HOW TO GET THE MOST OUT OF THE STABLE INTEREST RATE

While it is great news that the interest rate has remained stable, the question is, what should you do to get the most of it? The answer is simple: while interest rates remain at 10.25%, homeowners could prepare for the possibility of higher interest rates now rather than wait until it happens.

By investing an extra 0.25% of your home loan instalment into an interest-bearing account, you can adjust to living off a slightly smaller amount. Also, there will be a little emergency money set aside to provide for some financial breathing space if necessary. Alternatively, you could reinvest the money straight into you home loan …

A Practical Example:
A R1,500,000 property at a 10.25% interest rate will cost you over R3,500,000 over a 20-year period of instalments. The monthly instalments would work out to be roughly R14,700. By putting in just an extra R300 per month towards your bond, the repayment period would be shortened by over a year, saving you R130,000 – enough to buy an entry-level car. Putting in an extra R500 per month would shorten the repayment period by two years and save you around R200,000, which is enough to buy a slightly nicer car or put your kid through high school with some change to spare.

Advice from our CEO:
“Choosing not to plan ahead is like choosing to stand still on a moving treadmill. You might be standing just fine now, but that doesn’t mean you won’t stumble soon. When it comes to investments, it’s always better to be one step ahead than to allow yourself to get dragged under by late or part payments. Putting away savings while interest rates are stable is a good way to make sure you avoid financial difficulties later.” - Adrian Goslett, Regional Owner and CEO of RE/MAX of Southern Africa.

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