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Should You Really Buy a Home with a 5% Deposit?

Just because you can buy with a 5% deposit doesn't always mean you should.

I know that's not the answer you'll hear in most property ads. After 25 years in banking, I've learned that the deposit is only one part of the equation.

The bigger question is: What happens after you get the keys?

With a 5% deposit, you're likely to have:

- × A larger loan.
- × Higher monthly repayments.
- × Less equity if property prices soften.

Then life happens.

- → The hot water system fails.
- → The car needs replacing.
- → A new baby arrives in the family.
- → Partner needs extended parental leave.
- → Unexpected medical expense.
- → You decide to take care of an ageing parent.
- → Council rates, strata fee jumps unexpectedly.
- → A natural event causes damage that insurance doesn't fully cover.

One unexpected expense can quickly put pressure on your budget if you've stretched yourself to get into the market. For some first-home buyers, buying sooner can make sense especially if property prices continue to rise and they have stable income, a financial buffer, and a clear plan.

> But buying with a smaller deposit should be a strategic decision, not simply the fastest way to own a home. The question I ask every client isn't: "Can the bank approve this loan?" It's: "Will you still feel comfortable making these repayments two years from now?" Banks assess whether you qualify for the loan.

You should decide whether the loan is right for your future.

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