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Refinancing Your Loan

Introduction

Refinancing your home loan is a big financial decision, and it’s easy to feel overwhelmed by the process. Whether you're looking to secure a better interest rate, reduce your monthly repayments, access equity, or consolidate debt, refinancing can be a powerful tool to help you achieve your financial goals. However, with so many factors to consider, it’s important to understand each step clearly before making a move.

In this eBook, we’ve broken down the refinancing process into nine key stages to make it more manageable. From assessing your reasons for refinancing to understanding costs, working with lenders and brokers, and finalising your new loan, this guide will walk you through each step in detail. By the end, you’ll feel confident and well-prepared to refinance your home loan with ease.

Let’s get started!

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Stage 1: Why Refinance?

Before diving into the refinancing process, it's crucial to understand why you want to refinance your home loan. Being clear on your reasons will help you choose the right loan, lender, and features to ensure you achieve your financial goals. Refinancing isn't just about getting a lower interest rate—it's about improving your overall financial situation in a way that works for you.

There are many reasons people choose to refinance, and your reason will help shape the decisions you make along the way. Here are some of the most common motivations for refinancing:

- **Lower Interest Rate** – One of the most common reasons to refinance is to secure a lower interest rate, which can reduce your monthly repayments and save you thousands over the life of your loan.
- **Reduced Fees** – Some lenders charge high annual fees, ongoing account fees, or exit fees. Switching to a loan with fewer fees can make a big difference in the long run.
- **Better Customer Experience** – If your current lender has poor service, slow response times, or a lack of flexibility, refinancing to a lender with better customer support can make managing your loan much easier.
- **Accessing Equity** – If your property has increased in value, you may be able to access some of your home's equity.
- **Lower Repayments** – Whether due to a lower interest rate or a longer loan term, refinancing can help reduce your monthly repayments and free up cash flow for other expenses.
- **Debt Consolidation** – If you have multiple loans, such as personal loans, car loans, or credit card debt, refinancing can allow you to roll them into your home loan for one streamlined repayment at a lower interest rate.
- **New Loan Features** – Some loans offer features like offset accounts, redraw facilities, or flexible repayment options that could help you save money or manage your finances more effectively.
- **Loan Restructuring** – You may want to switch from an investment loan to a home loan, change from a fixed rate to a variable rate (or vice versa), or adjust your loan term to better suit your financial needs.
- **Streamlining Your Loans** – Managing multiple loans across different lenders can be complicated. Refinancing can allow you to bring all your loans under one lender for simplicity and ease of management.
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Taking the time to define your reason for refinancing will help you stay focused and ensure that you choose a loan that meets your needs. Once you have a clear understanding of why you're refinancing, you'll be in a much better position to move forward with confidence in the next stage of the process.

Stage 2: Understanding Your Current Financial Situation

Before you start looking seriously for a new loan, it's important to assess your current financial situation to determine whether you're in a strong position to refinance. You might assume that because you previously qualified for a home loan, you'll automatically qualify again—but things can change over time, and lenders will reassess your financial position before approving a refinance.

This can sometimes come as a surprise. Factors such as your credit history, account conduct, loan affordability, and property value may have shifted since you first took out your mortgage. Lenders consider all of these aspects when reviewing a refinancing application, so understanding where you stand now will help you prepare for the process and avoid any unexpected roadblocks.

By taking the time to review your finances, you can identify any potential issues early and make informed decisions about the best way forward. In this stage, we'll walk you through the key areas to assess before moving ahead with refinancing.

Credit History

Lenders will review your credit history to ensure it reflects a strong financial track record. Any negative entries on your credit report may hinder your ability to refinance, as they are viewed unfavourably. While refinancing with a poor credit history is still possible, your options will likely be limited.

Account Conduct

Poor account conduct is not the same as bad credit history. Poor account conduct is where you may be late paying bills or debts, but not so late that they have been referred to a credit agency.

Banks also deem poor account conduct if you regularly overdraw your bank account, or your transaction is rejected due to insufficient credit.

Banks look at this very carefully to access your ability to meet your future repayments and some banks are now even automatically declining loan applications for people with poor account conduct.

