



Home as a Financial Tool

Results of Citibank's ground-breaking survey into home ownership and mortgage trends.



Overview

Australians have a long tradition of home ownership. More than just a place to call our own, our homes are quite rightly viewed as a sound investment for the future. Equally enduring is the high priority we traditionally place on paying off our mortgages. But profound demographic and sociological change is reshaping the way we regard what is often our major debt. Once seen as something to be paid off promptly, a mortgage is fast becoming a debt for life.

Startling statistics from this - Citibank's ground-breaking 'Home as a Financial Tool' survey - indicate that one in three Australian adults expect to have a mortgage in retirement. More disconcerting, almost half (47%) of Australia's under-45s expect to be paying off their mortgage in retirement with one in five (20%) of today's over-55s facing a similar proposition. With superannuation savings almost universally regarded as inadequate, this raises questions about how we will fund a retirement in which mortgage repayments still loom large.

Despite widespread expectations of owing money on our mortgage, the option of downsizing to a smaller dwelling is still regarded by many as a primary source of retirement income. Across all age groups, more than 10% of people Citibank spoke to plan to bolster their retirement nest egg by downsizing their home, a figure that rises to over 20% among current mortgage holders. It's a risky strategy. As a result the baby boomers, Australia's largest single demographic group, will be collectively attempting to find buyers for their properties over the coming decades, and the result could be chaos.

Far from being a 'sure thing', property can, and has experienced downturns. This alone should be sufficient to encourage us to develop a balanced investment portfolio. And one of the means to fund this portfolio could lie within the four walls we call 'home'.

More than half our household wealth is tied up in our homes, and rising property values have provided homeowners with a rich, but often untapped, source of equity. Citibank's 'Home as a Financial Tool' survey revealed a growing trend to refinancing, with almost three out of four households having refinanced at some point. But the way in which we use funds from refinancing plays a key role in the growth of household wealth.

The challenge for all households is to juggle the fine line involved in utilising both sides of the household balance sheet and to recognise the need to match the right mortgage to each stage of your life. Our homes can be a valuable financial tool, but it calls for sensible and sustainable use of our home equity together with sound management of the accompanying debt.

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A nation of home lovers

A home is more than four walls. On one hand, it is a place to exercise choice, create a lifestyle and develop a sense of community. But as generations of homeowners have discovered, our homes can also be a valuable building block of wealth, ultimately providing a vital source of retirement income in our old age. Recognising this, Australians have long enjoyed a healthy track record as aspiring homeowners and our rate of home ownership, 70% of all households, has remained steady since the 1960s.

Today there are around 7.7 million households living in Australia. Of these:

35% - or 2.5 million households, own their homes outright,

35% - or 2.5 million households, are paying off a mortgage,

21% - 1.6 million, rent through a private landlord,

9% - or 700,000, rent through a public authority.

Despite the difficult affordability conditions that characterise Australia's current post-boom market, property ownership remains a resolute goal for many. Of the respondents Citibank spoke to, more than one in three (36%) renters, and two out of five (42%) of those living with parents, described themselves as 'first home hopefuls'.

Ownership levels may be stable, but our pattern of home ownership is evolving. Traditionally, first home purchases have been made in our twenties, often as a result of marriage. With the arrival of children we progressively trade up to larger family homes, and finally, as 'empty nesters', we downsize an unencumbered property, selling to younger buyers who are in the cycle of trading up themselves. This

pattern has ensured two key factors: Firstly it establishes a ready market for those looking to downsize a large, family home on a generous block of land, and secondly, by the time retirement comes around we are mortgage-free and able to make full use of the proceeds from downsizing.

Citibank's 'Home as a Financial Tool' survey confirms this trend. Home ownership increases with age, with our twenties to thirties being the peak home buying years when ownership levels increase from around 6% to almost 50%. By the time we reach our mid fifties, almost four out of five Australians own a place called 'home'.

Home ownership by age*

Age	18-24	25-34	35-44	45-54	55+
Home owner	6%	49%	55%	62%	78%

*Includes people who own their home outright or have a mortgage

For Australians aged 40 and over however, home ownership has the potential to provide far more than a roof over our heads. These men and women - our so-called 'baby boomers', are a powerful demographic force, anticipated to represent 25% of the Australian population by 2051. And for the boomers, housing plays an increasingly critical role in their plans for retirement, providing vital equity capital that can be accessed in a number of ways. How that equity is preserved - and enhanced - depends on the extent to which boomers' homes have market appeal in the years ahead, and whether that equity is exhausted prematurely through poor debt management, or bolstered through wealth creation.

