

SAVING FOR A HOME DEPOSIT

How to save smarter,
invest wisely and grow your deposit



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About InvestSMART

InvestSMART is a low-cost digital investing platform that helps Aussies bring their financial goals to life. Whether you’re saving for a home deposit or building wealth for a comfortable retirement, InvestSMART does the hard work for you.

We offer a variety of low-cost, readymade investment portfolios featuring a blended mix of ETFs selected by our investment experts for investors to choose from.

Buying your first home is one of the biggest financial steps you’ll take – but saving the deposit is often the hardest part.

With property prices still high and everyday costs putting pressure on household budgets, building a deposit can take years. And in that time, the goalposts can keep moving. Saving for a deposit is no longer just about putting money aside – it’s about making your money work harder.

This guide is designed to help with exactly that. We look at how much deposit you may need, the upfront costs buyers often underestimate and the different ways you can build your deposit over time, from cash accounts and the First Home Super Saver Scheme through to shares and ETFs.

InvestSMART offers low-cost, diversified ETF portfolios designed to help you grow your wealth over time and work towards goals such as a home deposit.

Ranging from conservative to high growth, they have delivered returns of 3.8% to 8.6% per year since their launch to the end of April 2026, and have outperformed similar competitor funds by an average of 1.2% to 2.2% annually. Of course, past performance is not a guarantee of future returns.

For investors who want more flexibility, InvestSMART Custom lets you tailor your portfolio by selecting up to five ETFs from our curated list.



Ron Hodge
CEO

How much deposit do you need?

Buying your first home is a major achievement – one you can be proud of, and a stepping stone to a strong financial future.

Before you can get your foot on the property ladder, though, you'll need to save your deposit.

Having a deposit gives you 'skin in the game'. In other words, you're less likely to walk away from a home – and home loan – if you've already tipped in funds of your own. That's reassuring for lenders, and it explains why a deposit is almost always a must-have.

There's no single 'right' figure for a first home deposit, but from a financial perspective, it makes sense to grow the biggest deposit you can. The bigger your deposit, the smaller your home loan. This means paying less in monthly repayments while reducing the overall interest cost.

The catch is that in today's environment of high – and rising – property prices, the time it takes to save a decent deposit can mean home values have already climbed higher.

This can make it feel as though the goalposts are continually shifting further out of reach.



Pro tip:

Plenty of lenders reward diligent savers by offering lower home loan interest rates to borrowers with a bigger deposit.

Your first home – what a milestone! But before the thrill of ownership comes the challenge of growing a deposit.

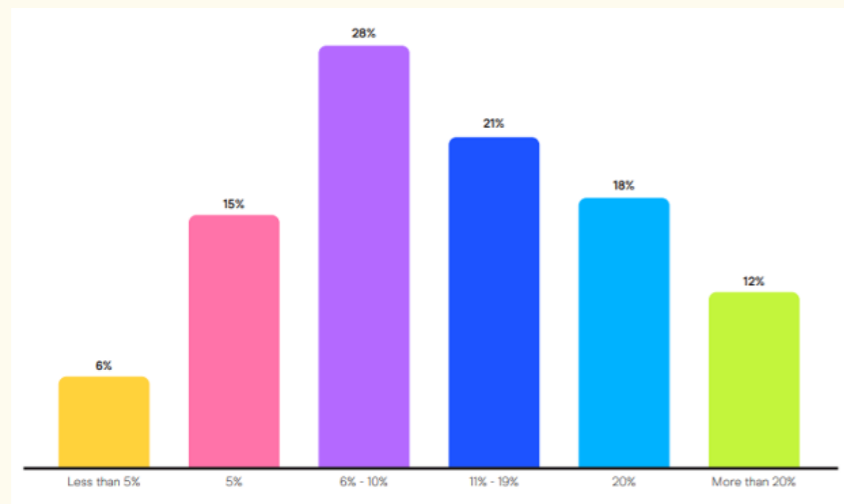
The trick to getting there sooner is 'smarter saving' – setting a target to work towards, budgeting for all the upfront costs of buying a home and exploring different investments to fast-track your first home deposit.

