



mortgageescape 
AUSTRALIA

BEYOND THE NUMBERS

What No One Tells You About
Mortgages, Investments &
True Financial Freedom

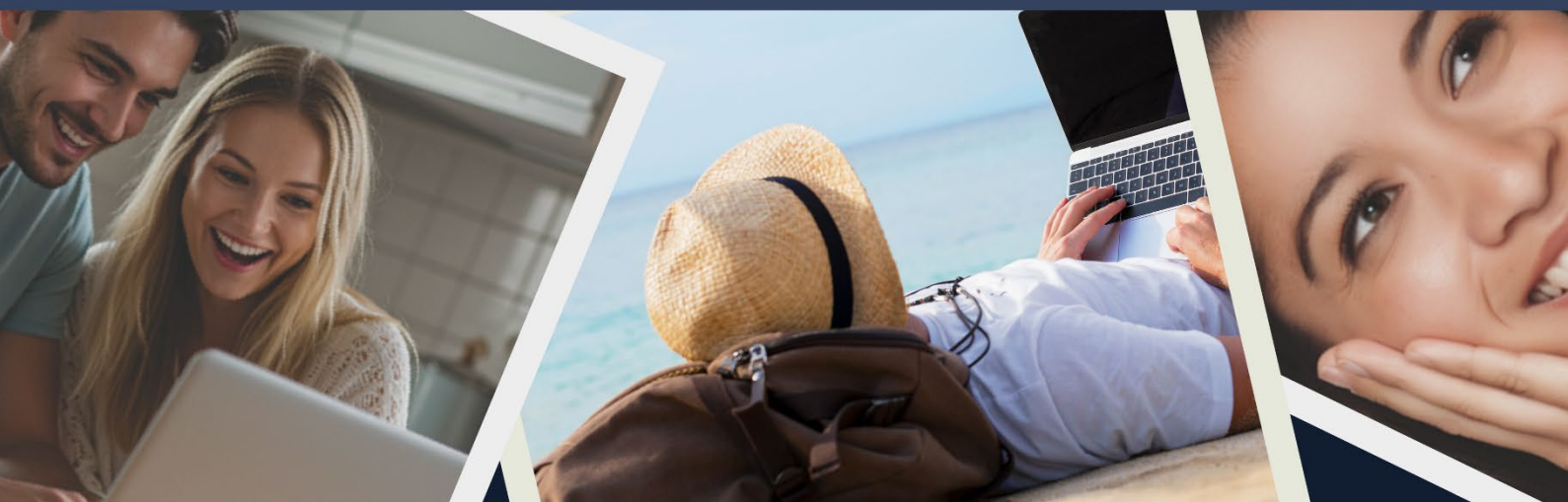


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About the Author



Hi, I'm Chris Rule. After 40 years in the world of finance, 36 of those is as a financial planner – I've seen the good, the bad and the downright confusing when it comes to managing money. However, over that time one thing did become very clear. Most people don't get the right support when it comes to their loans. When I say support, I mean education, as is prevalent in today's society, the sale of a product is often made the priority when the provision of education and the understanding of the product is secondary. That's the wrong way around.

I've made it my mission to change that. This book is here to help you take control of what is typically your greatest financial commitment – your mortgage – and help make it work for rather than against you. It is a given that in our society to get something you really want, like a home, you have to borrow money. So, in providing the funds to achieve that goal the mortgage can be seen as working for you. Over time, because of how loans are structured they could definitely become a burden. Everything costs something and you have to make your mortgage work for you, (bracket if you will), by lightening that burden and lightning it considerably.

In this book, I'm going to show you:

- how your mortgage works (without jargon).
- How an offset account used properly can cut years off your loan and save you thousands of dollars in interest.
- A three-step guide/plan to take control of your repayments and tip the scales in your favour.

Before I go into detail, I'd like to make clear my motivation. Financing/loans come with issues. I mentioned earlier that typically we need to borrow to get something in getting that something is exciting and you and rewarding. Keeping that something is a different story completely because over time pressures often out of your control the burden I refer to. Often people feel stuck, unsure of their options, and worried about making the wrong move. That is only because of a lack of understanding and knowledge. We all know the old saying that knowledge is power but if nobody gives you that knowledge or at least directs you where to look to get it, how can you know? So, let's start at the beginning.