“Despite the difficult affordability conditions that characterise Australia’s current post-boom market, property ownership remains a resolute goal for many.”

How many homes will we own?

Citibank research confirms we are a nation of rolling stones. Of the respondents we spoke to, only 37% were still residing in their first home. Of the remainder, the majority - two out of five, had owned two to three homes, with 22% owning four or more homes.

Not surprisingly the likelihood of multiple purchases increases with age. By age 45, almost half of us will have owned two to three homes. At 55, when many are considering retirement, fewer than one in four will still be in their first home, and more than one third of us will have owned four or more homes.

Number of homes we have owned by age	18 to 34	35-44	45-54	55+
Still in first home	62%	38%	35%	24%
Two to three homes	36%	41%	46%	40%
Four or more homes	2%	21%	19%	36%

A place called 'home'

Both our traditional pattern of home ownership and the property market itself are being reshaped by significant demographic and social change. We are carrying mortgage debt for longer, we are purchasing first homes at an older age, and a contraction in household size is redefining the 'typical' family home.

largely attributable to delayed marriage. In the mid-1970s, for example, 21% of twenty-somethings were likely to be living with their parents, compared to 30% today.

Mortgages - no longer top billing

Rather than giving repayment of our mortgages top-billing, today's homeowners are likely to remain in debt for longer. Citibank found:

- Fewer than one in ten 35 to 44 year olds have paid off their mortgage,
- Over seven in ten 45 to 54 year olds are still paying off a home loan, and
- One in three of the over-55s are still carrying a mortgage.

More lifestyle - less house

Lifestyle preferences are steering Australians away from large homes on high maintenance blocks. Though the average dwelling size remains at three bedrooms, the land our homes occupy is getting smaller - something that may not augur well for baby boomers looking to downsize their more substantial four or five bedroom homes on large parcels of land.

Unencumbered homeowners by age

Age	18-24	25-34	35-44	45-54	55+
Respondents who own home outright	1%	4%	8%	27%	62%

Demand for more compact homes is also being driven by an increase in the number of people living alone - a function of an ageing population, delayed age at first marriage and our high rate of separation and divorce. The number of Australian households has increased by around 15%, but household size has shrunk from an average of 2.68 people in 1995/06 to 2.53 people in 2002/03.

First homeowners - older and fewer

First homebuyers, who form a vital link in the property chain, are thinner on the ground. In the immediate aftermath of the property boom, finance to first homebuyers fell to just 13% of total housing commitments. This figure has subsequently recovered to 18.3%, though it remains below 'normal' levels of more than 20%.

Today, almost 10% of the population live in single person households - a figure projected to rise to as high as 34% by 2026. It's a trend most pronounced among senior Australians, with population projections suggesting as many as 1.5 million of our over-65s could be living alone by 2026. This has the potential to significantly impact the property market. Already the number of people living in smaller semi-detached houses or townhouses is rising, at the expense of the iconic Australian detached home. By 2026, up to 3.7 million Australians could be looking for homes suitable for solo living, shunning the more expansive homes that retirees may concurrently be looking to sell.

New entrants to the property market are also getting older. The median age of first timers is rising in a 20-year trend

Climbing the property ladder

The cost of providing shelter for ourselves and our families is one of the largest expenses we face, and though rising property values in recent years have added substantially to the wealth of existing home owners, it has made home ownership a more elusive goal for aspiring new buyers.

Over the last decade, for instance, the average new owner-occupier housing loan has more than doubled in size from \$99,000 to \$215,000, increasing the ratio of the average

new loan to average household income by 50 per cent.

But illustrating the tenacity of Australian homebuyers, new entrants to the property market are showing remarkable resourcefulness. Buyers are teaming together with family and friends to purchase a property in joint names. And a new class of first home buyer – the ‘first home investor’, is on the rise.

