

INSIGHTS

Saving on your Borrowing Costs...

Interest Rates remain at historic lows.

Though with cost of debt rising for some borrowing purposes - it is a good time to review your debt strategy. For those wanting to save money or put a better structure in place there are options emerging.

• Review Cost of Interest Only Lending

There is now a substantial interest rate premium where loan repayments are interest only based.

There are scenarios where interest only repayments might be appropriate; though it is important to understand the cost of doing so!

• Refinancing Opportunities

There are currently a number of finance offers for **Principal & Interest Repayment Loans**, regardless of loan purpose.

This includes for business borrowers too.

These can also incentives for customers, including cash-back refinance rebates in some cases too.

Scared of P&I? Consider a Investment Mortgage:

Total Debt (Interest Only)	\$500,000
Loan Purpose:	Investment
Interest Rate:	4.90%
Monthly (Interest Only) Repayments	\$2,041

Total Debt (Principal & Interest)	\$500,000
Loan Purpose:	Investment
Interest Rate:	3.90%
Monthly (P&I) Repayments	\$2,358

Additional Monthly Repayments:
\$317 per month or \$3,804 per annum

So, our amount of cash out increases each month from this switch; however, assuming we ultimately will pay out this loan, consider the interest savings:

Over a 30 year term	\$106,306
Over a 20 year term	\$64,465
Over a 10 year term	\$28,841

This is not always simple and sure, you might get a comparable return from using this extra cashflow elsewhere - but our research is that many customers just spend the "extra".

Talk to your MCP contact about some attractive rates for P&I lending.