How home loans work - principal and interest loans (P&I)

Let's say for example you have a home loan of \$500,000 and to keep the payments as low as possible the term is 30 years. We will assume an interest rate of 6% per annum for the sake of this exercise.

The bank will calculate a monthly repayment and ensures that the debt is paid off over the prescribed term. That is called an amortisation.

Here is an example of what an amortisation table would look like.

Amortisation Schedule

Month	Payment	Principal	Interest	Loan balance	Cumulative interest
1	\$2,997.75	\$497.75	\$2,500.00	\$499,502.25	\$2,500.00
2	\$2,997.75	\$500.24	\$2,497.51	\$499,002.01	\$4,997.51
3	\$2,997.75	\$502.74	\$2,495.01	\$498,499.26	\$7,492.52
4	\$2,997.75	\$505.26	\$2,492.50	\$497,994.01	\$9,985.02
5	\$2,997.75	\$507.78	\$2,489.97	\$497,486.22	\$12,474.99
6	\$2,997.75	\$510.32	\$2,487.43	\$496,975.90	\$14,962.42
7	\$2,997.75	\$512.87	\$2,484.88	\$496,463.03	\$17,447.30
8	\$2,997.75	\$515.44	\$2,482.32	\$495,947.59	\$19,929.61
9	\$2,997.75	\$518.01	\$2,479.74	\$495,429.58	\$22,409.35
10	\$2,997.75	\$520.60	\$2,477.15	\$494,908.97	\$24,886.50
11	\$2,997.75	\$523.21	\$2,474.54	\$494,385.77	\$27,361.04
12	\$2,997.75	\$525.82	\$2,471.93	\$493,859.94	\$29,832.97
60	\$2,997.75	\$668.05	\$2,329.70	\$465,271.78	\$145,136.94
120	\$2,997.75	\$901.10	\$2,096.65	\$418,428.62	\$278,158.94
222	\$2,997.75	\$1,498.69	\$1,499.06	\$298,312.87	\$463,813.95
360	\$2,982.84	\$2,967.92	\$14.91	\$0.00	\$579,190.95

In the table above, you will note that the \$2,997.75 **payment** paid monthly of \$497.75 (**P**) reduces the mortgage and the balance of \$2,500 (**I**) stays with the bank. The interest payment in the first month is approximately **82%** of the entire monthly repayment. It's this imbalance that we need to address.

Over time, more of your monthly repayment goes towards reducing your debt but it takes a very long time. In fact, in five years' time the interest component is still \$2,329.70, (approximately **78%**). No wonder it takes **30 years** to pay the mortgage off. To make matters worse, it isn't until approximately **18 years** before break-even. That is **50%** of your monthly payment goes to reducing the debt and **50%** is still going to the bank. I'll

Tipping the scales your way – offset accounts

There's no doubt you have heard about offset accounts, but if you haven't, you're about to. Offset accounts are made available by most banks as a way to reduce the amount of interest you pay from your principal and interest payment, which is exactly what this book is preaching.

However, what the bank doesn't tell you is if you use 100% offset account as your transactional (savings) account, the result your result in payout timeframes and interest saved is enormous. They may suggest that if you have some spare cash, that you should put that into an offset account, but they are unlikely to suggest that you use it as your transactional account and that is the key.

Every cent you own and have available needs to go directly into your hundred percent offset account running alongside your home loan. Salary, wages, rental income and dividends, and all your spare change into that account. If you are saving money somewhere else, you need to consider comparing the return to using an offset account in the manner prescribed.

The sea your decisions to make but you must make your decisions on an educated basis.

How do they work?

If you have \$10,000 (for example) in savings and you place it into an offset account running alongside your home loan the bank will calculate the interest component of your monthly repayment on the difference between the loan balance in that month and the funds/savings in your offset account.

Example

If you had a mortgage of \$100,000 and \$10,000 in an offset account, the interest component in that month will be calculated on the difference. That is \$90,000. That's great because you've **effectively saved money that you will not pay tax on.**

The trick however, the bit they are not telling you, either because they don't want to (they do work with the shareholders) or the person you're talking to simply doesn't know, is that there is a much better way.

A better way

As I mentioned in my previous paragraph, every cent you can lay hands on should go to your 100% offset account. However, that's not all, to make this work you need to have a simple system and therefore everything that you have to pay needs to come out of the same account. All loan repayments and really importantly, living expenses. If possible (and it should be), living expenses could be directed to another offset account. Many banks offer multiple offset accounts. That way, if you didn't spend all your allocated living expenses amount per month or in any month, the surplus would still be offsetting and therefore reducing the amount of the interest component of your repayment.

