, you can still save significantly by implementing our tips at any point throughout your home loan journey.

How interest is charged.

Interest is “calculated daily” meaning that if you owe $300,000 at 7%, your daily interest cost is $57.53. Over a 30 day month, it will add up to $1726.03.

However interest is “charged monthly in arrears” meaning this interest cost is added to your loan once at the end of the payment month.

If your loan settled on the 16th of January, the bank would then add this interest to your loan on the 16th of February & the 16th of every subsequent month. On the 16th of February you owe $301,726.03. Then, when your $2,000 monthly repayment hits your account, you owed $299,726.

Keep in mind that you will save the most interest if you **attack your mortgage early on**.

What determines interest rates

Lenders rate offering are determined based on a number of factors including the Reserve Bank of Australia (RBA) Cash Rate, market conditions & supply & demand. Typically lenders will assess their rates once a month, but must comply with Australian Regulations & Laws with any rate changes.

What gets you're a lower interest rate

When negotiating your interest rate with lenders there are a many considerations. In essence, the lenders typically look at your risk levels and how well you fit into their policies to determine your interest rate and fee waivers.

Most of these are discussed in detail in this book. But some of the considerations that you can use to get the best interest rate and fees possible are

- Loan To Value Ratio (LVR)
- Total loan amount
- The security type, location & value
- Your credit score
- Your occupation
- Your family & financial position
- Your future plans
- Lender policies
- And so much more.

If you do nothing else, do these 5 tips

If you do nothing else in the book, these are the top 5 tips that we recommend. Without spending a single dollar, these top 5 tips will save you thousands of dollars & years off your loan term and apply to almost every situation. These tips are explored in Chapter “41 Tips & Tricks”.

1. Make you first full months repayment at the on the day you settle your home loan
2. Change your repayments from monthly to weekly
3. Negotiate your rate
4. Use a redraw facility
5. Educate yourself

By doing the above 5, which almost every residential mortgage can accomplish you could save $174,540 in interest & 4.9 years off your loan. This is without doing any extra work, changing your lifestyle, investing or making extra contributions!

Interest Saved	***Years Saved***
$174,540	*4.9*

But most importantly, **be consistent**. Small acts will add up over time. Find what works for you, whether it be setting calendar reminders to automating as much as possible. & slowly but surely, just like the tortoise, you will be mortgage free.

‘We are what we repeatedly do. Excellence, then, is not an act, but a habit”

Aristotle

41 Tips & Tricks

1. Make your first repayment the day you get your keys

In a typical loan contract repayments begin a month after settlement as you are charged monthly in arrears. If you settle your home loan & home purchase on the 16th of January, you make your first repayment on the 16th of February & every month afterwards. However, if you make your first repayment on the day you settle, in this case being the 16th January, you have effectively made an additionally repayment early on. This one act on average will save you $21,021 in interest & 0.5 years off your home loan all due to the way interest is calculated.

Interest Saved	*Years Saved*
$21,021	*0.5*

2. Negotiate your rate

Lenders advertise what is referred to as 'carded rates'. This is the rate that they can offer the public for a given loan product. However, they are never tailored to any one individual. This is where 'pricing' comes into play. Lenders & brokers often are able to 'price' loans in which you get a rate discount from the 'carded rate' tailored to your situation. This is determined by many factors including LVR, total loan value, meeting lender niches, etc. If you are able to get a 0.2% discount off the 'carded rate' you would save $78,686 in interest savings & 1.7 years off your loan.

Interest Saved	*Years Saved*
$78,686	*1.7*

3. Refinance cash backs

Many banks offer refinance cashbacks, usually ranging from $1,000 to $4,000. This is an incentive to switch from your current lender & can be claimed given you meet the offer criteria. Once you refinance the cash bonus is typically paid into your nominated account. If you, on average, get a cash back offer of $2,000 per year and put this towards your home loan & do nothing else you can save $95,333 & 3.2 years off your loan.

❗ TIP: When you refinance keep your loan term the same as it currently is or shorter. If you extend the loan term you end up paying more in interest.

Interest Saved	***Years Saved***
$95,333	*3.2*

4. Educate Yourself

The Internation Federation of Accountants estimated that the lack of knowledge about personal finances cost a person $1,819 per year (Educating yourself about interest rates, how credit works, savings, tax & other financial matters can help you recoup this lost money. If you are able to do so you could save $87,858 in interest & 2.9 years off your mortgage.