Loan Serviceability

Broadly defined, serviceability is your ability as a borrower to meet loan repayments, based upon the loan amount, your income, your employment situation, expenses and other commitments such as credit card debt, personal loans and car loans.

The calculations for serviceability are a bit more complex than merely deducting expenses from income. Lenders in Australia tend to use one of the following methods for calculating serviceability:

- **Net surplus ratio (NSR)** - This looks at the amount of money that you won't be using to pay your debt, and it expresses this as a percentage of your total after-tax income.

- **Debt servicing ratio (DSR)** - This method calculates the percentage of income that will be used to pay your debt once the proposed home loan is factored in.

- **Uncommitted monthly Income (UMI)** – This calculates the income you'll have available each month after all expenses have been factored in, including proposed home loan repayments.

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All lenders differ in how they assess serviceability and the way they work out your maximum borrowing power. However, regardless of what the lenders say about your borrowing capacity, you need to be comfortable with your mortgage repayment and **avoid mortgage stress** which is when 30% or more of your income goes on your home loan repayment.

Equity In the Existing Home

Equity is the difference between the market value of your house and your home loan balance. It means that you own a small portion of the home.

Loan to Value Ratio (LVR)

Lenders use a Loan to Value Ratio (LVR) to assess how risky you are as a borrower. It looks at the amount you wish to refinance in relation to the market value of the house you own. The higher the ratio, the more risky you are as a lender.

Generally, I would suggest that you have a Loan to Value Ratio of 80%. This means you need an equity of at least 20% of the value of the property.

So, what happens if the loan to value ratio is above 80%?

The reason for borrowing up to 80% of the value of the property and not more is to avoid Lenders Mortgage Insurance (LMI).

LMI is a fee charged by lenders to provide themselves with an extra level of protection in case you can't pay your loan. It's not cheap and the more you borrow, the more it costs. LMI on a $300,000 loan, would cost between $8,000 and $15,000.

If you are willing to pay for LMI, you can usually refinance up to 90% of the property value. However, keep in mind that higher borrowing usually attracts a higher interest rate.
On the other hand, the good news is, if you have a bigger equity and you refinance less than 80% of the value, you may even be able to negotiate a discounted interest rate from the lender.

Taking time to understand your financial situation will make it easier for you when you progress to the next stage of the process.

Stage 3: Costs vs Benefits of Refinancing

Refinancing your home loan can be a great way to reduce your repayments, secure a better interest rate, or even pay off your mortgage faster. However, while refinancing can offer long-term financial benefits, it's important to consider the costs involved in the process.

There are often upfront fees and charges that come with switching lenders or restructuring your loan. While these costs may seem like a setback, they need to be weighed against the long-term savings and benefits refinancing can provide. Understanding these expenses in advance will help you avoid surprises and determine whether refinancing is the right financial move for you.

In this section, we'll outline some of the most common fees and charges to look out for when refinancing. Keep in mind that costs can vary between lenders, so it's always best to check directly with your lender or mortgage broker to ensure you have a complete picture of the expenses involved.

Let's take a closer look at what to expect.

Loan Application fee

This is a fee the lender charges when you apply for a loan. It can also be referred to as an establishment, up-front, start-up or a set-up fee. Fees vary depending on your provider and will cover things such as credit checks, property valuation and basic administration costs. Some lenders will waive this fee under certain circumstances, so it's worth asking.

Property Valuation Fees

Most lenders will request that your property be valued by an independent valuer. The cost can vary between $250 to $600 per property.

Mortgage Registration

Mortgage registration apply when you are refinancing your property and the costs differ from state to state. Mortgage registration fees are usually in the hundreds of dollars. Each revenue office website has online calculators for you to work out the government fees associated with transferring a mortgage.

Legal, Settlement and Handling Fees

Some lenders charge legal, settlement and handling fees for your loan. This is a cost of preparing loan documentation for your application and legal fees to process the loan documentation.

Break Cost

Break cost applies if you refinance your fixed rate loan before the end of the loan fixed period. Break cost is charge because lender will make financial loss if you break a fixed term loan.

Break costs can be significant and are calculated based on the length of time remaining on the fixed term, current market interest rate and the loan amount. So, it is best that you speak to your current lender and find out the estimated break cost if you wish to refinance a fixed rate loan.

