

# FIXED VS VARIABLE



Whilst there is no way to predict what will happen to the economy and interest rates in the future, what is helpful to understand is the advantages and disadvantages of fixed and variable home loans so you can determine which one may suit you.

## **Advantages**

One of the main advantages of a fixed rate home loan is certainty, as it ensures your repayments will not change for a set period of time. This can help you to plan ahead.

Secondly when interest rates are low you can take advantage of fixing at a low rate and retain that rate even if interest rates rise. This in turn could possibly lower the total amount of interest paid over the loan term.

## **Disadvantages**

If you have fixed your home loan and interest rates go down one disadvantage is you will not benefit from the decreases in interest rates.

If you are on a fixed rate and want to switch to a variable rate or want to refinance or sell your property, a disadvantage is you will have to pay a break cost which can be quite high depending on how long you have had the fixed term for.

Another disadvantage is that with a fixed rate there is often restrictions on making additional repayments.

## **Best of both worlds**

You could also consider fixing part of your mortgage so you get the security of a fixed rate home loan and the flexibility of a variable rate at the same time.

Most importantly you need to weigh up your individual circumstances and goals before making any decisions on how to structure your loan.