Let's see an offset account in action

Offset Account

Year 1	1	2	3	4	5	6	7	8	9	10	11	12
Month	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25
Opening Loan Balance	\$500,000	\$499,493	\$498,974	\$498,442	\$497,899	\$497,344	\$496,776	\$496,196	\$495,604	\$494,999	\$494,382	\$493,752
Opening Offset Balance	\$0	\$1,888	\$3,775	\$5,663	\$7,550	\$9,438	\$11,325	\$13,213	\$15,101	\$16,988	\$18,876	\$20,763
Cash Deposit	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Income (Clients Combined)	\$10,885	\$10,885	\$10,885	\$10,885	\$10,885	\$10,885	\$10,885	\$10,885	\$10,885	\$10,885	\$10,885	\$10,885
Income (Shared - Existing)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Income (Shared - New)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Transfer (Holiday)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Transfer (Loan/s - Home & Personal)	\$2,998	\$2,998	\$2,998	\$2,998	\$2,998	\$2,998	\$2,998	\$2,998	\$2,998	\$2,998	\$2,998	\$2,998
Transfer (Loan/s - Investment Existing)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Transfer (Loan/s - Investment New)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Transfer (Shared Expenses)	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000
Closing Loan Balance	\$499,493	\$498,974	\$498,442	\$497,899	\$497,344	\$496,776	\$496,196	\$495,604	\$494,999	\$494,382	\$493,752	\$493,110
Closing Offset Balance	\$1,888	\$3,775	\$5,663	\$7,550	\$9,438	\$11,325	\$13,213	\$15,101	\$16,988	\$18,876	\$20,763	\$22,651
Interest Paid	\$2,491	\$2,479	\$2,467	\$2,454	\$2,442	\$2,430	\$2,418	\$2,405	\$2,393	\$2,381	\$2,368	\$2,356
Amortised Interest Payment	\$2,500	\$2,498	\$2,495	\$2,493	\$2,490	\$2,487	\$2,485	\$2,482	\$2,480	\$2,477	\$2,475	\$2,472
Savings - Accumulating	\$9	\$28	\$56	\$94	\$142	\$199	\$266	\$344	\$430	\$527	\$633	\$749

Everything in and everything out

Note that the monthly payment at the above table is the same as the one on the amortisation table shown earlier. Nothing has changed in that regard. You do not need to pay more, more often and certainly not more, more often.

The table shows \$10,885 as the combined income of a couple in after-tax dollars, monthly. It also shows the principal interest payment coming of \$2,998 out and an allowance for living expenses of \$6,000.

You will also note that the opening balance starts at \$500,000 and the closing loan balance is \$499,493, whereas in the amortisation table that figure is \$499,502. Not a massive difference, in fact only a little over nine dollars. But that's in the first month and those savings in interest compound based on the closing offset balance. In month six, you will notice the figure in the bottom right-hand corner of \$199. That's how much accumulated savings in interest has been achieved, without you doing anything more than having a better strategy.

This table is worth exploring more closely. The interest paid column in the first month is \$2,491 as opposed to as shown below that figure, \$2,500 which is what would have been paid traditionally. Again, by month six, \$2,430 as opposed to \$2,487. This is compounding working in your favour. Savings have grown from \$1,888 to \$11,325 simply by leaving savings in your offset account.

You can't pay tax on the savings because they are not income, you just didn't pay what you didn't need to pay.

A Word to the Wise

Understanding your living expenses is incredibly important to the success of this strategy. When you employ and everything in and everything out process you really need to make sure you know about the outs. Loan payments are easy but living expenses, not so easy. There are some clever ways to understand how to manage that, but I will discuss that in more detail later.

Results

To become motivated enough to make a change you need to know what's possible. I have included a table below that identifies the results from the example I've described above.

Interest paid over 30 years on personal debt	\$613,363.21
Interest paid using our program on personal debt	\$103,059.65
Potential savings using our program	\$510,303.56
Personal debt paid out in 6 year(s) and 1 month(s)	Sep 2031
All debt paid out in 6 year(s) and 1 month(s)	Sep 2031

Life happens of course and things change so your plan needs to be flexible but you gotta start somewhere and if all the planets aligned over time the above client one of achieve those goals. Think about that for yourself and for your family and your future financial freedom.