There is an abundance of websites & resources available for free on the internet. However, make sure to ensure the information your read are from credible sources as there can also be mis-information on the internet. Additionally, you can get your information from books, financial magazines, credible podcasts, professionals or free council held events to name a few. You may not notice the effects at first, but having the knowledge will let you make smarter more informed decisions without realising you are doing so.

(Source: https://www.ifac.org/knowledge-gateway/discussion/cost-financial-illiteracy)

Interest Saved	***Years Saved***
$87,858	*2.9*

5. **First Home Buyer Lender Cash Bonus**

One of the cash bonuses that are frequent on the market are cash offers targeted towards first home buyers. This often is a $2,000 - $3,000 cash bonus paid into your nominated account once your home loan settles. This could help with the cost of moving homes, buying furniture or help cover closing costs such as conveyancer fees, etc.

You should consider if these lenders are right for yourself. If they are & you are able to claim $2,000as a First Home Buyer Bonus, putting the money back towards your mortgage could save you $10,987 in interest & 0.25 years off your loan term.

Interest Saved	***Years Saved***
$10,987	*0.25*

6. Additional repayments

Additional repayments going towards repaying the principal of your mortgage can make a big difference. $10 a week will save you $29,263 in interest & 0.9 years off your home loan whilst $50 a week will save you $124,476 in interest & 4.1 years off your mortgage. These extra repayments go towards your principal. There is a second bonus as you will pay less interest subsequent repayments as there is less principal to be charged interest one – a bit like hitting two birds with one stone. If you have a redraw facility you can always access these funds should you need them.

Interest Saved	***Years Saved***
$124,476	*4.1*

7. Loan-To-Value (LVR) Tiering

Many lenders give discounts the lower LVR you have. LVR is the limit of the loan divided by the value of your home.

The two ways to reduce LVR are to pay down your mortgage or increasing the value of your home. There are 2 ways to increase the value of your home. You can wait for the home to appreciate in value with time or you can do landscaping, painting or any renovations as these add value to your home

As your LVR comes down you can ask the bank for a discount on your loan partly due to now being a lower risk mortgagor. If you asked your bank for a 0.1% discount in years 3 & 6 of your loan (when your LVR is likely to go from

80% to 70% to 60% primarily due to property value increase), you could save $51,981 in interest & 1.08 years off your loan.

❗ TIP: You can ask your broker to do periodic valuations to get the market value of your property. Keep in mind that these will be different from real-estate agent valuations done by certified professionals & can usually be done at no cost to you.

◊ *Story: Our client purchased a home for $605,000 in August 2023. In June 2024 we did a valuation returning at $715,000. We were able to re-negotiate an additional 0.2% off his interest rate with the same lender, saving $75 in monthly repayments and over $25,000 in interest.*

Interest Saved	***Years Saved***
$51,981	*1.08*

8. Waive your application fee

Lenders typically have an application fee between $150 - $700. Ask to have this fee waived & put the money you save into your mortgage. If you manage to waive an application fee of $600 & put the money straight into your mortgage you could save $3,320 in interest & 0.1 Years off your mortgage.

Interest Saved	***Years Saved***
$3,320	*0.1*

9. Get a shorter loan term

A typical mortgage in Australia goes over 30 years. Getting a shorter loan term that the typical 30 years will increase your monthly mandatory repayments due to paying more principal in a shorter time. However, if you can afford to do so you can save a lot in interest overall. Going over a 25 year term will save $179,192 in interest whilst a 20 year loan term will save $320,420. If you want these benefits but don't want your mandatory repayments to be so high, you can achieve the same result by keeping your mortgage over a 30 year term but making repayments as though the term is only 20 or 25 years.

Loan Term	***Interest Saved***	***Years Saved***
25 Year	*$179,192*	*5*
20 Years	*$320,420*	*10*

10. Don't lower your repayments as interest rates decrease

As interest rate decrease your mandatory repayment will also decrease. But what if you maintained your current repayments? You likely are already used to it. If interest rates were to decrease, the amount of interest you pay every month would also decrease. However if you maintained the same monthly repayment, you effectively would be making additional contributions towards the principal of the loan. If you kept the same repayments but your interest rate went down by 0.1% each year for the first five years of your mortgage, you would save $135,540 in interest & 2.9 years off your loan term.