Refinancing – a growing trend

For homeowners, the current high property values can mean more than an increase in ‘on paper’ household wealth. Home equity can also provide a rich source of collateral for low-interest finance – money that itself can be used to accelerate household wealth. The opportunities presented by refinancing haven’t escaped the attention of Australian homeowners, and Citibank’s ‘Home as a Financial Tool’ research confirmed the rising trend to tap into our home equity through refinancing.

Of the homeowners we spoke to:

- 33% had started a new mortgage in the past

- 21% have refinanced
- 12% have both started a new mortgage and refinanced
- Only 35% have neither started a new mortgage nor refinanced

Our research indicates that the degree to which we embrace ‘debt on the house’ is strongly linked to our current level of encumbrance. Having paid off a mortgage, homeowners appear more reluctant to recommit to a mortgage, with almost half those who own their home outright saying they have never refinanced or started a new mortgage. By contrast, almost three out of four current mortgage holders had refinanced in some way.

Extent of refinancing/starting a new mortgage

	Outright owners	Mortgage holders
Refinanced	10%	30%
Started new mortgage in the past	34%	29%
Refinanced and started a new mortgage	9%	15%
	53%	74%
Neither refinanced nor started a new mortgage	46%	26%

Note: Percentages may not add to 100% due to rounding

Refinancing is not always a bad thing – rather it is a question of how we use and manage this debt. When funds from refinancing are used to make lifestyle purchases our homes undoubtedly have the potential to become a debt trap. But if we manage the equity in our homes wisely, they have the potential to be a powerful financial tool.

Analysis by the Australian Treasury confirms that looking at ‘household debt in isolation is misleading: the higher (household) debt levels are more than offset by the growth on the asset side of the household balance sheet – a phenomenon seen in a number of other developing countries.

Moreover, mortgages are no longer a ‘vanilla only’ product. These days, borrowers are spoilt for choice with a smorgasbord of home loans to choose from. And just as we change our home to suit our needs at various life stages, it makes sense to regularly reassess our home loan, changing our mortgage to suit our needs if the current product is unable to meet them.

As the diagram below illustrates, part of our trend to refinance/remortgage is that borrowers are now able to choose a product tailored to their stage in life, rather than staying with the featureless, generic loans that served previous generations of homeowners.

Mortgage Life Cycle - choose the mortgage which matches your stage of life

Lifestage of borrower	Typical mortgage needs	Appropriate mortgage
<p>First home buyer First home purchaser, limited income, no dependants, potentially purchasing investment property to enable entry to market.</p>	<p>Low rate to get in market Low fees Ability to make extra payments No frills product</p>	<p>Introductory rate Basic home loan Interest only home loan</p>
<p>Scenario 1 Young professionals Higher income due to career progression Equity levels increasing - ability to access equity for renovations or wealth creation</p> <p>Scenario 2 Young family Commencement of family - potential reduction to single income or reduced income Equity levels increasing - ability to access equity for renovations for growing family</p>	<p>Portability, redraw facility, ability to make extra repayments.</p>	<p>Standard variable or fixed rate loan.</p>
<p>Scenario 1 Middle age professional, no kids Higher income due to career progression. Further access to equity for wealth creation.</p> <p>Scenario 2 Kids growing up Less disposable income due to family expenses such as children's education Potential increase in income due to career progression or move back to two incomes Further access to equity for further renovations or commencement of wealth creation.</p>	<p>Redraw and offset facilities, packages with linked products (eg home loan and credit card), ability to harness home equity for use in meeting education costs, funding for debt consolidation and wealth creation. Ability to divide loan into sub-accounts. Convenient product</p>	<p>Professional package or line of credit loan.</p>
<p>Scenario 1 Empty nester High disposable income and focus on set-up for retirement</p> <p>Scenario 2 Empty nester Still less disposable income but commence focus on wealth creation using equity created in home or home plus investments</p>	<p>Ability to access home equity to fund investment portfolio or facilitate lifestyle purchases.</p>	<p>Line of credit</p>
<p>55+ towards retirement and beyond High disposable income and focus on using equity to create wealth for retirement.</p>	<p>Redraw facilities and option to tap into home equity to assist with building a retirement nest egg and independent pool of assets</p>	<p>Line of credit or reverse mortgage in later years</p>

Using equity wisely - how it can be done

Michael and Fiona, a married couple in their late thirties, have seen the value of their home escalate over the past few years. They are keen to capitalise on their increased equity, and being fans of residential property, they were considering the different finance options available to secure a rental property at some time in the future.

