HEART FINANCIAL.

FIXED RATE GUIDE

WHAT TO KNOW BEFORE YOU FIX YOUR HOME LOAN?

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Because it’s more than a loan, it’s your life.

Heart

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IMPORTANT INFORMATION

This guide is provided for general information and educational purposes only. It is not personal financial advice, credit advice, legal advice or a recommendation to enter into any particular loan or property transaction. The examples and calculations in this guide are illustrative only. Interest rates, fees, property values, valuations, LVR requirements, lending criteria, loan structures, repayment amounts and bridging timeframes vary between lenders and individual circumstances.

Actual borrowing capacity, peak debt, end debt, interest costs and loan repayments will depend on your financial position, the properties involved, the lender's assessment and the structure of the finance.
Any figures shown should not be relied upon as a quote, approval or indication that finance will be available. Before making a property or finance decision, we recommend obtaining advice based on your individual circumstances.

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THINKING ABOUT FIXING YOUR HOME LOAN?

A fixed rate can give you greater certainty around your repayments. But fixing your loan is about more than the rate.

- **YOUR REPAYMENTS**
- **YOUR CASH FLOW**
- **YOUR FUTURE PLANS**
- **YOUR FLEXIBILITY**

So instead of asking:
'Will fixed rates be cheaper?' ask:

'Does fixing my loan fit my life?'

FIXED OR VARIABLE?

01	**REPAYMENT CERTAINTY**	A fixed rate can provide greater certainty around your repayments for the fixed period of time.
02	**RATE MOVEMENTS**	A fixed rate stays the same during the fixed term, while a variable rate can move up or down.
03	**FLEXIBILITY**	Variable loans generally offer more flexibility, while fixed loans can have restrictions on how you use the loan.
04	**EXTRA REPAYMENTS**	Fixed loans may limit how much you can repay ahead of schedule. Variable loans generally offer greater flexibility.
05	**OFFSET & REDRAW**	Offset & redraw features may be limited or unavailable on fixed-rate loans, depending on the lender and loan.
06	**YOUR FUTURE PLANS**	Selling, refinancing, accessing equity or changing your circumstances may be more complicated during a fixed term.

There isn't one right answer.
The right structure depends on what you need your loan to do for you.

WHY CONSIDER FIXING?

A fixed rate can give you greater certainty around your repayments for an agreed period. For some borrowers, that certainty can make budgeting and planning easier.

01	**BUDGET WITH MORE CERTAINTY**	Know what your scheduled loan repayments will be during the fixed period.
02	**PLAN YOUR CASH FLOW**	Predictable repayments can make it easier to manage your household budget.
03	**PLAN AHEAD**	A fixed rate may suit you when you value greater certainty during a period when your expenses or circumstances may change.
04	**REDUCE EXPOSURE TO RATE RISES**	Your fixed interest rate won't change during the fixed rate term, even if variable rates move higher.

THE TRADE-OFF?
GREATER CERTAINTY MEANS LESS FLEXIBILITY.

WHAT HAPPENS IF THINGS CHANGE?

YOU WANT TO SELL

SELLING DURING A FIXED RATE TERM MAY INVOLVE BREAK COSTS WHICH CAN BE SIGNIFICANT.

YOU WANT TO REFINANCE

REFINANCING BEFORE THE FIXED TERM ENDS MAY RESULT IN BREAK COSTS AND OTHER FEES.

RATES FALL

IF VARIABLE RATES FALL AFTER YOU FIX, YOUR FIXED RATE WILL GENERALLY REMAIN UNCHANGED UNTIL THE FIXED TERM ENDS.

YOU RECEIVE A LUMP SUM

IF YOU RECEIVE AN INHERITANCE, BONUS OR OTHER LUMP SUM, YOUR LENDER MAY LIMIT HOW MUCH YOU CAN REPAY EARLY ON THE FIXED PORTION OF YOUR LOAN.

YOUR PLANS CHANGE

A NEW JOB, GROWING FAMILY, INVESTMENT PLANS OR A CHANGE IN CASH FLOW CAN MEAN THE FLEXIBILITY OF YOUR LOAN BECOMES MORE IMPORTANT.

FIXING IS A COMMITMENT.

BEFORE YOU FIX, THINK AHEAD.

What could change between now and the end of your fixed term?.

WHAT IF YOU COULD HAVE BOTH?

FIXED RATE CERTAINTY.
VARIABLE RATE FLEXIBILITY.

