

How to save a much larger home deposit



When you are thinking about your first home, finding out you should be thinking about saving for a 20 per cent deposit can seem really overwhelming. The good news is that for some of the big non-bank lenders like Pepper Money, a minimum deposit required on some products can be as little as five percent of the purchase price of the property, but it's always a good idea to have a deposit of 20 per cent or more if possible. So, let's look at how to get there.

First work out what you can actually afford. There are lots of online calculators that can give you an estimate of what your repayments could be, based on your home loan amount and interest rate you think you'll be paying. Once you get an idea of the sort of repayments you would be able to make you can decide on your target deposit.

Second, get clear on the reasons you want to aim for a larger deposit. It can have several benefits:

1. You'll have a smaller repayment amount when you do have a mortgage
2. You'll save more money in the long run as you won't need to borrow as much, which means you'll pay less interest over the term of your loan
3. You won't have any Lenders Mortgage Insurance (LMI) costs (This is an extra fee payable by you as a borrower if you have less than a 20 percent deposit saved)
4. A larger deposit means you are likely to get access to better interest rates – which will save you even more money.

Now you are clear about why you would want to, here are the two most important steps to set yourself up to grow that bigger deposit:

Track your spending then create a budget

When you track exactly where your money goes each month you can see where you can keep some cash each month to put into savings. You can use a tool like the Government's ASIC [MoneySmart TrackMySPEND](#) app to work out where you're spending at the moment.

Commit part of your monthly income straight into a savings account

Out of sight out of mind, is a savings strategy that can work well. You can do this by transferring a set amount that you have budgeted to your savings account and the amount you have budgeted to cover daily expenses and bills into your regular account. That way you help yourself stick to your budget and your savings are safely out of temptation's reach.

Wondering how much to save? The [50-20-30](#) rule recommends that ideally 20 per cent of your income should go towards savings. But - every person's situation is different, and that might not work for you. The important thing is that a regular amount of savings whether it's big or small, gets put aside. It will eventually add up and help you achieve your goals.

The [ASIC MoneySmart](#) website also offers some other ideas about how to save your deposit.

The importance of showing a lender you have made regular savings

Another good motivation for saving into a separate savings account for your deposit is that lenders usually want to see what they call 'genuine' savings. Basically, they want to see that you can manage your money well. If you have savings that are considered to be non-genuine (like an inheritance) you may still be able to use those funds if you put them into a savings account where they are left untouched for an amount of time – usually a three month minimum.

If you'd like to know more about the deposit amount you need, including options on deposits for less than 20 percent, have a chat with us to see how we may be able to help. Talk to us at **Link Mortgages** today on **08 9272 9344**.

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