Simple as 123 (steps)

Step One: arrange for 100% offset account to run alongside your home loan. Just call you back and ask for one and ignore them if they say that the offset account will only work if you have more than \$10,000 in your offset account. Don't be discouraged if the bank suggests otherwise. In our process, that statement is fundamentally incorrect. As you can see from the prior table, over \$11,000 was saved in the offset account in six months and that will just continue. So, forge on. When you're speaking to them make sure that they understand that you want your home loan repayment to be taken from your offset account. If you have other loans that haven't been consolidated into the home loan such as personal loans, credit cards and store loans, make sure that your offset account is the account that is debited for those payments.

Also make sure that you have more than one offset account if possible.

Step two: arrange for your employer (HR department), if you are an employee, to pay your net salary into the offset account.

Step three: track your spending. As I mentioned earlier the biggest variable to the success of this strategy is day-to-day living costs. There are a number of ways to do this and lots of apps available online. Alternatively, you can use a spreadsheet to make sure you transfer as close to your monthly living expenses as you can to a secondary offset account. As I mentioned, life happens in this strategy revolves around averages.

Banker or broker?

This is entirely up to you. Just remember that banks are ultimately accountable to shareholders, which can influence the advice you receive. Educated brokers are out there and they care about the future of the clients. A broker would be my choice.

Final thoughts

Your home should be your safe haven. It shouldn't be a source of constant financial stress. By understanding how your mortgage works when using an offset account the right way, you can save thousands of dollars in interest, cut years off your loan and achieve financial freedom much sooner.

Always get a second opinion. You should always seek professional financial advice before making decisions in this book is merely suggesting an option.

If you need some help with financial tools such as budgeting calculators and templates or some direction in relation to the online products available, don't hesitate to contact me via email.

Not my first rodeo! See what my amazing clients have to say:

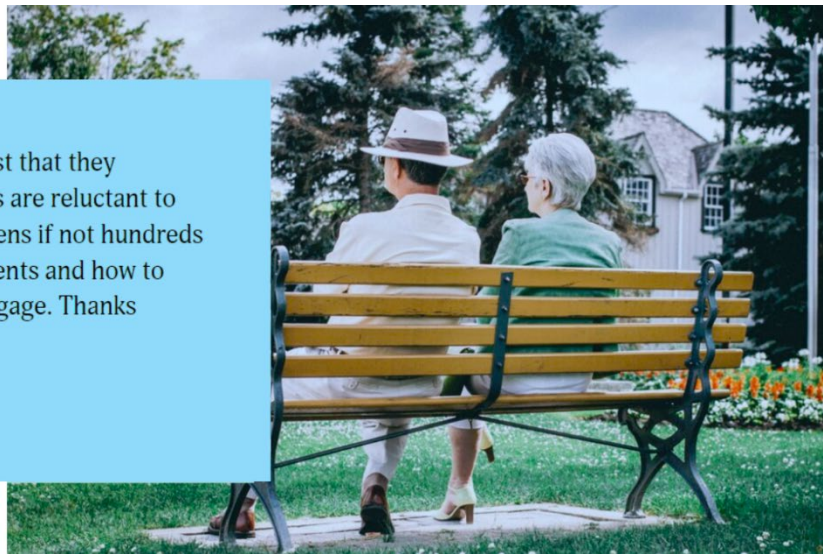


“I approached Chris a few months ago to look at ways of getting out of my mortgage as soon as possible. His no-nonsense approach, easy to understand debt reduction strategy & finance tracker app have shown me how to direct my money into the best possible channels to make this happen. It was great to see a potential end date & and even better feeling seeing how many years I could take off the initial loan contract. I highly recommend talking to Chris if you are motivated to get rid of your debts.”

— Tim H,

“I appreciate and liked the most that they provide the info that the banks are reluctant to give. The info of how to save tens if not hundreds of thousands in interest payments and how to shorten the term of your mortgage. Thanks Guys.”

— Gary J ,



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Thank you for taking the time to read this book. I hope it's giving you practical insights and the competence to take control of your mortgage journey. Wishing you all the best as you work toward your financial freedom and a brighter future.

Best wishes,
Chris

**WHAT DO
YOU WANT
TO DO
WITH YOUR
EXTRA
FREE
TIME?**