We explain the different pathways available. Follow one savings strategy – or mix and match – to start the ball rolling towards your first home sooner.



5%, 10% or 20% – what’s the ‘ideal’ deposit?

A 20% deposit has traditionally been seen as the ideal because it lets buyers avoid Lenders Mortgage Insurance (LMI). But in reality, many first home buyers enter the market with less. According to the Finder First Home Buyer Report 2025, only about 30% of first home buyers have a deposit of 20% or more, as shown in the chart.



Source: Finder First Home Buyer Survey 2025

When a lender agrees to let you borrow more than 80% of a property’s value, meaning your deposit is less than 20%, the loan is generally seen as higher risk.

Lenders Mortgage Insurance

That’s where Lenders Mortgage Insurance (LMI) comes in. It works differently from other types of insurance. Although the borrower pays the premium, LMI protects the lender if the homeowner can’t keep up their repayments.

The real sting in the tail is that LMI can be expensive. Premiums are generally around 1% to 2% of the loan amount.

The thing is, as property values rise, home loans are getting bigger, and the cost of LMI can easily run into tens of thousands of dollars.

The table below shows the estimated LMI premium for a range of first home buyer budgets across Australia.

Research by Resolve Finance shows first home buyers in metro areas have an average buying budget of \$676,000. At that price, buying with a 5% deposit, or \$33,800, could mean paying almost \$27,000 in LMI.

Even with a 10% deposit, or \$67,600, the buyer could still be looking at LMI of about \$15,000. To avoid LMI altogether, a metro buyer would need a 20% deposit of around \$135,200.

Lenders Mortgage Insurance (LMI) for various deposits

| Location | Average first home buyer budget* | 5% deposit | LMI for 5% deposit^ | 10% deposit | LMI for 10% deposit^ | 20% deposit |
|-------------------------------|----------------------------------|------------|---------------------|-------------|----------------------|-------------|
| Metropolitan areas nationally | \$676,000 | \$33,800 | \$26,988 | \$67,600 | \$14,967 | \$135,200 |
| Regional cities | \$555,000 | \$27,750 | \$22,158 | \$55,500 | \$9,635 | \$111,000 |
| Rural suburbs | \$493,000 | \$24,650 | \$14,664 | \$49,300 | \$8,558 | \$98,600 |

Sources: *Resolve Finance ^Helia LMI Estimator

Your lender may let you add LMI to your loan and pay it off over time. The problem is that not only will your repayments be higher, but LMI will cost you more in the long run because you’ll also pay interest on the premium.



Pro tip:

Lenders Mortgage Insurance (LMI) can’t be transferred between lenders. So, if you want to refinance further down the track and you still don’t have more than 20% equity (ownership) in your home, you could be up for a second round of LMI premiums.

Buy sooner or save a bigger deposit?

One of the biggest decisions first home buyers face is whether to buy sooner with a smaller deposit or keep saving to have a larger one. The answer will depend on your budget, borrowing power and how quickly property prices are changing in the area where you want to buy.

In general, a larger deposit puts you in a stronger financial position. But waiting longer is not always the better option if property prices keep rising while you save.

Buying sooner with a smaller deposit could mean:

- You get into the market earlier.
- You may pay less overall, even after LMI, than if you waited and bought at a higher price.

A larger deposit could mean:

- You may be seen as lower risk by lenders, which can help you qualify for a lower rate.
- Your home loan will be smaller, which can reduce your repayments and the total interest you pay over time.
- You may be able to avoid or reduce LMI.



Pro tip:

Consider how much you can comfortably afford to borrow. A lender may accept a 5% deposit. That doesn't mean you *should* borrow 95% of your home's value – especially if it would be a struggle to pay household bills or achieve other life goals.

