Offset Accounts & Redraw Facilities

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What is an Offset Account?

A mortgage offset account is a transaction account linked to your home loan. The balance offsets daily against your loan balance before interest is calculated - reducing the interest you pay and helping you pay off your loan faster.

How it works

If your home loan balance is $250,000 and you have $10,000 in your 100% offset account, you only pay interest on $240,000. Because interest is calculated daily, every dollar in your offset account saves you money.

100% Offset

The full balance of your offset account is applied against your loan before interest is calculated. The most effective option.

Partial Offset

Only reduces the interest rate on a percentage of your home loan, sometimes as low as 35%.

Benefits of an Offset Account

Immediate impact on interest

Deposit your salary and income directly into the offset account. Because interest is calculated daily, every dollar reduces what you owe from day one.

Flexible like an everyday account

Access your funds anytime via transfers and transactions - your money is working hard while remaining fully accessible.

Save for goals while cutting interest

Some lenders allow multiple offset accounts, so you can set money aside for a holiday or car purchase while still reducing your home loan interest.

Tax-efficient savings

Unlike a savings account, you pay no tax on the interest ‘earned’ via your offset. You’re reducing interest owed, not earning taxable income.

Things to Consider — Offset

Annual fees may apply
Offset accounts are usually part of a packaged home loan with an annual fee. Compare the fee against the interest savings to ensure you're better off.

Not all offsets are 100%
A partial offset can be significantly less effective at reducing your interest.

What is a Redraw Facility?

A redraw facility lets you access extra repayments you've made above the minimum required amount. It's available on most variable rate loans and some fixed rate loans.

How it works

If your minimum monthly repayment is $700 and you pay $900 for 12 months, you've made $2,400 in extra repayments. A redraw facility lets you access that $2,400 if you need it.

Benefits of a Redraw Facility

Built-in emergency fund
Extra repayments sit in your loan reducing interest, but remain accessible if an unexpected expense arises.

Effective savings tool
Funds in redraw save you the equivalent of your home loan interest rate — often higher than a savings account — with no tax on the benefit.

Things to Consider — Redraw

Funds may not be instant
Some lenders take up to a month to make redrawn funds available. Not ideal if you need immediate access.

Redraw limits and fees vary
Some lenders offer unlimited free redraws; others charge after a set number per year. Minimum and maximum redraw amounts may also apply.

Access can be restricted

Lenders may suspend redraw access if your loan falls into arrears or under other circumstances. Read the fine print.

Offset vs Redraw — Which is Right for You?

Offset Account

A separate deposit account. Funds are fully accessible like a transaction account. Best if you need regular access to your money.

Redraw Facility

A feature attached to your loan - not a separate account. Access may take time. Best as a low-touch emergency buffer.

Key Reminder

Both options can save you money on interest. The right choice depends on how often you need to access your funds and the fees involved.

Disclaimer

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