



Mortgage Offset Accounts: A Smart Way to Reduce Interest and Build Equity

A mortgage offset account is one of the most effective tools borrowers can use to reduce interest costs and pay down their home loan faster. It works by linking your transaction or savings account to your mortgage, with the balance "offset" daily against your loan. You only pay interest on the difference. For example, a loan of \$400,000 and \$20,000 sitting in your offset, you're charged interest as if your loan were \$380,000. This simple structure can save you thousands over the life of your loan.

Why Offset Accounts Matter

Every dollar in your offset account reduces the interest calculated on your mortgage. By lowering your interest bill, more of your repayments go toward the principal—helping you build equity sooner. Offset accounts also provide flexibility; you can deposit or withdraw funds just like a normal transaction account, making them ideal for everyday banking or savings.

Offset vs Redraw

A redraw facility involves making additional repayments directly onto your loan, which you can later access—sometimes with restrictions or fees. An offset account keeps your funds separate and fully accessible. This is especially important for investment loans: withdrawing from a redraw can affect tax deductibility, whereas using an offset account does not alter the loan's character.

To unsubscribe or for any suggestions of content, please email: admin@kistafinance.com.au.

Important dates for January, 2026:

- 01Jan2026 – Happy New Year to all of my Newsletter recipients and wishing you all a healthy, happy & prosperous 2026!
- Monthly Dec2025 BAS – 21Jan2026
- Quarterly Dec2025 Employer Super – 28Jan2026
- Quarterly Dec2025 BAS – 28Feb2026

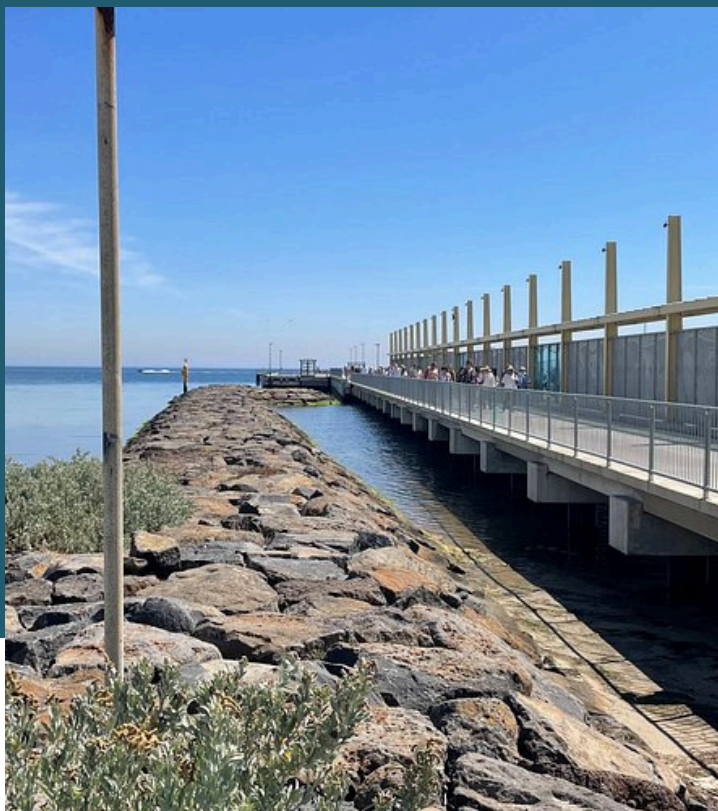
Joke of the Month.....

A mathematician, an accountant and an economist apply for the same job.

The interviewer calls in the mathematician and asks "What do two plus two equal?" The mathematician replies "Four." The interviewer asks "Four, exactly?" The mathematician looks at the interviewer incredulously and says "Yes, four, exactly."

Then the interviewer calls in the accountant and asks the same question "What do two plus two equal?" The accountant says "On average, four – give or take ten percent, but on average, four."

Then the interviewer calls in the economist and poses the same question "What do two plus two equal?" The economist gets up, locks the door, closes the shade, sits down next to the interviewer and says, "What do you want it to equal?"



Smart Strategies to Maximise Benefits

- Deposit your salary directly into the offset.
- Use it as your main savings hub to keep the balance consistently high.
- Use a credit card for monthly spending, paying it in full each month to maximise days your money remains offsetting interest.
- Stay disciplined and avoid unnecessary withdrawals.
- Check your loan features, as some lenders offer only partial or limited offset options.

A Quick Example

Keeping \$30,000 in an offset on a \$500,000 loan at 6% p.a. can save around \$1,800 in interest over a year—typically far more than a savings account would earn, and without taxable interest income.

Take Action

Mortgage offset accounts offer savvy borrowers a flexible and powerful way to cut interest costs, repay loans faster, and build equity. By understanding how they work and using effective strategies, you can make your money go further. Speak to your broker to see if an offset account is right for you and start saving today.

For more detailed information, go to our blog at:
<https://www.kistafinance.com.au/blog/mortgage-offset-accounts-how-to-save-thousands-on-your-home-loan/>

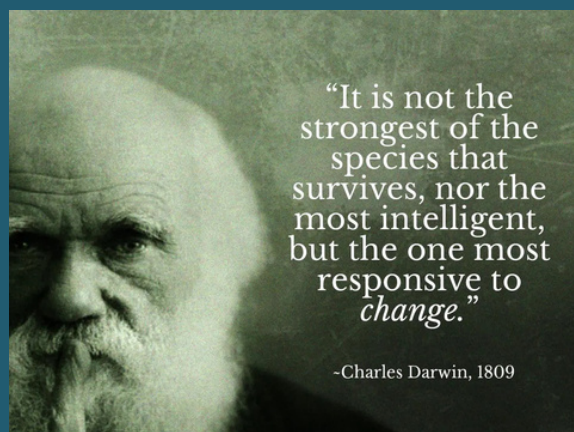
Self-Care Tip for the Month.....

Set a meaningful intention: Begin the year with a thoughtful intention rather than a rigid resolution. For example: 'This year, I'll focus on reducing stress' or 'I'll nurture my relationships.' Clear intentions guide your habits and motivations throughout the year.



Interest Rate Outlook for 2026

- Inflation rose to 3.8% in October, above the RBA's 2–3% target, while unemployment remains low at 4.3%, signaling a tight labor market.
- The RBA held the cash rate at 3.60% in December, citing persistent inflation risks and strong demand. Minutes suggest a possible rate hike as early as February 2026 if inflation remains elevated.
- Commonwealth Bank and NAB expect one or two hikes in early 2026, while Westpac and ANZ predict rates will stay on hold. Overall, cuts appear unlikely this year.
- Most projections cluster around a 3.60%–3.85% range, with upside risk if inflation persists. Rate cuts are generally deferred to 2027 or later.



"It is not the strongest of the species that survives, nor the most intelligent, but the one most responsive to change."

—Charles Darwin, 1809