Rather than take out a separate loan, the couple opted to refinance their current home loan, drawing on an additional \$250,000 of funds. This allowed them to make full use of their existing home equity - a financial resource that would otherwise have been wasted.

The solution offered was a Citibank 'Mortgage Power' combination loan, giving Mike and Fiona access to low cost finance with considerable flexibility. It also gave the couple surety of available funds, freeing them from the hassle of arranging last minute finance when they eventually located a suitable investment property.

The Mortgage Power loan was structured so that the \$200,000 remaining on the family home could remain as principal and interest, letting Mike and Fiona pay down the principal as quickly as possible. The additional \$250,000 for the investment property was structured as interest-only. Moreover, the couple could hold the home loan portion in joint names, while only Fiona's name appeared on the investment portion.

For Michael and Fiona the process of refinancing offered several distinct advantages. The funds could be used for whatever purpose they choose - whenever they chose; the same low residential interest rate applied to both owner occupier and investment loan portions. And they didn't have to wade through mountains of time-consuming paperwork, which freed the couple to concentrate on finding the right investment property.

New trends - old values

When it comes to mortgages, we may be embracing the option to refinance, but we still hold onto the traditional virtue of paying off the debt. Irrespective of the degree of encumbrance, Citibank's respondents overwhelmingly agreed that paying off a mortgage is an important goal.

Surprisingly, despite the burden of reduced housing affordability, Citibank found younger homeowners are even more adamant about the need to chisel away at a home loan than their senior counterparts. It's a good sign - one that points to an awareness of responsible debt management across all age groups.

Importance of paying off mortgage

	Important	Not important
Outright owners	96%	%
Those with 1-10yrs remaining on mortgage	97%	3%
Those with 11-20yrs remaining on mortgage	94%	6%
Those with 20+ years remaining on mortgage	94%	6%

Importance of paying off mortgage

Age	18-24yrs	25-34yrs	35-44yrs	45-54yrs	55+
Important	100%	97%	94%	96%	96%
Not important	-	3%	6%	4%	4%

Living with a mortgage for longer

Citibank research confirmed that the vast majority of Australian mortgage holders in Australia - close to 2 million households, have at least another decade of mortgage payments ahead of them. A startling 44% of current mortgage holders have over twenty years remaining on their mortgage. And despite the standard mortgage term being 25 years, close to one in five (19%) mortgage holders have more than a quarter of a century remaining on their home loan.

Of today's current mortgage holders:

- 8% have 1-5 years remaining
- 13% have 6-10 years remaining
- 14% have 11-15 years remaining
- 22% have 16-20 years remaining
- 25% have between 21 and 25 years remaining
- 19% have more than 25 years outstanding on their mortgage.

Not surprisingly, a high proportion of younger households are paying off a mortgage. But our survey also revealed

that more than one in three 45-54 year olds are mortgage holders. And bucking the time-honoured trend of being mortgage-free by retirement, around 1 in 6 over 55s are still servicing a loan.

Mortgage holders by age

Age of homeowner	18-34	35-44	45-54	55+
% with a mortgage	32%	46%	35%	17%

Living with a mortgage in retirement puts further strain on an already challenging financial situation and is something all households need to be mindful of. Citibank respondents were quite clear on the need to pay off the home loan early, but this is one area where households would be wise to chart a course of action rather than leaving things to chance (refer 'Action plan for paying off a mortgage faster'). Aiming to pay off a mortgage early doesn't just provide homeowners with security and peace of mind. It accelerates wealth creation by freeing up resources to be directed at other investments - including super.

Mortgage-free at retirement? Perhaps not...

Traditional logic dictates we should aim to be mortgage-free by retirement, though for large numbers of Australians this is unlikely to be the case. Indeed, far from being mortgage-free when we retire, more than two in five (44%) of current mortgage holders felt it likely that they would still be paying a mortgage when their working days are over, potentially making mortgages a cradle to grave proposition.