Lenders Mortgage Insurance

If you are refinancing a loan and have not accrued 20% equity on your current loan, you may also need to pay Lender's Mortgage Insurance (LMI). This cost can be quite significant. So before choosing to refinance, make sure that you have 20% equity on your property.

Benefits

To understand the savings you could achieve from a lower interest rate, the easiest way is to compare your current loan repayment with the new loan repayment. Be sure to keep the loan term the same when making this comparison. If the term is extended—say, from 15 years to 20 years—your monthly repayment may decrease, but you will end up paying more in interest over the life of the loan.
For example, if you are currently paying $2,000 per month and refinancing would save you $50 per month, it would take at least 40 months to reach the breakeven point. It's important to carefully weigh whether these savings make refinancing worthwhile for your situation in the long run.

Stage 4: Talk to Your Current Lender

Before you start serious discussions with other lenders, it's a good idea to talk to your current lender first. You might be surprised at what they're willing to offer to keep you as a customer. Retaining existing clients is often much easier and more cost-effective for lenders than finding new ones, so they may be open to negotiating better terms for you.
Speaking with your current lender has several potential benefits:

Quick and Easy Process

Since your lender already has your financial details and repayment history, renegotiating your loan terms with them can be a much faster and simpler process compared to switching lenders. If you refinance with a new lender, you will need to complete a full application, provide updated financial documents, and go through the approval process again. By staying with your current lender, you may be able to negotiate a better deal with minimal paperwork and effort.

Avoid Paying Refinance Fees

Refinancing isn't free. When you switch lenders, you may have to pay several fees, including:

- Discharge Fees – Charged by your current lender when closing your existing loan.
- Application Fees – A new lender may charge fees for processing your loan application.
- Valuation Fees – Many lenders require a property valuation.
- Legal and Settlement Fees – Costs associated with updating mortgage documents and settling the new loan.
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These fees can add up, potentially reducing the financial benefits of refinancing. If your current lender can offer a more competitive rate or better loan features, you might be able to avoid these costs altogether.

Save Time and Paperwork

The refinancing process can take anywhere from four to eight weeks to complete. During this time, you will need to provide various documents, such as:

- Proof of income (payslips, tax returns, or financial statements for self-employed individuals).
- Bank statements to verify spending and saving habits.
- Details of your current loan, including the balance, repayment history, and interest rate.
- Property valuation reports if required.

If you choose to refinance with a new lender, you must submit all these documents again, and approval is not guaranteed.

Room for Negotiation

Many borrowers assume their lender won't offer them a better deal, but that's not always the case. If you have a strong repayment history and a good credit score, your lender may be

willing to reduce your interest rate, waive or reduce fees or offer new features such as an offset account or redraw facility.

Your Loan is More Valuable Than You Think

Even if you think your loan is small and not significant to your lender, consider this:

- If you have a $300,000 home loan with a 3% interest rate and 25 years remaining, your lender stands to earn nearly **$130,000 in interest** over the life of the loan.
- For a $500,000 loan under the same conditions, the interest revenue increases to nearly **$216,000**.
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Losing a customer means losing this potential revenue, so lenders have a strong financial incentive to retain you. This is why negotiating with your lender before committing to a refinance can be a smart move.

By having an open conversation with your lender, you may secure a better deal without refinancing. Even if they can't match what other lenders are offering, at least you'll have a clearer picture of your options before making a decision.

If your lender isn't willing to negotiate, or if another lender is offering significantly better terms, then it may be time to move on to the next step—speaking to a mortgage broker can help you compare offers from different lenders and find a refinancing solution that better suits your needs.

Stage 5: Talk to a Mortgage Broker

A mortgage broker will have access to loan products from many banks and non-bank lenders some of which are only available through brokers. A good mortgage broker will be able to shop around for you to find the best rates and lower fees from the products they offer.

Many mortgage brokers will meet you at a time that's convenient for you such as after hours or on weekends and some will come to your home.

Mortgage brokers are experienced in the home buying process and can offer you advice and suggestions throughout the process.

Before meeting with a mortgage broker, it's a good idea to check whether they charge a service fee, as some brokers work on a commission-only basis. At first glance, this might seem like a potential conflict of interest—where a broker could be inclined to recommend a lender offering the highest commission. However, the commission rates between lenders are generally quite similar, and any differences are typically small enough that they don't influence a broker's recommendations. In fact, brokers are required to recommend loan products that align with your needs, and they must disclose any commissions they receive from lenders in writing.

