

5 top tips to save your first home deposit

Saving the average \$10–\$30,000 to use as a deposit for your new home can seem daunting. So here are some tips to help grow your savings account balance:



1. Work out how much you really need to save

A mistake new buyers often make is to over estimate how much they need to save. Yes, it would be great to save a 20% deposit and avoid Lenders Mortgage Insurance, but you need to work out if that is realistically achievable in your time frame. It is also worth remembering that most people find it easier to pay a monthly mortgage that they 'have' to pay than to voluntarily put aside money for a large deposit.

If you want to get into your new house now before the property market prices increase again, and you can afford the repayments on a larger loan, you may only need to save 10% or even 5% of your deposit. With the first home owners grant it is even possible to buy a property with a 3% deposit. Also consider that the growth you can achieve from owning the property a year or two earlier could easily outweigh the cost of the Lenders Mortgage Insurance.

Contact us to find out how much you need to buy a house, and how much you can afford to borrow.

2. Save 10% of each pay check

An oldie but a goodie. This is a tip that always works if you're prepared to stick with it. You simply need to pay yourself before you pay anyone else.

3. Eliminate the luxuries

Although it's no fun, tightening your budget a little can be an effective strategy for saving money for your first home deposit. You can start by eliminating or downgrading the big luxuries. You don't have to skip everything at once, instead, you can eliminate one luxury for one month, deposit the savings, and then choose another to eliminate. Over a period of twelve months you could easily save a few thousand dollars by alternating between life's little luxuries! For instance, you could:

Put your cable television subscription on hold for one month (saving = \$80)

Take your lunch to work every single day for a month (saving = \$200+)

Don't hit the shops for any new clothing for 4 weeks (saving = \$300+)

Skip alcohol for one month (saving = \$100+).

4. Pay off your debt

This tip can save you a great deal in the long term by saving on interest payments. Paying off your debts makes sense for two reasons: it will increase the amount of money you can borrow, and it will free up your cash to use towards mortgage repayments.



5. Consider using a family guarantee loan to help buy your first home and save potential mortgage insurance

Over the last few years changes in regulations have made it easier to use a family guarantee to help buy your first home. Many first home buyers have great incomes but need a helping hand with the deposit. By accessing a limited portion of equity available in a family member's property you can reduce the amount you need to save and potentially eliminate the need for mortgage insurance. Ask us more about this option at suestevens@provincialhomeloans.com.au

Provincial Home Loans & Property Advocacy

Phone: 03 9650 0399

Fax: 03 9650 9634

information@provincialhomeloans.com.au

www.provincialhomeloans.com.au

G2/ 125-139 Rathdowne St, Carlton VIC 3053