Likelihood of mortgage in retirement

	Current mortgage holders	Total respondents
Likely	44%	36%
Not likely	56%	64%

And despite our strong ethos of paying off a mortgage, one in five over-55s expect to be repaying a home loan post-work. This figure rises dramatically in younger groups, with almost half of the 18 to 44s expecting to have a mortgage in retirement, almost the same number as those who expect to be mortgage-free.

Likelihood of mortgage in retirement by age

Age	18-24	25-34	35-44	44-54	55+
Likely	45%	43%	47%	33%	20%
Not likely	55%	57%	53%	67%	80%

Are we hocking the house?

Embracing the option to refinance and an increased likelihood of carrying a mortgage into our post-work years may be new trends, but are they a problem? In years gone by the answer would have been a resounding 'yes' but given our changing demographics and increased life expectancy, if used wisely to build wealth, refinancing can provide a means of tapping into our home equity - an otherwise much under-utilised resource.

Furthermore, housing debt as we have noted, must be viewed in tandem with household wealth. Australian Treasury research confirms, "Australian household wealth has increased in recent years despite higher debt levels. In other words, the value of household assets has risen substantially more than household debt." The key then, to making both sides the home balance sheet work, is to fund the purchase of growth assets with debt that will decline in line with inflation.

Previous generations of homeowners often took a passive approach, relying on time alone to increase the value of their property, and then only accessing their home equity by downsizing on or close to retirement. This may have been a successful strategy in the past, but for today's homeowners looking at longer periods of retirement and with greater aspirations for their post-work days, refinancing can be a useful tool for pro-active money management and wealth creation across all stages of home ownership - not just in our senior years.

For younger homeowners, refinancing can provide access to a more competitive interest rate on their home loan or on a whole raft of lending products from credit cards to margin loans. Interest savings made this way can be used to accelerate home loan repayments, or redirected to building other assets like shares, thereby diversifying the homeowner's asset base.

Homeowners in their thirties, forties and fifties stand to benefit considerably from refinancing, harnessing their home equity at a relatively early age rather than waiting until retirement. In our earlier case study, our refinancing couple, Michael and Fiona (see 'Here's how it can be done'), chose to invest their home equity in a rental property. This is a popular course of action, and today over 10% of Australian households own at least one investment property.

Another alternative is to direct funds from refinancing into the sharemarket. In addition to achieving diversification and tax-friendly returns, homeowners also have the option to plough returns from these other assets back into their home loan, potentially achieving the dual goals of building a portfolio while paying off their mortgage sooner.

Using funds from refinancing this way, especially in our middle years of home ownership, may be one remedy to the problem of inadequate retirement savings. Our homes have always served us well, but there is a significant opportunity cost in regarding them merely as a means of shelter. The roof over our head can also be a significant financial resource that homeowners would do well to harness rather allow to sit idle.

"Australian household wealth has increased in recent years despite higher debt levels. In other words, the value of household assets has risen substantially more than household debt."

The trend to a bricks and mortar retirement

It is well documented that many Australians are ill-prepared when it comes to retirement funding, leaving their post-work years dangerously to fate.

Even after 30 years of employment on average earnings, the 9% Superannuation Guarantee will only provide a lump sum of \$167,000, with the potential to generate an annual income of just \$19,800 p.a., which includes a part-

pension. The average current super balance is by no means approaching this level, with an average balance for men of \$78,700 and \$43,300 for women.

Despite the reality of low superannuation savings, Citibank found that the vast majority of Australians - over sixty percent, believe their super will be sufficient to support them through their post-work years.

Anticipated primary source of income in retirement

	18-34	35-44	45-54	55+	Across all ages
Super	70%	69%	56%	51%	62%
Money freed by downsizing	16%	11%	15%	11%	13%
Sale of investment property	18%	13%	10%	4%	12%
Govt pension	19%	27%	38%	50%	33%
Shares	16%	13%	7%	12%	13%
Inheritance	9%	9%	6%	6%	8%
Other investments	15%	14%	15%	14%	15%

Note: Multi response question, figures may not add to 100%

Trouble is, the Association of Superannuation Funds of Australia say that most working Australians underestimate how much they will need to fund their retirement. In addition, Generation X'ers have scant knowledge of what they have in super now - let alone how much they are likely to accumulate further down the track.