You can also research lenders and loan products on your own, but it's important to remember that each bank's representative can only provide information on their own products. This means you'll need to conduct your own comparisons, which can be time-consuming and limited to business hours. A mortgage broker can simplify this process by helping you navigate your options more efficiently.

Stage 6: Property Valuation

A property valuation is a crucial step in the refinancing process, as it determines the current market value of your home and how much equity you have. Equity is the difference between your property's value and the amount you owe on your loan. Most lenders require you to have at least 20% equity to avoid paying Lenders Mortgage Insurance (LMI)—an additional cost that can significantly impact the overall financial benefit of refinancing.

Property Valuation vs. Real Estate Appraisal

Many homeowners assume that an appraisal from a real estate agent is the same as a property valuation, but they serve different purposes.

- Real Estate Appraisal – A real estate agent provides an estimate of your home's value based on recent sales in the area. This is useful for getting a general idea of your property's worth but is not legally binding and cannot be used for refinancing.

- Property Valuation – A formal valuation is conducted by a licensed valuer, appointed by the lender, to provide an unbiased, independent assessment of the property's market value. Lenders use this valuation to assess your eligibility for a new loan.

What Factors Influence a Property Valuation?

Professional valuers follow a structured process based on industry guidelines and lending criteria. They assess several factors to determine the property's value, including:

- Property Type & Size – Larger homes or properties with unique features may have higher values.
- Age & Condition – Newer homes in good condition generally attract higher valuations, while older homes with maintenance issues may be valued lower.
- Location & Market Trends – The desirability of your suburb, access to amenities, and current real estate trends play a key role in valuation.
- Zoning & Restrictions – Any zoning laws or restrictions that affect how the property can be used may impact its value.

How to Prepare for a Property Valuation

While you can't control the market, there are a few things you can do to maximize your property's valuation before a valuer visits:

- Ensure the property is well-presented – A clean and tidy home creates a strong first impression.
- Declutter & Organize – Removing excess furniture and clutter can make rooms look more spacious.
- Highlight Storage Space – Adequate storage adds functionality and increases perceived value.
- Maintain Outdoor Areas – A well-kept garden and tidy lawn contribute to the overall appeal of the property.

How to Arrange a Property Valuation

Some lenders offer **free property valuations** through mortgage brokers before you refinance. Others may charge a valuation fee depending on the property's location and size. If a formal valuation isn't available upfront, you can still get appraisals from multiple real estate agents to estimate your home's market value and help you make informed decisions before proceeding with refinancing.

Understanding your property's value is key to ensuring a smooth refinancing process, helping you secure a better loan while avoiding unnecessary costs like LMI.

Stage 7: Apply for New Loan

Once you are ready to refinance, the next step is to prepare for your refinance application. When refinancing, lenders will be looking for the same things you had to provide when you applied for your existing loan. Most likely you will be required to provide more information due to government additional legislations.

There are hundreds of home loans available, with new products emerging all the time. The main types of home loans, which form the basis of all the new products, are variable loans, fixed loans, split loans, interest only loans and low documentation (low doc) loans.

The Main Types of Home Loans

Here's a snapshot of the main types of home loans available for you to choose from:

Variable Loans

Standard variable loans are the most popular home loan in Australia. Interest rates go up or down over the life of the loan depending on the official rate set by the Reserve Bank of Australia. That means that if interest rates fall, then your loan repayments will go down. It also means that if interest rates go up, your loan repayments will increase according to the official interest rate.

The Reserve Bank of Australia meets every month to decide what to do about interest rates depending on the world economy and Australia's economy. Often, they leave it unchanged. It rises or falls by half a percent at a time, so a rise in interest rates is a slow and gradual process. Even so, be prepared for the difference that a rise in 2 or 3% could cause to you in your loan repayments. In a standard variable loan your regular repayments pay off both the interest and some principal.

Many standard variable loans allow you to make extra repayments to your loan, so you can pay it off faster. Some standard variable loans have a redraw facility. This means that if your make any additional payments to your loan you can take that money out again if you need to. If you get a bonus payment on your tax return, for example, you can put it into your redraw facility. In the redraw facility that extra money is paying down your loan. If you ever need that money for any reason, you can take it out and use it.