The hidden costs of buying a home

A deposit is only one of the costs you need to cover when buying a home. There are other upfront expenses to budget for, and it's easy to overlook them in the excitement of buying your first property. Understanding these costs can help you plan ahead and avoid surprises.



Upfront costs beyond your deposit

Some upfront costs are more obvious than others, and they can add up quickly. Together, they can amount to 5% of your home's value. On a \$600,000 home, for example, you may need to allow \$30,000 for these expenses.

Here are the typical buying expenses you need to budget for.

Stamp duty: This is a government charge that can add significantly to the cost of buying a home. The good news is that first home buyers may be entitled to an exemption or concession.

Pest and building inspections: These can help uncover structural issues or other costly problems before you buy.

Strata report: If you're buying an apartment, a strata report can flag upcoming costs such as major repairs or maintenance.

Legal or conveyancing fees: These cover the legal work involved in transferring the property into your name.

Loan fees: These vary from one lender to the next and can include application, valuation or legal fees.

Lenders Mortgage Insurance (LMI): This often applies if you're buying with less than a 20% deposit.

Mortgage registration and title transfer fees: These are state government charges that apply when the property and loan are formally registered.

Home building insurance: This helps protect your property from damage or loss.

Moving costs: These can include removalists, utility connections and any work needed to make the home comfortable from day one.



Pro tip:

Shopping around and comparing costs can help you minimise several buying costs such as loan fees, legal/conveyancing fees, building insurance, and pest or building inspections.

Other buying costs such as mortgage registration fees are set by state/territory governments and are not open to negotiation.

Stamp duty savings for first home buyers

Stamp duty, also known as transfer duty, is a tax you pay when you buy a property. It's usually calculated based on the purchase price.

The good news is that most states offer first home buyers stamp duty concessions, and in some cases a full exemption, but you'll need to meet certain conditions.

These concessions can save you thousands, so it's worth understanding what's available because it could affect the type of home you buy or how much you spend.

The table below shows the stamp duty concessions available to first home buyers around Australia. The biggest savings are usually available if you buy or build a new home or buy below a certain price threshold.

First home buyer stamp duty concessions

| State | Full exemption | Concessional range |
|-------|--|---|
| QLD | Established homes up to \$700,000; New homes fully exempt | \$700,001-\$800,000 (established) |
| NSW | Up to \$800,000 | \$800,001-\$1 million |
| ACT | Up to \$1.02 million* | \$1,020,001-\$1,455,000* |
| VIC | Up to \$600,000 | \$600,001-\$750,000 |
| TAS | Established homes up to \$750,000** | N/A |
| SA | New homes fully exempt^ | N/A |
| WA | Up to \$500,000 | \$500,001-\$700,000 (Perth/Peel) \$500,001-\$750,000 (Regional WA) |

Source: State and territory revenue offices. *Income limits apply. ** Due to end on 30 June 2026. No concessions for new homes. ^No concessions for established homes. The Northern Territory does not offer a specific first home buyer concession.

How much could stamp duty cost?

Want to know how much stamp duty you might pay? There are online calculators that can help, but to give you a general guide, we've crunched the numbers using Resolve Finance estimates of average first home buyer budgets across a range of cities. At these budget levels, concessions apply in most locations.

In Melbourne, for example, Resolve Finance found that first home buyers have an average buying budget of about \$606,000. At that price point, stamp duty for an eligible first home buyer would be \$1,257. That could fall to \$0 if the property was priced below \$600,000.

Stamp duty on typical first home buyer budgets

| Location | Average budgeted price* | Stamp duty (after first home buyer concession)^ |
|-----------|-------------------------|---|
| Brisbane | \$628,000 | \$0 |
| Sydney | \$804,000 | \$788 |
| Melbourne | \$606,000 | \$1,257 |
| Adelaide | \$599,000 | \$0 if new home \$26,775 if established home |
| Perth | \$614,000 | \$15,538 |

Sources: *Resolve Finance ^State-based Revenue Offices

Bring your goals to life with InvestSMART



Whether you're saving for your first home, planning for retirement, or simply building long-term wealth, InvestSMART makes investing simple and affordable – and now even more flexible with InvestSMART Custom.