You don’t always have to choose between fixing your entire loan and keeping the whole loan variable.
A **split loan** allows you to divide your borrowing into separate portions, with one portion fixed and the other remaining variable.
This can give you greater certainty over part of your repayments whilst keeping some flexibility across the variable portion.

FIX PART
Greater certainty around repayments for the fixed portion.

KEEP PART VARIABLE
More flexibility for additional repayments, offset or other loan features, depending on the lender & loan product.

CREATE A STRUCTURE THAT FITS
A split doesn't have to be 50/50.
The amounts can be structured around your circumstances and goals.

TWO PORTIONS. DIFFERENT PURPOSES.

THE RIGHT SPLIT DEPENDS ON WHAT YOU WANT EACH PORTION OF YOUR BORROWING TO ACHIEVE.

PAY OFF YOUR LOAN IN CHUNKS?

TURN ONE LARGE DEBT INTO SMALLER, ACHIEVABLE TARGETS.

Instead of looking at your mortgage as one large debt, you can sometimes structure it into smaller portions with different purposes.

The key is to work out how much extra you **can realistically put towards your loan over your fixed-rate term**, then use that to help determine the size of your variable portion.(e.g. around $2,100 in additional repayments each month over 3 years could provide approximately $75,000 of additional repayment capacity).

> **$600,000 TOTAL BORROWINGS**
>
> **$525,000 FIXED:** 3 YEAR TERM - REQUIRED REPAYMENTS CONTINUE
>
> **$75,000 VARIABLE:** THE REPAYMENT TARGET

THE GOAL?

FOCUS YOUR ADDITIONAL REPAYMENT CAPACITY ON THE VARIABLE PORTION, WITH THE AIM OF PAYING IT OFF BY THE TIME THE FIXED TERM ENDS.

CLEAR THE CHUNK. RESET. REPEAT.

When the fixed term ends, you can reassess your position, establish a new structure and set your next target.

ONE LARGE DEBT CAN FEEL OVERWHELMING.
ONE CHUNK CAN FEEL ACHIEVABLE.

HOW LONG SHOULD YOU FIX FOR?

CHOOSE A TERM THAT FITS YOUR PLANS, NOT JUST TODAY'S RATES.

A fixed rate can give you repayment certainty for a set period, but the term you choose matters.

Before fixing, think about what you expect your life and finances to look like when that fixed period ends.

LOOK AT	WHY IT MATTERS
HOW LONG WILL YOU KEEP THE PROPERTY?	If you may sell, move or change your property plans during the fixed period, flexibility may be more important.
WHAT COULD CHANGE IN YOUR LIFE?	Think about changes to your income, family, employment, expenses or other financial commitments.
WILL YOU NEED TO ACCESS YOUR EQUITY?	If you expect to renovate, invest, purchase another property or otherwise access equity, consider whether fixing could make this more difficult.
HOW MUCH COULD YOU REPAY?	IIf you're planning to make additional repayments, check what your fixed loan allows and consider how this fits with your repayment strategy.
WHAT HAPPENS WHEN THE FIXED TERM ENDS?	Your loan will generally move to a variable rate when the fixed term ends, unless you switch or agree to another fixed period.

THE RIGHT FIXED TERM ISN'T ABOUT PICKING THE "BEST" NUMBER.
It's about choosing a timeframe that gives you the certainty you want while still fitting the life you're planning.

YOUR HEART FIXED RATE CHECKLIST.

BEFORE YOU FIX, ASK YOURSELF THESE QUESTIONS:

01 Why am I fixing?

02 How long should I fix for?

03 How much of my loan should I fix?

04 What happens if I sell?

05 What happens if I refinance?

06 Can I make extra repayments?

07 Can I use an offset or redraw?

08 What if interest rates fall?

09 Should I fix all of my loan?

10 What could change in my life?

11 What happens when the fixed term ends?

FIXING YOUR RATE IS A DECISION ABOUT MORE THAN YOUR INTEREST RATE.
MAKE SURE THE STRUCTURE YOU CHOOSE FITS YOUR PLANS, YOUR CASH FLOW AND THE FLEXIBILITY YOUR MAY NEED.

NOT SURE WHERE TO START?
You don't have to work it out alone. Talk to the Heart team and we'll help you work through the questions, understand your options and find a structure that fits your plans.

THINKING ABOUT FIXING YOUR HOME LOAN?

LET'S WORK IT OUT, TOGETHER.

Book a Heart Home Loan Health Check

We'll look at your current loan, your plans and your options, and help you understand whether fixing, staying variable or splitting your loan could make sense for you.

No pressure.
Just a conversation.

SCAN TO BOOK OR CALL
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