There are also basic variable loans which may have a lower interest rate but not offer the benefits of repayment flexibility and a redraw facility.

Fixed Loans

In a fixed loan the interest rate is fixed for a certain period, usually between one and five years. This means your regular repayments stay the same regardless of changes in interest rates. At the end of the fixed period, you can decide whether to fix the rate again, at whatever rate lenders are offering at that time, or move to a variable loan. The benefits of a fixed loan are that it's easier to manage your household budget because you know exactly how much you need to repay your home loan. You won't be affected by changes in interest rates at all, whether they go up or down.

A fixed loan may have restrictions on the amount of extra repayments you can make during the fixed period of the loan and if you exit the loan early you may need to pay a fee.

Split Rate Loans

Your loan amount is split, so one part is variable, and the other is fixed. You decide on the proportion of variable and fixed. You enjoy some flexibility of a variable loan along with the certainty of a fixed rate loan.

Interest Only Loans

You repay only the interest on the amount usually borrowed for the first one to five years of the loan. Because you're not paying off the principal, your monthly repayments are lower. At the end of the interest-only period, you begin to pay off both interest and principal. These loans are especially popular with investors who plan to pay off the principal when the property is sold. This is not something that I would consider suitable for first home buyers.

Low Doc or Low Documentation Loans

Popular with self-employed people, these loans require less documentation or proof of income than most but often carry higher interest rates or require a larger deposit because of the perceived higher risk for the lender. In most cases, you will be financially better off getting together full documentation for another type of loan.

Loan Features

You also need to work out what type of loan features you want for your home loan. Some of the most common features are:

Extra Repayments

If you pay more than the required regular repayment, the extra amount is deducted from the principal. This reduces the amount you owe and lowers the amount of interest you repay. Making extra repayments regularly, even small ones, is the best way to pay off your home loan quicker and save on interest charges.

Weekly or Fortnightly Repayments

Instead of a regular monthly repayment, you pay off your home loan weekly or fortnightly. This can suit people who are paid on a weekly or fortnightly basis and will save you money because you end up making more payments in a year, cutting the life of the loan.

Redraw Facility

This allows you to access any extra repayments you have made. Be aware that some lenders charge a redraw fee and have a minimum redraw amount.

Repayment Holiday

If you pay extra into your loan, you can take a complete break from repayments, or make reduced repayments, for an agreed period of time.

This can be useful for travel, maternity leave or a career change. For example, if you pay 3 months of your regular repayments in advance, you could arrange to make lower repayments for the next 6 months.

Offset Account

This is a savings account linked to your home loan. Any money paid into the savings account

is deducted from the principal of your home loan before interest is calculated. The more money you put in your offset account, the lower your regular home loan repayments. You can access your savings just like a normal savings account with EFTPOS and ATMs. This is a great way to reduce the interest on your loan.

Another bonus is that if you use the offset account instead of a savings account you won't have to pay tax on your savings. Lenders provide partial as well as 100% offset accounts. Be aware that having an offset account may mean your loan has higher monthly fees or requires a minimum balance.

Direct Debit

Your lender automatically draws repayments from a chosen bank account. Apart from ensuring there is enough cash in the account, you don't have to worry about making repayments.

All-in-One Home Loan

This combines a home loan with a cheque, savings and credit card account. You can have your salary paid into it directly. By keeping cash in the account for as long as possible each month you can reduce the principal and interest charges. Used with discipline, the all-in-one feature gives flexibility and interest savings. Interest rates charged on these loans can be higher.

Professional Package

Home loans over a certain value are offered at a discounted rate, combined with discounted fees on other banking services. These can be attractively priced, but if you don't use the banking services you may be better off with a basic variable loan.

Stage 8 – Finalisation and Settlement

Refinancing your home loan is almost complete! This stage involves finalising the details with your new lender and settling your old loan. While most of the work is handled by the lenders, it's important to understand the process so you can ensure everything goes smoothly.