Independent research by Citibank, the Citibank Retirement Index, confirms the reality that almost one in two of today's retirees rely on the age pension. Super comes in a distant second, being the primary source of income for 34% of retirees. Income from other investments, including shares and property, barely rates a mention; with just one in ten retirees nominating this as their main source of income.

Against this reality, Citibank found more than one in ten Australian homeowners intend relying on their home as a primary source of post-work income. Clearly, though households need to put more thought into exactly how this will be achieved. Merely relying on an increase in property values may not be enough to sustain us through retirement.

Interestingly, younger Australians indicate far less intention to rely on the age pension and more reliance on independent assets like shares and super to fund their retirement.

“Citibank found more than one in ten Australian homeowners intend relying on their home as a primary source of post-work income.”

Not such a 'sure thing'

Residential property definitely has its place in a balanced portfolio. But Citibank found that we could be placing too much faith in this single asset class to fund our old age. Taking accessing home equity and sale of an investment property into account, one in four (25%) Australians intend relying on property as their primary source of retirement income - a figure that rises to more than one in three (38%) among current mortgage holders.

Further illustrating our unquenchable thirst for property, we asked our respondents how they would use a hypothetical \$50,000 lump sum:

- 39% would pay down the mortgage
- 34% would buy an investment property
- 13% would invest in super
- 14% would invest in shares

Commendably, almost two in five would pay down their mortgage. But rather than diversifying into other wealth creating opportunities, more than one in three Australians

would opt for an investment property. The danger here is that property is not always 'a sure thing'. Like other asset classes, residential property can, and has experienced downturns, and homeowners need to be wary of placing all their eggs in one basket.

Use of a lump sum

	18-34	35-44	45-54	55+
Pay down mortgage	48%	48%	37%	20%
Invest in property	40%	37%	34%	26%
Invest in sharemarket	9%	11%	13%	24%
Invest in super	3%	5%	16%	30%

On the plus side, Citibank research found that our willingness to diversify increases with age. As we head towards our mid-fifties the proportion of respondents keen to invest in the sharemarket almost triples from our twenties and thirties. We start to take a far keener interest in super, and cool on the idea of an investment property.

Problems with property

Australians have a proud record of home ownership, but our unbalanced leaning toward residential property may be blindsiding us to opportunities in other asset classes. Simply relying on funds released from downsizing our homes may not only be insufficient, it could create chaos in the property market.

Consider this. In a matter of decades, one in four Australians will be aged over-55. Unlike previous generations, today's rising tide of baby boomers will be competing with first homebuyers for smaller properties. At the same time that demand is likely to push up prices for smaller properties with declining interest in more substantial 'family' homes forcing down the value of larger properties down. The result is that downsizing retirees may find themselves short-changed on their existing homes and digging deeper into their wallets for new properties.

Boomers who opt to stay in their homes, perhaps relying on equity release products rather than downsizing, could find themselves living in sub-standard homes requiring increasing amounts of maintenance. Already, earlier research by Citibank found 15% of our over-55s are forced to slash their maintenance budget, forcing many to live out their days in homes that are falling into disrepair.

The great Australian dream - or a nightmare?

At the start of this report, we pointed out that a home can provide more than shelter - it can also be the key to household wealth. But like any financial investment it should be reviewed regularly. This calls for a two-pronged approach of careful use of our equity and recognition that good financial management involves diversifying across a number of asset classes, not just property.

A plethora of lending products allows us to tap into our home equity, but it is important that consumers be selective. Revolving line of credit mortgages are a particularly cost effective and flexible product. Like all debt, these should be used wisely, directing the funds towards building wealth, and always with a view to paying off the debt rather than adding to it indefinitely.

Equity release products, notably 'reverse mortgages', are a relatively new, though increasingly popular product for retirees. But these too should be used prudently. Equity

release is not the most suitable choice for younger retirees, particularly when the family home is the only substantial asset. And with our strong culture of leaving, and receiving an inheritance, it remains to be seen whether or not attitudes can shift sufficiently to accommodate a product that depletes a homeowner's estate.

Australia's 5.4 million home-owning households are sitting on an untapped resource. Our homes are usually our major asset, and while increasing property values have turbo-charged household wealth, it is often the result of a passive approach rather than actively harnessing the increase in our home equity.