Choose from a wide range of [ETF portfolios](#) – from conservative to high growth, including ethical and asset-class specific options like Australian and international shares.

Option to customise your portfolio – for experienced investors wanting more control, [InvestSMART Custom](#) lets you select up to five ETFs from our curated list.

Low, capped management fee – starting at just 0.44% p.a., and capped at \$880 p.a for balances of \$200,000 or more. Plus, a flat 0.11% p.a. administration fee covers all buy-side brokerage.

Easy online application process – open your investment account as an individual, company, SMSF, trust or on behalf of your children.

Hands-off investing – we take care of trading and rebalancing so you don't have to.

Stay informed – access real-time performance tracking and receive tax reports annually.

Not sure which portfolio is right for you? Take our [short quiz](#) and get a tailored statement of advice with an InvestSMART portfolio recommendation.

Our diversified ETF Portfolios

| | |
|----------------------------|--|
| InvestSMART Conservative | 3.8% Annualised performance* since 29 Dec 2014 |
| InvestSMART Balanced | 5.5% Annualised performance* since 29 Dec 2014 |
| InvestSMART Growth | 7.1% Annualised performance* since 24 Oct 2014 |
| InvestSMART Ethical Growth | 7.8% Annualised performance* since 1 Nov 2020 |
| InvestSMART High Growth | 8.6% Annualised performance* since 27 Oct 2014 |

*As of 30 April 2026 after management + admin fees.

Past performance is not an indicator of future performance

Strategies to grow your first home deposit

Your choice of investment can help your savings grow alongside property prices and potentially get you into a place of your own sooner. With a mix-and-match approach, it's possible to enjoy the best of both worlds – the potential for higher returns from growth assets like shares plus the stability of lower-risk options like a savings account.



So far we've looked at how much deposit you need as well as the upfront costs to budget for. Now let's get down to the nitty gritty of how to grow your deposit.

The traditional approach has been the 'sure and steady' path of tucking cash into a savings account. It's still a popular option. But the relatively low returns on cash savings can see first home buyers fall behind.

Back in the early 1980s, when housing was more affordable, it took around 2.5 years to save a 20% deposit, according to the PropTrack CommBank First Home Buyer Report 2025.

These days, it can take closer to six years.

Saving regularly is important, but it may not be enough on its own. As property prices rise over time, higher-return investments can help your deposit grow faster.

As the table shows, returns can vary significantly across different investment options. In the year to June 2025, returns were around 4.4% for cash, 13.2% for Australian shares and 18.6% for international shares.

Keep in mind that higher returns often come with higher risk.

Returns on different investment options

| Asset class | 1 year | 5 years p.a. | 10 years p.a. |
|----------------------|--------|--------------|---------------|
| Australian shares | 13.2% | 12.0% | 9.1% |
| International shares | 18.6% | 15.8% | 12.5% |
| Australian bonds | 6.8% | -0.1% | 2.3% |
| Cash | 4.4% | 2.3% | 2.0% |
| Inflation | 2.1% | 4.4% | 2.8% |

Source: Vanguard 2025 Index Chart to 30 June 2025



Pro tip:

The longer you plan to save a first home deposit, the more appropriate it can be to consider higher-return 'growth' assets such as shares or share-based exchange-traded funds (ETFs).

Growth assets have a proven track record of delivering higher returns over time (five years-plus), though investors can face short-term volatility.

As you get closer to achieving your target deposit, you may want to dial down your growth assets in favour of less lively options such as a savings account.

Different options for **saving** your deposit

There are a range of ways to grow a first home deposit, each with different levels of risk and potential return. The right approach will depend on your timeframe and how comfortable you are with market ups and downs.

Let's take a closer look at the main options available – and the pros and cons of each.



