



IDEAL MORTGAGE Co.

Property & Equipment Finance

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Best Loan Types for Property Investors

Interest only is always the way to go with a 100% offset account attached. Why is this so:

1. If you still have a loan on your principal place of residence you can divert any surplus to your personal home loan, thereby paying it off faster.
2. You can maximise your tax deductions
3. Even if you intend to pay off more from the start it is best to take out an interest only loan and then change your repayment authority soon after settlement. The reason for this is that circumstances can change down the track. If you had a principal & interest loan from the outset and then due to circumstances wanted to change to interest only it becomes much more involved. In this case you must make formal application to your lender to seeking their approval for the change which is like make a whole new loan application.
4. With a 100% offset account all your surplus funds are working for you. Even if funds are there for one day or a week they are reducing the interest charged on your loan.
5. Should your offset account build up to say \$50,000 over the years or you receive funds from the sale of a car etc you would only be charged interest on \$250,000 if your loan was \$300,000.
6. Interest on a 100% offset account is deducted from interest charged to the loan account thereby avoiding tax on interest derived from savings. Not only are your savings earning you a higher rate of interest than would normally be paid, it is also tax free. WIN WIN
7. If you made extra payments to your investment loan account instead of placing your funds in the 100% offset account the interest benefit is the same. The difference occurs when you use these funds for personal use. E.G. –
 - A) Loan 300,000 - extra repayments 50,000 – loan balance 250,000
 - B) Loan 300,000 – 100% offset a/c 50,000 – loan balance 300,000

Should you now use the \$50,000 for personal use in example A you now can only claim interest on a loan of \$250,000 however in example B with the 100% offset account you can still claim interest deduction on the full \$300,000 as you did not reduce the investment debt at any stage.

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