

Getting the Most From an Offset

A plain-English guide for Australian home owners — from LenderBridge

An offset account is one of the few money tools that saves you interest without locking your money away. It sounds almost too good to be true, so it is worth understanding exactly how it works, because the way you use it makes a large difference to what it is worth.

This guide explains the mechanics, the one habit that makes an offset pay, and how it compares to the alternatives. It pairs with the LenderBridge Offset Calculator, which runs your loan month by month, with and without your offset, and shows the interest saved and the time knocked off.

How an offset actually works

An offset is a transaction account linked to your home loan. The balance in it is “offset” against your loan balance when the lender calculates interest. If you owe \$500,000 and hold \$50,000 in the offset, you are only charged interest on \$450,000.

Here is the part that does the real work: **your repayment does not change**. You keep paying the same amount, but because less of it is now needed to cover interest, more of each repayment goes to principal. The loan clears faster, and the effect compounds month after month. You have not paid a cent extra, you have simply stopped lending the bank your spare cash for free.

And unlike money paid directly onto the loan, the offset balance is still yours to spend whenever you need it. The saving only pauses while the money is out.

Keep the money where it works

The single biggest lever is where your everyday money lives. Most people keep savings in a separate account and run their spending from an everyday account. Both of those balances are sitting idle as far as the loan is concerned.

Two habits change that:

- **Park your savings in the offset.** A buffer of \$20,000, \$50,000 or more cuts your interest the entire time it sits there, while staying fully accessible.
- **Have your salary paid into the offset and spend from it.** Even money you will spend later in the month reduces interest while it waits. Over a year, that adds up.

The Offset Calculator lets you add a regular monthly top-up to model this. Watch how a growing offset brings the payoff date forward, faster than most people expect.

Offset vs redraw vs extra repayments

These three get confused constantly. They all reduce interest, but they behave very differently:

- **Offset** — a linked account. Reduces interest, fully accessible any time. Maximum flexibility.
- **Redraw** — extra repayments you have made that you can pull back later. Similar interest effect, but access can be slower, capped, or restricted at the lender's discretion.
- **Extra repayments (no redraw)** — money paid down that you cannot easily get back. Good for discipline, poor for flexibility.

For anyone keeping an emergency buffer or with income that varies, the **offset usually wins on flexibility**: the same interest saving, with the money still within reach.

The fee question

Some lenders charge a small annual fee for an offset account, or bundle it into a package fee. An offset is worth having when the interest it saves comfortably exceeds that fee. The calculator shows your saving, which makes the comparison easy: if the account costs a few hundred dollars a year and saves you several thousand in interest, it pays for itself many times over. If your balance is very small, the fee may not yet be worth it, but it usually becomes worth it as the balance grows.

A worked example

Say you owe \$500,000 at 6.00% over 25 years, with \$50,000 in the offset and you add \$500 a month to it from your salary and savings:

- The offset balance grows over time, cutting interest every month it sits there.
- You could save tens of thousands in interest over the life of the loan.
- The loan clears several years early, with no change to your repayment or your lifestyle.

The exact figures depend on your numbers, which is what the calculator is for. The point is that the saving comes from money you already have, simply held in the right place.

What to do next

1. Run your real numbers through the Offset Calculator and note the interest saved and time off your loan.
2. Move your savings and salary into the offset if they are not already there.
3. Check your loan has a genuine 100% offset, and that the account fee is smaller than the saving.
4. When you are ready to review your setup, get in touch. The right loan structure matters as much as the rate.

Important. This is general information only and an indicative estimate, not credit assistance, a loan offer, or a quote. Figures are estimates and may differ from a lender's assessment. Consider your circumstances and seek advice before acting. LenderBridge is pursuing its credit licence pathway. Figures current as at 6 June 2026 — verify before relying.