❗ *Note that to take advantage of this you would require a variable rate product. This product also has the ability to increase interest rates & subsequently repayments.*

Interest Saved	*Years Saved*
$135,540	*2.9*

11. Use the First Home Owner Grant

The First Home Owner Grant is a grant by some state & territory governments for first home buyers buying new or renovated properties. Typically they range from $10,000 - $30,000. If you are in the fortunate position that you do not need this grant to cover your costs or deposit & are able to put it straight onto your mortgage, you could save up to $144,314 in interest & 3.8 years off your mortgage. This example would apply if you got a mortgage $30,000 less than $625,791 at $595,791 but made repayments as though your mortgage was the full $625,791.

❗ *Note: Each State/Territory has criteria to access the First Home Owner Grant. Check you meet criteria.*

Interest Saved	*Years Saved*
$144,314	*3.8*

12. Use a redraw facility

A redraw facility is a loan feature. It is different from an offset account as with a redraw account you are putting money into your mortgage itself, but have the ability to access these extra repayments should you need. It is different from your offset account which is a separate bank account acting like an everyday transaction account. However, it works in the same principle that you pay interest on the loan amount remaining minus the funds in your redraw account. So if you have a $500,000 mortgage & $40,000 in your redraw account, you only pay interest on $460,000.

Having this feature does not decrease your repayments, but decreases the amount of your repayments that goes towards interest, saving you on interest paid & the loan term.

The average Australian has $36,095 in savings (realestate.com.au). If this was sitting in your redraw facility instead of a savings account you could save $169,123 in interest & save 4.4 years off the life off your loan. Typically interest rates on mortgages are higher than in savings accounts so it may be worth while to have your savings in your redraw account.

Interest Saved	***Years Saved***
$169,123	*4.4*

❗ *Note: If your redraw balance matches your loan your bank may close your home loan using the redraw funds. To keep your home loan open and access to your redraw account, speak to the bank about it's policies or always ensure there is less in your redraw facility than the remaining loan balance.*

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13. Use an offset account

An offset account acts like an everyday transaction account. However, the money that is in the offset account helps by lowering the interest paid as you pay interest only on the mortgage balance minus the money in your offset account. So if you have a $500,000 mortgage & $5,000 in your offset account, you only pay interest on $495,000. Offset accounts work in the same way as redraw accounts, only that it is an everyday transaction account as opposed to your home loan itself.

Having this account does not decrease your repayments, but decreases the amount of your repayments that goes towards interest, saving you on interest paid & the loan term.

❗ *Note that offset account can attract monthly fees or a higher interest rate. So it is worth assessing if you will consistently have enough funds in your bank account for the interest saved to be greater than the additional costs involved. If you keep most of your money in a savings account & only a few hundred dollars in your everyday transaction account, the costs of having an offset account may be more than the savings. In this case a redraw facility may be more appropriate.*

If your offset account attracts a $10 per month, you should have approximately $1,600 or more in your offset account to justify the cost.

If your offset account attracts a 0.05% rate increase, you should have approximately $3,875 or more in your offset account to justify the cost.

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14. Home insurance discounts

Most lenders offer home & contents insurance through either themselves or affiliated partners. Home & contents insurance is not only a good idea to protect yourself should the unfortunate happen, but also a mandatory requirement by lenders which have your home as security. Some lenders can offer discounts if you get your home & contents insurance through them along with your mortgage. Make sure the insurance policy meets your needs, is from a reputable provider & is still competitively priced compared to other insurance providers. Finder.com.au found that the average cost of home & contents insurance in Australia in 2022 was $1,715.04 per year. If you could save 10% ($171.50) of this annually through lender discounts & put that towards your mortgage you could save $10,379 in interest & 0.3 years off your mortgage.

