Peasy
Property, easy.

OFFSET VS. REDRAW – WHICH IS BETTER?

While home loan rates ultimately give you an indication of how competitive a home loan offer is, it is important that you check for handy features that could help you settle your loan faster, like offset accounts and redraw accounts.

Both these home loan features allow you to use extra funds to reduce the amount of interest you pay and help you pay off your loan sooner. So, if you are a diligent saver, you will benefit the most from these features.

How does an Offset Account work?

Offset accounts are like everyday transaction accounts, linked to your loan. The funds sitting in your offset account are saving you interest, daily. The more funds you have in the offset account, the less interest you pay on the home loan. For example, if you have a $500,000 home loan and you have an offset account with a $50,000 balance, interest will only be charged to $450,000 of your home loan.

You can even have your employer deposit your salary into it and you can transfer money in from other accounts. If you want, you can use your offset account for everyday purchases like groceries and bills by using a debit card.

What is a Redraw Account?

A redraw account is not a separate account but a feature attached to your loan. It allows you to make extra repayments towards your loan. These payments are pooled in a fund and you can withdraw anytime you need it.

If you decide to leave the funds untouched, a redraw account can help you shave years off the term of your loan.

Offset vs. Redraw?

- A redraw account may not be as flexible as an offset account. For example, you may not have the option to redraw money from an ATM or make a transaction using a debit card. Some lenders may set minimum redraw amounts
- Redraw can vary between lenders – they may have a minimum required amount per redraw, or even redraw fees
- There may be different tax implications with using your redraw feature and offset account if you decide to rent out your home in the future. If you decide to rent out your home as an investment property, the interest charged on the loan may be tax-deductible. But you may not be able to claim any portion of the loan you have redrawn from your redraw facility for non-investment purposes like a holiday or a private car
- On the other hand, withdrawing amounts from your offset account won't affect the tax-deductibility of interest charged on your loan

If you have extra income or savings, you'd be crazy not to take advantage of an offset or redraw account. It's as easy as calling 8904 1176 to start saving.