Cash accounts

Savings accounts are a straightforward financial product. You open an account and your money earns interest in line with market rates. You can add to your savings whenever it suits – each week, fortnight, month or payday. Your money is usually at call, meaning you can withdraw funds at any time.

Term deposits work a bit differently. You commit to investing for a specific term – from a few months to several years. The rate you earn is fixed at the start of a term deposit. So, if market rates fall, you can earn an above-market rate. If market rates rise, however, you could miss out on higher returns.

Potential returns: Up to around 4.85% annually, though you may need to meet certain conditions to earn this rate.

Time horizon: Savings accounts and term deposits are best suited to shorter timeframes of around one to three years.

Pros

- Very secure, with government guarantees up to \$250,000 per account holder per institution.
- No fees to open an account or withdraw funds (provided term deposit conditions are met).

Cons

- Conditions may apply to earn bonus interest.
- No capital growth and inflation can reduce the real value of your savings over time.
- Interest is fully taxable.

Shares

Investing in shares means buying a small stake in a publicly listed company. You'll need to set up an account with an online broker to get started (this only takes a few minutes). Once this is sorted, you can become a shareholder in any of the 1,800-plus companies listed on the Australian Securities Exchange (ASX).

As a shareholder, you have the potential to earn dividends (a slice of company profits) plus capital gains if your shares rise in value.

Unlike savings accounts, the returns on shares are not guaranteed. Shares can fluctuate in value – and there is the potential to lose money. Investors are rewarded for this added risk with the prospect of higher long-term returns.

It's possible to reduce the impact of shares falling in value by building a diversified share portfolio that includes a variety of companies, industries and even geographic locations. That way, you spread your risk across different areas of the market.

Potential returns: While past returns are no guarantee of future performance, Australian shares have delivered strong returns over time. As the table on page 17 shows, they returned an average of 9.1% a year over the 10 years to 30 June 2025.

Time horizon: Shares are generally seen as a long-term investment. A timeframe of five years or more allows market highs and lows to be smoothed out.

Pros

- Shares can deliver high returns over time.
- Dividends and capital gains on shares can be tax-effective.
- Investors can pick from a wide variety of shares to build a diverse portfolio.

Cons

- Shares can be volatile, and it's possible to lose money if you sell during a downturn.
- Shares come with brokerage costs.
- Under ASX rules, you generally need to invest at least \$500 in a company the first time, which can make diversification harder.

Exchange-traded funds (ETFs)

Exchange traded funds (ETFs) are investment funds that trade on the ASX, just like shares. But instead of buying one company, an ETF gives you access to a whole basket of investments in a single trade.

When you buy units in an ETF, your money is pooled with other investors. The fund then invests the money in a variety of assets – anything from Australian or international shares to government bonds, commodities such as gold and even digital currencies like Bitcoin. In this way, ETFs provide a high level of diversification in a single investment.

Most ETFs take a ‘passive’ approach to investing, aiming to match (rather than beat) the returns of a particular index. This keeps costs down, and the savings are passed on to investors through low annual fees.

Potential returns: The returns will depend on the underlying investments. As the table on page 17 shows, over the 10 years to 30 June 2025, returns ranged from around 2.3% for bonds to 12.5% for international shares.

Time horizon: It depends on the fund’s underlying assets. A share-based ETF, for instance, will typically suit a time horizon of five years or more.

Pros

- ETFs offer a quick, easy and low-cost way to build a diversified portfolio even when you don’t have a lot of money to invest.
- The fees on ETFs are very low, so more of your money remains invested over time.
- ETFs reduce the stress of deciding which investments to pick within a particular asset class.

Cons

- You don’t have a direct say in exactly which investments are included in an ETF.
- An index ETF will aim to match the market, not beat it. So, it may be possible to earn higher returns by directly investing in individual shares.
- Investing in ETFs will mean paying brokerage fees each time you add to your holdings.

