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Refinance Really?

Every week I hear the same question.

"Should I refinance?"

My first response is always:

"Why?"

Too many people refinance simply because another lender is offering a lower interest rate.

A lower rate is nice.

But it's not always a better financial outcome

After 25 years in banking, I've seen borrowers refinance only to:

- ✖ Reset their loan back to a 30-year term.
- ✖ Increase their debt by rolling in a new car, holiday or cash out.
- ✖ End up paying more interest over the life of the loan despite a lower rate.

Refinancing should solve a problem not create a new one.

A refinance might make sense if you're

- ✔ Reducing your repayments without extending your debt unnecessarily.
- ✔ Accessing a loan product that better suits your needs.
- ✔ Consolidating high-interest debt with a disciplined repayment plan.

But if your only reason is, "The rate is 0.20% lower," stop and do the maths.

Sometimes the cheapest loan isn't the best loan.

The right question isn't:

"Can I get a lower rate?"

It's:

"Will refinancing leave me financially better off in five years?"

That's a very different conversation.

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