Interest Saved	***Years Saved***
$10,379	*0.3*

15. Lenders Mortgage Insurance (LMI) Refund

There is no set rule in regards to this tip regarding LMI refunds as it is up to lenders & LMI providers. Some LMI providers can provide a partial refund if your LVR goes below 80%, you repay 20% of the security value, you refinance to a different lender with a different LMI provider or you sell your home within 24 months of entering the LMI policy. Though the later 3 scenarios are unlikely, a more like scenario would be if you have done a renovation to increase your home value or the value of your home has increased significantly through another event such as the introduction of a nearby shopping centre. Performing a valuation & discovering if your LVR is below 80% could allow you to ask your LMI provider for a refund.

For example, if you have paid $10,000 in LMI on your home purchase, but have got your LVR below 80% & receive an LMI refund of 50%, or $5,000, putting that funds towards your home loan could save $23,349 in interest & 0.6 years off the life of your loan. & all you have done is a valuation of you home & applied for an LMI refund.

Interest Saved	***Years Saved***
$23,349	*0.6*

❗ *TIP: LMI may not be required even without a 20% deposit by utilising first home buyer schemes & alternate lender options*

Tips 16 & 17

For simplicity sakes we distinguish different payment schedules as fortnightly, bi-monthly & quarter-monthly. However your lender may arrange what we refer to as bi-monthly and quarter-monthly repayments to be direct debited fortnightly & weekly respectively. We have used these terms to help you differentiate the payment schedules of Tips 16 & 17.

16. Make fortnightly repayments (but get your calculations right)

This is a commonly seen trick but the premise needs to be thoroughly understood otherwise you won't be able to execute the principles accurately. The premise is making an extra months repayment. Over a year there are 12 months, but 26 fortnights. If you make 2 payments a month you should make 24 payments a year. However, you make 26, equating to 2 extra fortnightly repayments or 1 extra repayment a year. It is done in a way that the extra repayment is spread throughout the year. Doing so could save you $178,221 in interest & 5.9 years off your loan term.

As you essentially are making an extra repayment, you could achieve the same effect by making an additional months repayment once a year & staying on monthly repayments.

Interest Saved	***Years Saved***
$178,221	*5.9*

❗ *Note: It is important to note that if you apply for fortnightly repayments, most banks will work out repayments to equal the same amount over the year as though it was monthly so you won't make the extra repayment. The best way is to set up your account so that you direct debit fortnightly what your monthly repayments divided by 2 would be into your home loan.*

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17. Make bi-monthly or quarter-monthly repayments

Above we discussed fortnightly repayment. With this you are essentially making an extra repayment per year. However, if you do not want to make that extra repayment per year you can do bi-monthly or quarter-monthly repayments. With this method you are paying the same amount over the entire year but more frequently – twice a month or weekly. Note you are NOT making any extra repayments.

The key to note is interest is charged daily. So as you pay your repayment earlier every month instead of on the last day of the month, you pay a little bit less interest daily which adds up over time.

The interest you are saving is interest that is charged daily. In lieu of paying down you principal with the extra monthly repayment, you are saving as you are charged less interest on your mortgage. Therefore you are not changing the monthly repayments, but the length of the loan term as you pay down your principal faster.

Calculations

- With monthly repayment of $3,863, you pay $46,356 annually.
- With fortnightly repayments of $19,31.50, you pay $50,219 annually, which is $3,863 more than paying monthly (i.e 1 extra months repayment).
- With bi-monthly repayments of $1,913.50, you would pay $46,356 annual – the same as monthly.

- With quarter monthly repayments of $965.75, you would pay $46,356 annual – the same as monthly.

If you were to go quarter-monthly, you could save $15,656 in interest & 0.4 years off your loan term. If you made bi-monthly repayments you could save $6,258 in interest & 0.1 years off your loan term.

❗ *Note that paying fortnightly is different to bi-monthly. With bi-monthly repayments you divide the monthly repayments in 2 repayments in a month. This is not fortnightly as within the span of 1 month you still pay 1 months repayment, but with a fortnightly arrangement you pay 1 1/12 of a months repayment. Over 1 year that adds to a full month repayment. Therefore you do not make an extra repayment paying bi-monthly but you will save some dollars in interest as interest is charged daily.*

	Interest Saved	***Years Saved***
Weekly	*$15,656*	*0.4*
Bi-Monthly	*$6,258*	*0.1*

18. Packaged vs Non-Packaged Loan product

A packaged loan is a loan product designed to combine a number of financial services. This may include credit cards, insurances, offset features, etc on top of your home loan. These packaged loans typically attract an annual fee or the like, but offer discounts on mortgage rates, insurance premiums & access to features to help you save money. For some people the cost of having a packaged loan account is outweighed by the savings gained, or simply desired for clients who prefer to have all their financial products with one lender for convenience. However, packaged products are not always required, & not unnecessarily having a packaged product, or going with a lender who does not charge for packaged products could potentially save around $400 per year, saving $23,710 in interest & 0.7 years off the life off your loan if the money was put back into your home loan.