First Home Super Saver Scheme

Your super fund may not be the obvious choice to grow a first home deposit, but the First Home Super Saver Scheme (FHSS) could add some mojo to your saving plans.

Under the scheme, you make voluntary contributions to your super. From there, super’s low tax rates plus the potential for high investment returns can fast-track your savings.

Strict rules apply. Under the scheme, you can only contribute up to \$15,000 each financial year or up to \$50,000 in total.

Potential returns: The returns earned in super will depend on the investment option, but when you withdraw under the FHSS, the ATO calculates your earnings using a deemed rate, currently around 7%.

Time horizon: There is no time limit to how long you take to grow your first home deposit using the FHSS.

Pros

- Government estimates suggest that super’s low tax rates and potential returns could boost your deposit by 30% compared to a savings account.
- The FHSS can be combined with other federal or state home buying schemes.
- Couples can contribute and withdraw up to \$50,000 each, meaning the scheme could potentially contribute up to \$100,000 towards a deposit.

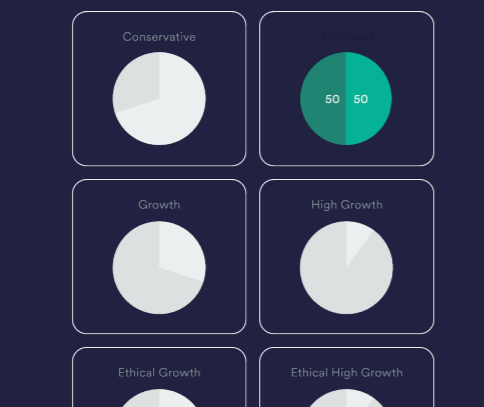
Cons

- The \$50,000 withdrawal limit per person may not be enough on its own, especially for solo buyers.
- You can only withdraw FHSS contributions to buy a first home. If you change your mind, your contributions may be locked away until retirement.
- You need to apply to the ATO to access your funds. Any overdue tax debts (including compulsory study loan repayments) may reduce the amount released.

Personalise your portfolio with InvestSMART Custom

Built for experienced investors seeking more control, InvestSMART Custom lets you customise your professionally managed portfolio with up to five individual ETFs – giving you the best of both worlds.

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Customise to match your interests

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- Access to expertly selected, high-quality ETFs

Eligibility criteria apply. Read the [PDS](#) and [TMD](#) before making an investment decision about a financial product.

Ready to make your portfolio more personal?

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Prefer to talk? Call us on 1300 880 160.

Deciding the best option for you

There's no one-size-fits-all solution to saving a first home deposit.

The key is to find the investment – or combination of investments – that works for you, taking into account how you feel about risk, your buying timeframe and your home-buying budget.

Sticking with cash may feel safe, but lower returns can mean property prices outpace your savings.

Here's a simple example: Sue plans to buy her first home. She starts with \$20,000 in a savings account paying 2.3% interest and adds \$1,000 each month. (While current savings rates may be higher, this example uses five-year returns to 30 June 2025 for consistency.) After five years, her deposit grows to around \$85,232.

Alternatively, if Sue invests in an Australian share ETF earning 12.0% annually and makes the same contributions, her balance could grow to around \$111,481 – roughly \$26,000 more.

Of course, the higher returns of the ETF reflect increased risk.

If Sue isn't comfortable taking on more risk, she could take a 50:50 approach, splitting her savings between cash and shares or an ETF. Or she could combine a savings account with various ETFs and tap into the First Home Super Saver Scheme.

What matters most is looking into the various options and choosing an approach that works for you.



Pro tip:

Automated portfolios offered by the likes of InvestSMART allow first home buyers to build a diversified portfolio of ETFs with the added benefit of automated rebalancing.

This means your portfolio automatically adjusts when markets change, helping ensure your ETF holdings always reflect your appetite for risk.



Helping hands for first home buyers

There's plenty of support available for first home buyers. You may have to meet certain conditions and eligibility requirements, but every bit counts when you're saving for a first home. Here are the main sources of support you may be able to tap into.