Finalisation

Once your new lender has approved your refinance application, they will contact you to formally welcome you as a customer. At this point, they will guide you through setting up:

- Your new home loan account
- Online banking access
- Direct debit payments (if applicable)

You'll also need to notify your current lender that you are refinancing. This involves completing a **Mortgage Discharge Form**, which allows your current lender to release your home loan. It's important to fill this out correctly and submit it as soon as possible to avoid unnecessary delays.

Settlement Day – What Happens?

Settlement day is when your old loan is officially closed, and your new loan begins. You do not need to be present for this, as your new lender and solicitor (or conveyancer) will handle the process on your behalf.

Here's what happens on settlement day:

- Your new lender pays off your existing loan – They transfer the remaining balance to your current lender.
- Your current lender discharges your mortgage – This means they remove their legal claim over your property.
- Your new lender registers their mortgage – The new lender is now listed on the property title as the mortgage holder. You will fully own the title once your loan is paid off.

Possible Settlement Delays

While lenders aim for a seamless process, delays can happen due to:

- A missed signature on documents
- A delay in cheque clearance or electronic transfer
- Incorrect paperwork or processing errors

If settlement is delayed, don't panic—your lender, solicitor, and broker will be working behind the scenes to resolve the issue as quickly as possible. Most delays are minor and are sorted within a day or two.

Once settlement is complete, congratulations! Your refinance is officially done, and you can now enjoy the benefits of your new home loan.

Stage 9: Where to From Here

Congratulations on successfully refinancing your home loan! While this is a significant achievement, it's important to view it as just one step toward a more secure financial future. Now that you have a new loan in place, it's essential to maintain a proactive approach to your finances.

This stage focuses on how you can stay on track and make the most of your refinanced loan. By continuing to save, avoiding new debt, ensuring you have the right insurance coverage, and keeping your financial affairs well-organized, you'll be setting yourself up for long-term success and financial security. Let's explore the steps you can take to build on this foundation and secure your future.

Update Your Home Budget & Continue Saving

You've done a great job with your budget! You've successfully refinanced and you now have lower loan repayment.

Keep saving! It's so important to have savings there in case of some kind of emergency. You can keep your savings in a redraw account or an offset account, so your savings are working on your mortgage.

Make extra repayments

You the savings to make extra repayment on your loan. Making extra repayments on your loan is hugely worthwhile:

> If you have a loan 30-year loan of $350,000 with an interest rate of 4%, an additional repayment of $200 per month will save you around $ 52,243 in interest repayments and reduce your loan term by about 5.5 years.

Extra repayments reduce the principal amount of your loan and so that decreases the amount of interest you need to pay. Not only that, because you're paying more, the time period of your loan will also decrease, and you'll fully own your home sooner.

Most lenders allow extra repayments on home loans, and they also let you access those funds if you ever need them. This can be using a redraw facility or an offset account.

It also gives you a buffer in case you may accidentally make a late repayment.

If you have a home loan or other personal debt, pay down the other loan first as the interest on your investment property is tax deductible.

Avoid New Debt

Avoid taking on new debt, if you can help it. Think very carefully before you take on any new debt like a new credit card or a personal loan. Make sure you can afford it and that it is for something really worthwhile.

Not long after someone refinance their home loan, they often come in to see us about getting a loan for a new car.

We do our best to talk them out of it!

A car is a depreciating asset. It's losing value every single day you have it. To be honest with you, if you can't afford the car you want, a car loan is a bad financial decision. You'll be paying interest on the loan and the car will be losing value. You're losing money in two directions.

You may want to consider buying a second-hand car that will do the job in the interim while you save to buy the car you really want with cash. You've successfully saved a deposit for your property, so what can stop you?

Personal Insurance

There's no telling what the future holds, and it pays to be prepared.

How would you pay your bills and your home loan if you could no longer work? Do you have the right protection in place?

There is no set amount of cover that you should have. You need to make a sound estimate of your current financial situation and imagine what you and your family will need if you can no longer provide regular income.

Given the complexity of the matter, you should speak to a financial adviser to make sure you've covered everything important and have the right cover for you and your family. Here's a snapshot of what you should consider:

Life Insurance

Life insurance is a lump sum paid to your family (or your estate) when you die.
Consider a life insurance policy that, at a minimum, accounts for the value of the home loan. That way if tragedy strikes, you know that whoever is left behind doesn't have the additional worry of how they are going to pay off the home.

