

Offset Account Fact Sheet



Understand how Offset Accounts work, and how to get the most out of them.

What's an Offset Account?

An Offset Account is a transaction account that's linked to your eligible home loan. The balance in your Offset Account is set off against your home loan balance each day, reducing the interest calculated on your loan. As a result, you may pay less interest each month and over the term of your loan.

How it works?

If on each day during the month you have:

- Home loan balance = \$500,000
- Offset Account balance = \$50,000
- Net loan balance = \$450,000

The interest you pay on your home loan in relation to that day is calculated on the net loan balance of \$450,000, helping you save on interest over the life of your loan.

EXAMPLE

	Without Offset	With Offset
Home loan balance	\$500,000	\$500,000
Offset Account balance:	\$0	\$50,000
Interest calculated on:	\$500,000	\$450,000
Interest rate:	5.99%	5.99%
Interest charged:	\$2,461.64	\$2,215.47
Interest saved:	\$0.00	\$246.16
Result:	Normal interest charged	Lower interest charged

This example is for illustrative purposes only. Actual savings will depend on your loan balance, interest rate and Offset Account balance. The example assumes that the daily balances of the accounts don't change over the month, and that the month has 30 days.

What's in it for you?

- **Save on interest** - The balance in your Offset Account is set off against the balance of your home loan, reducing how much interest is calculated and payable. This helps you save interest each month over the life of your loan.
- **Easy access** - Unlike additional repayments made directly to your home loan, which can only be accessed via Redraw, money in your Offset Account is easily available for everyday spending, emergencies or future goals.
- **Tax-free savings** – Interest saved isn't taxable income, so your Offset Account reduces the home loan interest that's payable, giving you a tax-free benefit.
- **Flexible everyday banking** - Use your Offset Account for everyday banking – like depositing your salary, paying bills, hitting savings goals and online banking. All while continuing to reduce the interest charged on your loan.
- **Number of Offset Accounts** – For customers with People First Bank brand accounts, you can hold multiple Offset Accounts linked to a loan to keep your savings separated for different goals – e.g. emergency fund, holiday or bills, while all reducing the interest charged on your home loan. For customers with Heritage Bank brand accounts, you can only hold one Offset Account linked to an eligible home loan.

What's the difference between an Offset Account and Redraw?

An Offset Account is a separate transaction-style account linked to an eligible home loan, while Redraw is a feature available on the home loan itself. Both can help:

- reduce the amount of interest you pay on your home loan, and
- pay off your home loan sooner.

Redraw allows you to withdraw money you've contributed towards your home loan over and above your minimum scheduled repayment.

If you're currently using a Redraw facility to deposit money that you plan on using later, an Offset Account may be more suitable if you plan on using the money more regularly.

Frequently Asked Questions

- **Is an Offset Account the same as extra repayments?**
No - extra repayments are directly deposited into your home loan account and are only accessible via redraw. Funds in an Offset Account are available to access like an ordinary transaction account while still contributing to reducing interest charged on your loan.
- **Can I withdraw money from my Offset Account?**
Yes - funds in an Offset Account are available for everyday use just like an ordinary transaction account (subject to terms and conditions).
- **Will an Offset Account reduce my loan repayments?**
No - Offset Accounts reduce interest charged, not the scheduled repayment amount you must pay.
- **Is every home loan eligible for an Offset Account?**
No - Offset Accounts are only available for eligible home loan products. Please refer to our Lending Terms & Conditions for more information.
- **Can I open an Offset Account?**
To be eligible to open an Offset Account, all accountholders must also be borrowers on the linked eligible home loan.
 - *If there is **one borrower** on the home loan, only that borrower can hold an Offset Account.*
 - *If there are **multiple borrowers** on the home loan, one or more Offset Accounts can be set up – either individually or jointly.*

Need some help? We've got you covered

Speak with one of our Home Loan Specialists to learn whether an Offset Account is right for you.