First Home Owner Grant

The First Home Owner Grant (FHOG) isn't available in every state or territory, and the amount varies depending on where you buy and what you buy. Where it's available, though, it can provide a meaningful boost to your deposit.

In NSW, for example, eligible first home buyers can receive \$10,000 for a new home. In Queensland, the grant can be worth up to \$30,000 for eligible new home contracts signed by 30 June 2026.

Some parts of Australia also offer separate support schemes for first home buyers.

The Northern Territory, for example, offers the HomeGrown Grant, which can see \$50,000 go towards building or buying a new home.

Head to [firsthome.gov.au](https://www.firsthome.gov.au) to find out what may be available where you live and the eligibility rules.

When it's available, the FHOG can often be used as part of your deposit.

5% Deposit Scheme

Unlike the FHOG, the 5% Deposit Scheme doesn't involve a cash grant. Instead, the federal government guarantees part of your home loan. This lets you buy with as little as a 5% deposit and avoid the cost of Lenders Mortgage Insurance (LMI).

That can be a big advantage for first home buyers. Saving a 5% deposit takes far less time than building a 20% deposit, which may help you get into the market sooner and avoid further rises in property prices. Buying earlier can also reduce the amount of time you spend paying rent while trying to save.

The 5% Deposit Scheme was expanded in October 2025 so that all first home buyers can access the scheme regardless of income. Property price caps still apply, and these vary depending on location. You can find more information, including the price caps, at [firsthomebuyers.gov.au](https://www.firsthomebuyers.gov.au).

Since its launch in 2020, the scheme has helped over 240,000 Australians into home ownership. Even so, it is not without drawbacks. Because you're borrowing up to 95% of the property's value, your loan will be larger, which can mean higher repayments and more interest over time.

With only a small amount of equity in your home, you may also be more exposed if property prices fall, including the risk of negative equity, where you owe more than the home is worth. Having a low level of equity can also make it harder to refinance to a cheaper loan later on.



The Bank of Mum & Dad

There's nothing new about first home buyers turning to parents for a financial helping hand. Parents can help in a variety of ways, from allowing adult children to live at home while they save a deposit, to acting as a guarantor for a child's home loan or even co-buying a property.

Increasingly, parents are handing over cash for a deposit. Compare the Market's Household Budget Barometer for 2025 found that 13% of homeowners with a mortgage received money from their parents towards a deposit, with a median gift of \$40,000.

However, not every well-meaning cash gift will fast-track a first home. Lenders may ask for written evidence that parents don't expect a cash gift to be repaid. Moreover, banks want to be sure borrowers have the discipline to manage home loan repayments. This will likely mean you still need to show evidence of regular saving over the past three to six months, even with the benefit of a cash gift.

Your parents acting as a guarantor can also help you borrow more, but it can expose your parents to financial risk if you are unable to meet your repayments.

Family support can make a meaningful difference, but most buyers will still need to build their own savings and demonstrate they can manage a home loan.

Top tips for saving a deposit

By now, you should have a clearer idea of how to grow your first home deposit. Here are a few practical tips to help you stay on track:



Set your goal

It's a lot easier to reach a target when you have something to aim for. Set a deposit goal and use online savings calculators, such as those on the Moneysmart website, to work out how much you need to save regularly to get there.



Put savings on autopilot

Set up automatic payments into the investments of your choice. Time the payments with your pay cycle to avoid overdrawing your everyday account, then get on with enjoying life, knowing your deposit is growing in the background.



Look for ways to trim fees

The fees you pay can eat into your returns. Keeping costs low means more of your money stays invested, helping you reach your goal sooner.



Track your progress

Review your savings regularly to see how you're tracking towards your goal. Small adjustments along the way can make a big difference over time.



Check your eligibility for first home buyer schemes and grants

Government schemes and grants can provide a useful boost to your deposit. Take the time to check what you may be eligible for in your state or territory.

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