Interest Saved	***Years Saved***
$23,710	*0.7*

❗ *TIP: Ask your broker for advice on if a packaged product or non-packaged product would suite your needs best*

19. Do annual health checks – broker will buy you a coffee

1 in 4 Australian have not changed their mortgage for at least 10 years (Source domain.com.au). Typically the reasons people choose not to change their home loan include being satisfied with their current lender or feeling there is no reason to refinance. However, with the constant change in products available & your financial position there may be thousands of dollars to save.

Bendigo Bank advertised a recent health check of their clients the Norris Family saved the, $5,772 a year without them having do anything. This was a saving of $481 per month. To put into context, with an average hourly wage of $43.06, you could take an extra 3.5 weeks of unpaid annual leave a year & still be in the same financial position! Or if you put the money saved back towards your mortgage, you could save $93,218 in interest & 4 years off your mortgage even if you did the health check 10 years into your mortgage.

A home loan health check is also a great time to catch up with a financial expert to find out about recent market updates or seeing if you're on track with your financial goals. It's free and you can get a free coffee out of it.

Interest Saved	***Years Saved***
$93,218	*4*

20. Splitting construction loans in 2 loans

If you are building a new home you typically only pay interest only until the home is built & handed over. However, interest only payments do not help pay down your loan. What you can do is structure the loan having the land loan separate from the construction loan – effectively having 2 loans. You can have the land loan as a Principal & Interest loan whilst keeping the construction interest only. This allows you to at least start paying down your land loan earlier. Keep in mind to consider your cash position & capacity as doing so will increase mandatory repayments & potentially stress you having to also meet other commitments such as rent.

If you had a land loan of $300,000 with principal & interest repayments in lieu of interest only, you would save $18,816 in interest & 1 year off your loan term as opposed to using a 1 year interest only period plus a 30 year principal & interest period.

Interest Saved	*Years Saved*
$18,816	*1*

21. First Home Super Saver Scheme

The First Home Super Saver scheme is a government program in which you voluntarily contribute into your superfund & then take funds out to contribute towards your first home purchase. Each person can contribute up to $15,000 per financial year up to a total of $50,000. Therefore a household with 2 working individuals can contribute a total of $100,000.

The two benefits of using this scheme are the tax savings along with the returns as your contributions to this scheme will be invested similar to your regular super – returning an average historic return of about 8%. The First Home Super Saver Scheme is taxed at 15% as opposed to the normal tax rate of about 30%. The savings of 15% in tax would equate to $7,500 in savings for an individual or $15,000 for a couple. The benefits also extend to getting a return of about 8% on the money you save through your superfund, which for a couple having saved $100,000 is about $8,000 in return per year. As there are rules around this scheme it is best to consult a finance professional.

For a couple utilising this scheme to save an addition $15,000, you could save $77,276 in interest & 1.9 years off the life of your loan but requiring a mortgage $15,000 less but maintaining the same repayments.

Interest Saved	*Years Saved*
$77,276	*1.9*

22. Utilise pay increases – avoid lifestyle inflation

Commonly people suffer from something called 'lifestyle inflation'. That is when as people get a pay increase they tend to buy nicer clothes, cars & have a more lavish lifestyle. But what if you lived exactly the same as though you didn't have a pay increase? Life would continue. The average pay increased by 2.3% annually between 2012 to 2022. If your household income increased by 2.3% every year & you put away 1% into your mortgage every year for the first 10 years, you could save $362,419 in interest & 14.42 years off your home loan.

Interest Saved	***Years Saved***
$362,419	*14.42*

23. Tax Refunds

The average tax refund per Australian is $2,800 (Source ABC News). With a household of 2 people that equates to $5,600 per year. If you put that towards your mortgage you could save $221,100 in interest & 7.5 years off your mortgage. You could put it in a redraw account so to have the money available should you need it.