If you a have a superannuation fund, it will have a life insurance component or a death benefit. The amount will be adequate in some situations, but it is well below the needs of families with dependent children. You may be able to increase the amount by paying extra into your super fund, or you may think about taking out a separate life insurance policy. Take into account your partner's working capacity. If you have insufficient life insurance, chances are they will have to work to help make ends meet.

Stay-at-home partners also should have some level of cover. If the stay-at-home parent were to pass away, the current income earner may need to spend more time at home with children and have less capacity to earn.

Total and Permanent Disability (TPD) Insurance

Total and permanent disability (TPD) insurance covers the costs of rehabilitation, debt repayments and the future cost of living if you are totally and permanently disabled. It is usually bundled together with life insurance. Check if your super fund offers TPD cover and whether this amount would realistically cover your family's needs if you were unable to work again. Often you can opt to increase the TPD and life insurance benefit in your super fund by paying extra.

Income Protection Insurance

Income protection insurance covers up to 75% of your usual income if you can't work for an extended period due to injury or illness. It is more comprehensive than workers compensation which only covers injuries that are work related.

Premiums vary, depending how much cover you need and are generally tax deductible (please confirm with your accountant). As with most insurance products, premiums increase with age because you are more likely to make a claim. Some products, however, offer level premiums where you always pay the same amount.

Many policy holders reduce their premiums when their children get older and need less support. You can also save on premiums by taking out a policy with a six-month waiting period before you can claim.

Trauma Cover

Also known as critical illness cover, this provides a lump sum payment if you are diagnosed with a specific serious illness, such as cancer or stroke. There are about 45 diseases that fall into this category for insurance purposes depending on the insurance company. If you have a family history of a serious illness, it would be worthwhile getting trauma cover.

Prepare Your Estate Plan

Like insurance, estate planning is about preparing for the worst while hoping for the best. It's a responsibility you have to your family. If you become incapacitated or die, you need to have plans in place.

Will

Creating a will is a crucial part of estate planning, as it outlines how your assets will be distributed after your passing. A will ensures that your wishes are honoured and provides clear instructions on how your estate will be divided among your chosen beneficiaries.

When it comes to your home, the way you own the property affects how it will be passed on. If you own your property as **tenants in common**, you can designate your share of the property in your will. However, if you own the property as **joint tenants**, the surviving co-owner automatically becomes the sole owner upon your death. If both you and your co-owner pass away at the same time, the property will be distributed according to your will.

A comprehensive estate plan goes beyond just a will and typically includes:

- **Power of Attorney**: Appointing someone to handle your financial affairs if you're unable to do so.
- **Power of Guardianship**: Granting someone the authority to make personal and lifestyle decisions for you if you lose the capacity to make those decisions yourself.
- **Advance Health Care Directive**: Providing instructions for your medical treatment preferences in case you are unable to communicate your wishes.
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Together, these documents ensure that your financial and personal decisions are in trusted hands should the need arise.

The key when making your estate plan is to be as specific as possible about your intentions. It may be uncomfortable contemplating your own passing, but it ensures legal battles are not part of your legacy.

Speak with a lawyer so that your estate plan is tailored specifically to your needs, your goals, and your family situation. General strategies, such as do it yourself will kits can be very helpful as springboards to a tailored plan, but they may not cover everything in your situation.

Conclusion

Refinancing your home loan can be a powerful way to reduce your repayments, access equity, or secure a better deal for your financial future. While the process may seem overwhelming at times, breaking it down into manageable stages can make it much easier to navigate. From understanding your reasons for refinancing to settling into your new loan, each step brings you closer to achieving your financial goals.

Remember, it's essential to do your research, assess your financial situation, and seek expert advice where needed. Whether you're working with your current lender or exploring other options, a little effort and patience can help you secure the best outcome.

Thank you for taking the time to read this guide, and best of luck with your refinancing journey.

Remember - we're here to help and guide you at every stage of your loan process.

Any advice contained in this article is of a general nature only and does not take into account the objectives, financial situation or needs of any particular person. Therefore, before making any decision, you should consider the appropriateness of the advice with regard to those matters. Information in this article is correct as of the date of publication and is subject to change.