FREE GUIDE

The Offset Mortgage

How to make the money that passes through your bank account every month quietly cut your mortgage interest, without earning more or spending less.

LISA PURCHASE
Landlord Mortgage · wealthymortgage.ca

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01 GETTING ORIENTED

What an offset mortgage actually is

An offset mortgage, often called an all-in-one account, puts your mortgage, a line of credit and your everyday banking in one place.

Each day, the lender takes what you owe and subtracts whatever is sitting in the account. You're only charged interest on the difference. Your pay goes in, your bills come out, and every dollar that's there for even a day lowers the balance you pay interest on.

> THE TAKEAWAY
>
> **Money sitting in an offset account isn't idle. It's lowering your mortgage interest every day it stays, and you can still spend it whenever you need to.**

02 THE PROBLEM

Why most people barely use it

Here's how money usually moves, even for people who already have an all-in-one account:

Pay lands in a separate bank where it sits until bills come → **Money moved over** just before payments are due → **Bills paid right away** as soon as they arrive

Nothing is wrong with that. Bills get paid and nothing bounces. But your money spends most of the month somewhere it can't touch your mortgage, so the account is doing a fraction of what it could.

Same income, same mortgage, same spending. The only difference is where your money waits, and for how long.

03 THE SHIFT

Your cash flow cushion

The number that matters most is the average amount sitting in your account through the month. I call it your cash flow cushion. The bigger it is, the less interest you pay and the sooner the mortgage is gone.

Cushion = what comes in – what goes out, and how long it stays in between

Four ways to grow it, without spending less

1. **Have your pay deposited straight into the account.**
   It starts lowering your interest the day it lands, not the day you move it over.
2. **Pay bills on their due date, not the day they arrive.**
   A bill due on the 28th can sit in the account, working, until the 28th.
3. **Put everyday spending on a credit card, and pay it in full each month from the account.**
   Your money stays put for up to a month longer, and you keep the rewards.
4. **Bring your savings over.**
   An emergency fund earning a little interest somewhere else usually saves you more sitting against your mortgage, because the interest you avoid isn't taxed.

04 THE LOGIC

The daily math

Mortgage interest is worked out on what you owe each day. Lower the balance for a day and you pay less interest for that day. There's no tax rule involved and nothing to apply for. It's simply less borrowing for more of the month.

That's why an offset account is such a good foundation. It works on its own, and it makes other strategies easier to run.

05 THE PREREQUISITE

What you need first

The full benefit needs a true all-in-one product, where the mortgage, line of credit and chequing are linked and interest is charged on the net balance.

Mortgage	+	Line of credit	+	Chequing
one combined balance		in the same product		netted against it daily

A standard mortgage with a separate line of credit doesn't work the same way. Only a few lenders in Canada offer a true all-in-one account, and they generally need you to have at least 20% equity. If you're not sure what you have, or your renewal is coming up, that's the first thing worth checking.

06 THE MECHANICS

Setting it up, step by step

1. **Move your banking into the account.**
   Pay deposits, bill payments and transfers all run through it.

2. **Set up sub-accounts if you need them.**
   Many all-in-one accounts let you split the borrowing, which keeps things like investment borrowing separate and easy to track.

3. **Time your bills.**
   Switch automatic payments to their due dates.

4. **Run spending through a card.**
   Pay it off in full from the account every month.

5. **Keep your regular payment.**
   Keep paying at least what a regular mortgage would cost, so the balance keeps going down.

WORTH KNOWING

The rate on an all-in-one account is often a little higher than a regular mortgage. The interest you save has to outweigh that difference, which is exactly what we check together before you switch.

07 IN PRACTICE

What it could look like

Morgan has a $400,000 mortgage at 4.5% with 25 years left, and a regular payment of about $2,214 a month. Here's what happens as Morgan's cushion grows. (Morgan is an illustration, not a real client.)

	REGULAR MORTGAGE	OFFSET, SAVINGS ONLY	OFFSET, WITH NEW HABITS
Average cushion in the account	—	$20,000	$32,000
Interest saved in year one	—	about $890	about $1,430
Interest saved over the mortgage	—	about $38,000	about $58,300
Mortgage-free sooner by	**—**	**about 1.4 years**	**about 2.2 years**

"Savings only" is Morgan's existing $20,000 sitting in the account. "With new habits" adds pay deposited directly, bills paid on their due dates and spending on a card, which lifts the average to about $32,000. Same income, same spending.

Assumes the same rate on the whole balance, the same monthly payment throughout and a steady average cushion. All-in-one rates can differ from a regular mortgage, which changes the result.

08 THE BIGGER PICTURE

Pairing it with other strategies

With a debt swap

If you have non-registered investments, a debt swap can turn part of your mortgage into borrowing that may be tax-deductible. An all-in-one account's sub-accounts keep that investment borrowing separate, which makes the records simple.

With a refinance or renovation

Renovating? Bringing the renovation into your mortgage at a refinance, then running your banking through an offset account, lets your cash flow chip away at the whole balance.

09 IS THIS FOR YOU?

Is it right for you?

This is about how your money is set up, not how much you earn. A quick gut check:

A good fit if you…

- Usually keep a healthy balance in chequing and savings
- Want to pay less interest without changing your budget
- Are comfortable timing your pay and bills
- Have at least 20% equity in your home
- Are disciplined with credit

Let's talk first if you…

- Aren't sure whether your mortgage is a true all-in-one account
- Have income that changes a lot from month to month
- Would be tempted by home equity that's always within reach
- Are partway through a term with a big prepayment charge
- Are only just hearing about this

10 COMMON QUESTIONS

Questions I get asked

Can I still get to my money?

Yes. Your deposits are available to spend any time, up to your borrowing limit.

Do I have to spend less?

No. It's mostly about timing: when money arrives, and how long it stays before it leaves.

Is it better than a high-interest savings account?

Usually, when your mortgage rate is higher than your savings rate, because the interest you avoid isn't taxed.

What if my income is irregular?

It can work very well, because big deposits lower your interest while they sit. We plan around your real pattern.

Does it cost more?

The rate and terms can differ from a regular mortgage. We compare them side by side before you move anything.

11 YOUR NEXT STEP

Let’s look at your numbers

You may already have the right product. On a free call, we’ll look at how your money moves and whether an offset account is worth it for you.

Book a free strategy call

BOOK A CALL
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