❗ TIP: Use an accountant. In 2022, an accountant prepared tax return was able to get a tax refund of $974 more than one that was prepared by an individual (Source: H&R Block). You will also be able to claim their fees as a deduction in the following financial year's tax return.

Interest Saved	***Years Saved***
$221,100	*7.5*

24. Salary sacrificing your loan

Salary sacrificing is a way of paying for some of your living expenses with your pre-tax dollars, thus lowering your tax bill. Typically public sectors & not-for-profit organisations have these set up for their employees. Depending on your workplace, you could pay between $9,010 - $15,900 of your living expenses in pre-tax dollars, plus take advantage of other additional benefits such as paying for eating out using pre-tax dollars aswell. For a single income earner salary packaging $9,010 a year could save $2,747 annually, or for a dual income earning household $5,494 in savings annually. Put towards your mortgage this could save $209,693 in interest & 7.1 years off your loan term. Each workplace has a different set-up & salary packaging provider so best check with your HR team.

Interest Saved	***Years Saved***
$209,693	*7.1*

25. Don't shy away from small lenders

Out of over 80 lenders in Australia, there are many considered to be 'small banks' that you may not have heard. Many small lenders are owned by the Big 4 Banks. However, as they are structured differently or target a niche subset of clients they often can provide rates and products that may suite your needs better than the Big 4 Banks. These lenders also hold appropriate licences with ASIC, meaning they must comply with the same regulations as a regular banks do. When considering small lenders, ensure that they offer a suitable product for your needs & you are able to work well with them for example for the online lenders ensuring you are well equipped to use online banking & do not require a branch.

26. Consider all lenders

There are over 80 lenders in Australia, though many people don’t know about them all. All lenders have different niches & policies that may best suit yourself. Did you know there are lenders who specialise in loans for self-employed clients? Much like so, there are private lenders, gap finance lenders, deposit bond lenders and so many more who may be able to assist you in providing the best outcome for your goals. Consider all lenders & not just the Big 4 as you may be getting a better deal with a lender you have not yet heard off.

27. Your occupation matters

Some lenders prefer clients with occupations that are stable, such as teachers, health professionals, accountant & lawyers. They have special perks for these clients such as LMI waivers, rate discounts or how they use your income for servicing. It may pay to go with a lender who prefers your occupation. For example, if you were a teacher who wanted to borrow 90% of the purchase price of a property, every lender would charge you Lenders Mortgage Insurance. However, if you went with Bank First, you could have your LMI waived as they are the only lender with an LMI waiver policy for teachers (as of the time of writing), which could save you thousands of dollars.

28. Make sure your loan fees add up

There are a lot of features & options these days with over 1600 credit products being available on the market. Different lenders & products offer different features & benefits, some of which attract a monthly or annual fee or even a loading on your interest rate. Make sure that you are using all the features of you home loan product otherwise cancel the features you do not need & save on the fees.

29. Put the hours in shopping around

A typical customer at IKEA will spend 3 hours shopping around. Being a bigger financial decision than an IKEA shop, make sure to put the hours in to getting all the information to make sure the home loan product you have chosen is right for you. It will seem tedious & in some cases torturous. But doing so can save you thousands of dollars & save years off your home loan.

30. Watch out for late fees

Many lender charge late fees for missed repayments, typically $10 - $15. Make sure you make your repayments on time to avoid a late fees or they can really add up. If you are charged 1 late fee per year which is added to your loan you will pay an extra $891 in interest repayments.

31. Don’t use interest only

Interest only loan options may be a great option for those struggling temporarily with cash flow & would like to reduce repayments. However, if your goal is to pay down your home loan fast then interest only repayments do not accomplish this goal. If you have an interest only term of 2 years, at the end of the 2 years you would have paid $78,480 in interest repayments but still have the same loan balance as you started off with 2 years earlier. At the end of a 30 year loan term this would amount to an extra $17,845 in interest paid with an extra $95 per month required in repayments in the last 28 years.

