

# VARIABLE AND FIXED RATE LOANS



A CommSec Margin Loan is a flexible investment tool that gives you access to fixed and variable rate loans so that you can borrow to invest.

By default, when you draw down on your margin loan, your loan balance is charged at a variable interest rate, but you can also choose a fixed interest rate for a set term.

## VARIABLE INTEREST RATES

A **variable interest rate** gives you greater flexibility if your loan balance changes frequently: for example, if you trade regularly and your balance varies significantly from day to day or week to week.

With interest calculated daily and charged monthly in arrears on the drawn balance, you are only charged interest on the amount you borrow. You get to choose how much and when to borrow, and have the flexibility to repay your loan at any time.

You can also choose at any time to switch some or all of your loan balance into a fixed interest rate loan, or loans, for a specified term.

## FIXED INTEREST RATES

When you choose a **fixed interest rate** for a specified term, you are committing to maintaining the drawn loan balance and interest payments for that term.

There are a number of reasons you might choose to fix your interest rate, including:

- You may save on interest costs compared to a variable loan
- To protect yourself against future interest rate movements
- To manage your cash flow and expenses
- You may potentially be able to claim the interest as a tax deduction<sup>^</sup>

Standard fixed terms are available from 3 months to 5 years, and you can find the applicable rates at [commsec.com.au](http://commsec.com.au) under **Products>Margin Loan>Costs**. Other terms are also available on request.

You also choose to pay interest either upfront in advance or monthly in arrears, and whether to capitalise the interest payment(s) to your loan or have them direct debited from your linked bank account.

As an interest expense may potentially be used as a tax deduction, a popular strategy is to fix and prepay interest at the end of the financial year for a term up to the end of the following financial year, thus bringing forward the interest expense for your tax return into the previous financial year<sup>^</sup>.

When a fixed loan matures, the loan balance will automatically switch to a variable rate, but you can also choose to refix the balance for another term, or pay down the loan.

If your circumstances change and you need to break this arrangement early, there are usually break costs that you would need to pay. So if your loan balance fluctuates regularly or you are unsure if your loan balance may be reduced in the short term, we recommend that you only consider fixing the portion of your loan balance that you expect will be drawn for the entire period.

If at any time you are not fully utilising your prepaid loan balance, you can temporarily lodge the unused portion of your fixed loan into your Commonwealth Direct Investment Account to generate interest and offset your loan interest expense.

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## MAKE A COMPARISON

To compare the potential cost savings between fixed and variable rates and find out if a fixed loan can benefit you; try out our Fixed vs Variable Interest Calculator at:

<http://www.investing.commsec.com.au/mlcalculator>



This image is for illustrative purposes only\*

## Risk Disclosure

Remember, whilst borrowing to invest can multiply your investment returns, it may also multiply your losses if the value of your investment falls. Margin Loans involve risk, before acting on this information please read and consider the CommSec Margin Loan Important Information & Risk Disclosure Statement located at [www.commsec.com.au>Tools&Support>Contact&Support>FAQ's>CommSec Margin Loan Risk Disclosure, Important Information and Disclaimer](http://www.commsec.com.au>Tools&Support>Contact&Support>FAQ's>CommSec Margin Loan Risk Disclosure, Important Information and Disclaimer).

**Please Note:** This information is not advice has been prepared without taking account of the objectives, needs, financial and taxation situation of any particular individual. For this reason any individual should, before acting on the information, consider the appropriateness of it having regard to their own objectives, needs, financial and taxation situation and, if necessary, seek appropriate independent financial and taxation advice.

\*Figures including interest rates, balances, and results represented in the Make a Comparison image are for illustrative purposes only and actual outcomes and rates may vary significantly. This image is not a recommendation on future matters. The calculator only produces factual information based on the input variables and does not provide advice.

If you decide to commence a fixed rate loan agreement and terminate the agreement prior to its maturity date, a termination fee / early repayment adjustment will apply.

\*Information on taxation is based on the continuation of current laws, as at the date of communication, and their interpretation which may be subject to change.

CommSec Margin Lending facilities are provided by the Commonwealth Bank of Australia ABN 48 123 123 124 AFSL 234945 (the Bank) and administered by its wholly owned but non-guaranteed subsidiary Commonwealth Securities Limited ABN 60 067 254 399 AFSL 238814 (CommSec), a Participant of the ASX Group. Please consider the Product Disclosure Statement available from [commsec.com.au](http://commsec.com.au) before making any decisions about the CommSec Margin Loan. Fees and charge apply.