How Your Tax Return Could Help Your Mortgage

It’s tax time. And with that comes some options that could save you a decent amount of cash over the course of your home loan. Let's say your tax return brings you $2,000. A lump sum payment of $2,000 against a $300,000 home loan has the potential to save you approximately $7,000 in interest over the course of a 30 year loan. If that extra $2,000 was paid in every year of the loan, as a borrower you would save approx $77,000 (over the 30 years) and cut your loan time by six years.

Saving your tax dollars

Financial comparison website RateCity has run the numbers and says Australians could have big wins if they apply tax-return dollars towards property debts, rather than splashing the cash on luxury items or overseas trips. A recent survey carried out by the company shows 40% of Australians plan to put their tax returns to good use, 23% plan to put the money into a savings account, and 37% plan something a little more frivolous or just aren’t sure what to do.

What could it mean?

$77,000 saved over 30 years is certainly a nice little saver to add to the retirement fund. What could you do with it?

- Put down a deposit on a smaller beach house or country cabin
- Get that swimming pool you’ve always wanted
- Carry out those renovations you’ve always dreamed of ready for your retirement
- Go on a round-the-world trip of a lifetime – with the grandkids or some good friends
- Buy that sports car you’ve always thought you couldn’t afford.

Whatever your long-term dream, a little smart investing year on year adding to your home loan could garner great results that make them a reality.

The first thing to do? Sort out those receipts and get that paperwork submitted!

Source: realestate.com.au Figures provided by RateCity.com.au, based on average variable rate of 6%

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