Interest Saved
$17,845

32. If there is a better offer by a competing bank let your bank know

It is often cheaper to keep a customer than acquire a new customer. If you already have a mortgage but notice a competing lender with a similar product, give your bank a call & ask them to match or beat it. If they can't them consider the new bank as an option (considering it is still worthwhile after all the fees)

❗ *Tip: The Big 4 Banks typically have the best retention policies as they have greater resources to play around with. Once you hand in your discharge notice, don't be surprised if they call and match any competitors offer.*

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33. Use a broker

A lender will only find a solution within their bank, even if it may not be the cheapest or the most suitable for you. However, brokers will be able to access over 80 lenders to compare products from and more than likely be able to find you a better option than the bank you approached can offer. As brokers legally must oblige with 'Best Interest Duty', they must ensure any credit product they present to you is not unsuitable to your needs.

◊ *Story: A client of ours went to one of the Big 4 Banks who was not part of the Home Guarantee Scheme. They ended up paying LMI and a higher interest rate as they did not have a 20% deposit. However, they could have gone to any of the 33 lenders participating in the Home Guarantee Scheme to avoid paying approximately $7,000 in LMI & get a better rate. However this bank failed to mention this option as they were not obliged.*

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34. Loan Tracking Software

Ask your broker how they monitor your home loan. Some brokers may do this manually with a periodic manual review of your home loan whilst others may use programs that automatically review your home loan & alert yourself or your broker once there is a favourable product available. Regardless if it is done manually or periodically, ask your broker how they monitor your home loan & make sure they do not set & forget. Sherlock is currently a reputable CRM software used to track your home loan & automatically alert you should a better product be available.

35. Split your loan – fixed rates for rate increases

Splitting a loan to be on part fixed & part variable can bring benefits of both a fixed rate product & variable rate product. You have the benefits of the variable loan amount, such as taking advantage of rate decreases being able to make unlimited early repayments without penalty, having an offset account & redraw facility, as well as the benefits or a fixed rate loan. Namely being not suffering heavily from rate increases & having certainty of the repayment amount. Structuring your loan correctly to meet your needs can not only help you have a structure most appropriate to your needs but also help you take advantage of specific loan features.

36. Your everyday transaction bank can be different to the bank supplying your mortgage

Just because you bank with one lender does not mean you have to keep all your finances with them. You can have your mortgage with one lender & keep you savings & everyday transaction with another lender. This way you could get the best deal on your mortgage & the best deal on your savings or transaction account – taking advantage of the best of both worlds. This would be useful in a situation where you prefer a branch for your everyday uses but don't mind using a smaller or online lender for your mortgage.

❗ *Note: You may need to have an everyday account with your mortgage lender if you have an offset account or redraw account.*

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37. Improve your credit score

You credit score is a record of your credit history. It includes things like the type of credit you have enquired about, credit limits, how often you enquire for a credit facility, how long current credit facilities have been open, if you make payments on time, if you have been bankrupt or in default.

All of these are among criteria which effect your credit rating.

Lender use credit rating to assess how trustworthy you are & some lenders will discard you if your credit rating is too low. Being able to access a wider range of lenders will give you access to more lenders who can provide you with better deal, so it is best to ensure your credit rating is maintained at an appropriate level. Generally a credit score above 606 will give you access to almost all lenders.

You can access your credit score for free from Equifax, Experian or Illion if you meet criteria, or you can ask your broker to access your credit file for you. These generally do not appear as an inquiry & will not impact your credit file.

38. Superannuation Account Based Pension Account: tax-free income accounts (over 60 year olds)

This is a loop-hole for those approaching retirement. It is tedious to set-up, but once set up there are plenty of savings to be made. The premise is you salary sacrifice a portion of your salary into your superfunds & through a retirement stream account get paid the money back but tax free. Different superfunds have different names, for example Australian Super calls this a Choice Income Account. This is different from a Transition To Retirement account as you can access fortnightly payments without limits & tax-free. However, there are rules around age limits, how much you can salary sacrifice before being taxed & claiming the concessional contributions, so best speak to an account, financial advisor & your superfund. This trick may be useful to help pay off your mortgage in your final few years or simply to help reduce your taxable income.

39. Car Loan Into Mortgage

Car loans generally carry a higher interest rate than home loans as cars an seen as less secure & as a depreciating asset. A good way to save on your car loan if you do need to take out a loan is to take cash out against your mortgage if you can get it at a better rate than through a car loan.

