The Daily Interest Killer

How you can use Offset and Revolving Credit mortgage products to unlock the power of your everyday savings and dramatically reduce your home loan interest - without sending an extra dollar to the bank.

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Meet Your Secret Weapons: Offset and Revolving Credit

These are the tools savvy Kiwis use to fight their debt more effectively. They're not magic - they're simply smart banking products that put your everyday cash to work against your mortgage balance, day and night.

Let's explore how these products work using a hypothetical example: a $1 million home loan over 30 years at 4.49% interest. The numbers might surprise you.

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How They Work: Your Money Working 24/7

With offset and revolving credit products, any cash you have - your salary, savings, or emergency fund - can be used daily to reduce the amount of your loan on which you pay interest.

When you use offset and revolving credit products, any interest you *would have earned* on your savings is foregone. This is known as **opportunity cost**.

However, the strategy works because the **interest rate on your mortgage is typically much higher** than the interest rate you would earn on a comparable savings account (most transactional accounts in New Zealand don't pay any interest at all). Therefore, the interest you **save** on your mortgage far outweighs the interest you **lose** on your savings.

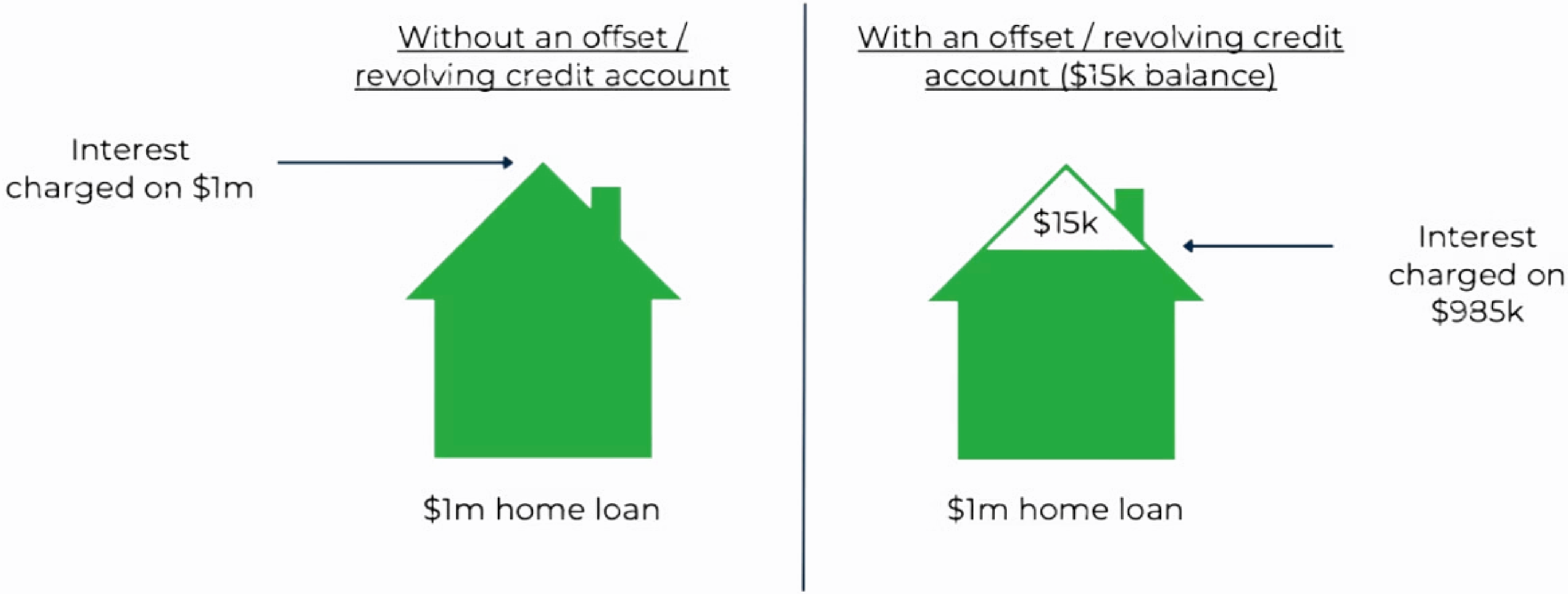
The entire strategy is based on one simple daily equation:

Loan Balance MINUS Savings Buffer = Interest Charged.

Think of it as having your money in two places at once: accessible when you need it, yet simultaneously fighting your debt.

The Simple Math: Offsetting in Action

$1,000,000 (Loan Balance) - $15,000 (Savings Buffer) = $985,000 (Interest Charged On)



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The Results Are Staggering

12

Months Saved

A full year off your loan term

$45,804

Interest Saved

Money back in your pocket

Just by keeping that average $15,000 buffer, you save $45,804 in interest and cut 12 months off your loan term. That's a powerful return on money you already have - no extra payments required.

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Double Your Buffer, Nearly Double Your Savings

The real power emerges as your buffer grows. Double that buffer to $30,000, and you nearly double the savings: cutting the loan term by 23 months and saving over $85,000 in interest.

The mathematics are compelling - the more you can maintain in linked accounts, the harder your money works against your mortgage debt.

Two Products, One Mission

Revolving Credit

Everything rolls into one account - your income, expenses, and loan balance all in one place. It's simple and streamlined.

- One account to manage
- Direct access to funds
- Interest calculated daily

Offset Account

Your accounts stay separate, but they're linked behind the scenes. Your savings offset your loan balance for interest calculation purposes.

- Keep accounts separate
- Maintain financial structure
- Same daily interest benefit

Both products kill interest daily - you simply choose the structure that suits your financial management style.

The Important Caveats

Floating Rate Applies

Floating interest rates will fluctuate with market conditions, which could mean higher rates during certain periods. This product requires financial discipline because the interest savings only outweigh the higher floating rate if you consistently maintain your savings buffer.

Spending Loses Savings

If you spend the money in your buffer, you immediately lose the interest-saving benefit. The savings only work if the money stays there, so maintaining your buffer is essential to ensure the interest savings outweigh the higher interest rate.

These tools are powerful, but they're not for everyone. You need to be confident in your ability to maintain your savings buffer and resist the temptation to spend.

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Is This Strategy Right for You?

You're disciplined with money

You have strong spending habits and can maintain a consistent savings buffer without dipping into it for non-emergencies.

You hate paying unnecessary interest

Every dollar of interest you can avoid is a dollar you'd rather keep, invest, or use to build wealth elsewhere.

You have consistent cash flow

Your income is regular enough to maintain a buffer, and you're not living paycheque to paycheque.

You have a sizeable emergency fund

Typically you keep this readily accessible, rather than locked into long-term investments

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Ready to Start Saving?

If you're good with money and want to shave months - even years - and thousands of dollars off your home loan, offset and revolving credit products could be your secret weapon.

Contact us today to discuss how these strategies can work for your specific situation. Together, we'll determine if an offset or revolving credit product is the right fit for your financial goals.

Disclaimer: This is general information only, not personalised financial advice. Individual circumstances vary, and you should seek professional guidance before making financial decisions.

Book Your Free 15 Minute Consultation

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