The expansion of home equity together with an ever-growing array of mortgage products and options opens the door for homeowners to manage their money and their wealth more proactively. We turn the key to our homes every day, now it is time to unlock the wealth potential they hold.

About the research

The data for the Citibank / IPSOS Poll was collected via an online survey methodology in all States and Territories and in both city and country areas. All interviewing was conducted between December 16-19, 2005. A total of 1,000 people were surveyed for the Poll. The sample was evenly divided between males and females. Age and regional quotas were set to ensure the sample was representative of Australia's voting age population. Based on the total sample, the maximum margin of sampling error is plus or minus 3 percentage points.

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Action plan for paying off a mortgage faster

You've probably worked hard to secure your home, and now it's time to pay off the mortgage. But that doesn't have to mean working hard; it's all about working smart. Our list of strategies describes some of the ways you can be mortgage-free sooner. Adopt one, or better still try several, to fast track your way to financial freedom.

Be selective

When it comes to buying a home, we do our homework, shop around, and drive a bargain - exactly the things we should be doing when it comes to choosing a mortgage.

There is a plethora of loans available to homeowners, but it pays to stick to the basics. Look for a competitive rate, flexibility and above all, the loan that best suits your needs.

Rethink savings

It is always wise to have a pool of savings in case of unforeseen cash needs, but when you are paying off a mortgage, holding those savings in a traditional interest bearing deposit just doesn't make sense. Any interest you earn falls victim to the tax man's take, further reducing already low returns. An 'offset' account lets you maintain those savings while helping to reduce your mortgage. And because the interest you would earn on your savings is offset against interest payable on your home loan, rather than being paid to you, it isn't included in your taxable income. In short, earn tax free interest on your savings, and trim your home loan interest all at once.

Be a rolling stone

Just as we move house or renovate when our needs change, it pays to regularly review your home loan to see that it is still meeting your needs. You may find for example, that you can get a better deal with a different type of loan or that you are paying for features you no longer need. Any gains you make by remortgaging with a more competitive loan can be channelled into paying off your home loan faster.

Think outside the square

A mortgage is used to pay off a home. Right? Absolutely. But a mortgage can potentially offer far more. Set aside the idea that a mortgage is a millstone that grinds on indefinitely. Think of it instead as a tool you can use to your advantage. Refinancing lets you draw on your home equity, freeing up low-interest funds that can be directed into other areas of wealth creation. The returns and gains made on these other assets can be used to pay off your mortgage faster, while simultaneously building your portfolio.

Tap into redraw facilities

A redraw facility lets you treat your home loan as your main account. Cash deposits including your salary, are paid directly against your home loan thereby reducing the interest you pay. You can then draw out cash as and when it's needed through the redraw option. Managing your funds this way may require some discipline initially, but it makes far more sense than paying the full amount of interest on your home loan while your cash earns lacklustre returns in a separate deposit account.

Don't just make extra repayments - make your mortgage create them

'Make extra repayments' is the standard piece of advice on paying off a home loan early. But it begs the question, "Where does the extra cash come from?" The solution needn't be taking on a second job. Look no further than the family home. Our homes are our prize possession, a growth asset whose value will increase over the long term, and it is possible to harness the equity in your home to build other assets. Chosen wisely, these assets can help fund those essential extra repayments.

“When it comes to buying a home, we do our homework, shop around, and drive a bargain - exactly the things we should be doing when it comes to choosing a mortgage.”

Where to find us

Further information on Citibank's range of mortgages is available at www.citibank.com.au, by phoning **13 24 84** or visiting one of the CitiGold Centres below.

NSW

695 George St, Chinatown (02) 8225 3600

Ground Floor, Citigroup Centre, 2 Park St, Sydney (02) 8225 1860

55-57 Pitt St, Sydney (02) 8225 3663

451 Victoria Ave, Chatswood (02) 8225 3700

VIC

350 Collins St, Melbourne (03) 8643 9110

235 Little Bourke St, Melbourne (03) 8643 9113

QLD

Rowes Arcade, 215 Adelaide St, Brisbane 1300 305 721

WA

37 St. George's Terrace, Perth (08) 9426 6590

Shop 112-113, Garden City Shopping Centre, Booragoon (08) 9426 6510