❗ *Note: Remember to pay off the car loan portion as though it was over a normal car loan term of 3-7 years otherwise you likely will end up paying more in interest by paying this over 30 years instead of 3-7 years.*

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40. If you work at a bank use employee discounts

Lenders do offer their own staff employee discounts. This could be annual fee waivers, interest rate discounts or LMI waivers to name a few. You may need to apply through a specific channel, but these savings could result in substantial savings on your home loan.

41. Precure your own items with small builders

If you find yourself building with a small builder they may let you 'precure' items such as tiles, appliances, etc. This is the act of finding your finishes, purchasing & delivering them to site. This not only saves small builders time finding these items themselves but also lets you save as you could save on the builders margin on precured items. Best of all it lets you select the finishes that you prefer. Builders will often have standards that you will have to meet so check with your builder first. It is also worth checking your building contract to see how these items referred to as ‘prime cost items’ have been listed & if an allowance has been made. If allowances have been made & you precure items yourself, you likely should receive a discount off the builders invoice. You can use the savings to put towards paying off your mortgage early should it be spare.

In Closing

I hope you have taken some value from this book. The journey towards financial freedom & paying off your mortgage doesn't have to be a daunting one. By incorporating even a few of the 41 practical tips shared in this book, you are not only taking concrete steps towards eliminating debt but also reclaiming the joy & freedom that come with living life to the fullest. Each tip has been crafted with the belief that financial security should enhance, not hinder, your ability to enjoy life's moments.

Above all, our shared value is to live life to the fullest whilst also achieving your financial goals. We hope this book serves not only as a guide to financial liberation but also as a reminder that every dollar saved is a step closer to realizing your dreams & aspirations. Here's to a future where your mortgage is a thing of the past, & each day is filled with the richness of a life well-lived. May these insights empower you to take charge of your financial destiny & embrace a future where financial freedom & a fulfilling life go hand in hand.

Now its your time to start taking action. Good luck to your journey ahead!

About The Author

Krishna Kula is a passionate advocate for financial freedom & real estate investment. He embarked on his journey into property ownership by building his first home by 22 & acquiring multiple investment properties soon after. By 26, Krishna had achieved the significant milestone of owning two of his multiple investment properties outright, leveraging his knowledge & experience in real estate. The difference between himself & other being Krishna did so without compromising his lifestyle.

Originally trained in healthcare, Krishna transitioned into mortgage broking with a commitment to educating his clients about effective financial strategies. His firsthand experience in healthcare & seeing lives lost too early underscored for him the importance of living life to the fullest without being burdened by a mortgage. This insight fuels his mission to empower individuals to pay off their mortgages faster, enabling them to pursue their financial goals while maintaining their desired lifestyle.

Krishna's book, "41 Ways to Pay Your Mortgage Early Without Sacrificing Your Lifestyle or Investing," distills years of expertise into actionable advice. Through practical tips & insights, Krishna equips readers with the knowledge to navigate the complexities of mortgage management efficiently.

Beyond his writing, Krishna continues to advocate for financial literacy & smart property investment. He believes that everyone deserves the opportunity to achieve financial independence & is dedicated to helping others realize their dreams through informed decision-making & strategic planning.

Connect with Krishna Kulajayenthiran & discover more about his work at www.2kfinance.com.au/learn. Join him in his mission to unlock financial freedom & achieve life's aspirations without the weight of a mortgage.

Other Resources

2K Finance Learning Centre

Our Mortgage Broker Resource Hub – your go to destination for all things mortgage related! Whether you're a first time homebuyer, refinancing your property or exploring investment opportunities, our comprehensive collection of tools, guides, & expert advice is here to empower you at every step of your journey. From calculators & downloadable interactive worksheets all the way to in-depth articles & case studies, our goal is to arm you with the knowledge & confidence needed to make informed decisions. Explore our wealth of resources & take control of your mortgage experience today

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A Real Human

There is a lot of information that can easily be accessed through the internet, social media, magazines or the news. But the best source is a real person that can give tailored advise to your situation. Speak to your local accountant, financial advisor or 2K Finance mortgage broker for the best advise for your situation.

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