Refinance or Stay?

Know If Switching Will Save You

The Real Costs, Savings and Timing Behind Every Refinance Decision

How to calculate your real break-even point before you commit to switching lenders

By the team at Loan Experts · 2026 Edition

Contents

A lower advertised rate doesn't automatically mean refinancing will save you money — exit fees, new lender costs, and how long you plan to stay in the loan all factor into whether switching actually pays off. This guide walks through how to calculate your real break-even point before you commit to anything.

The Three Numbers That Actually Matter

Total Switching Cost

Discharge fees, new lender fees and government charges, added together.

Monthly Savings

The actual repayment difference, not just the headline rate gap.

Break-Even Point

How many months until the savings outweigh the cost of switching.

No. 1

The Real Question — Rate Difference vs Total Cost

Why the headline rate gap isn't the whole story

It's tempting to refinance the moment you see a lower rate advertised elsewhere, but the rate difference alone doesn't tell you whether switching actually leaves you better off. The real question is whether the total savings over the time you'll likely hold the loan outweigh the total cost of making the switch.

A 0.3% rate difference sounds meaningful, and over many years it usually is — but if you're planning to sell or refinance again within the next 12-18 months, the switching costs can easily outweigh what you'd save in that window. Running the actual numbers, not just comparing rates, is the only way to know for sure.

- A lower rate doesn't automatically mean a better financial outcome
- Switching costs need to be weighed against your realistic timeframe in the loan
- Even a small rate gap can be worthwhile over a long enough period
- The right comparison is total cost over time, not the rate alone

EXPERT TIP

Before comparing rates, decide roughly how long you expect to keep this loan — that single number changes which lender actually comes out ahead.

No. 2

Exit Costs — What Leaving Your Current Lender Might Cost

The costs your current lender may charge you to leave

Discharge fees are charged by most lenders to process the closure of your loan, typically a few hundred dollars, and are separate from any break costs. If you're on a fixed rate, break costs can be substantial — calculated based on how much the lender's wholesale funding cost has moved since you fixed, and can run into thousands of dollars depending on the rate environment and time remaining on the fixed term.

It's also worth checking whether your current loan still carries any remaining establishment incentive clawback — some lenders include conditions in cashback or fee-waiver offers that require repayment if you refinance within a set period, often 2-4 years from settlement.

- Discharge fees: typically a few hundred dollars, charged by most lenders
- Fixed rate break costs: can be substantial and vary with market movements
- Cashback or incentive clawback: check for repayment conditions within 2-4 years
- Request an exact discharge figure from your current lender before deciding

EXPERT TIP

Ask your current lender for a written discharge quote rather than estimating — break costs in particular can vary significantly and are worth confirming exactly before you commit to refinancing.

No. 3

Switching Costs — What Joining a New Lender Might Cost

The costs on the other side of the ledger

New lenders typically charge an application or settlement fee, and you may need a new property valuation, which is sometimes but not always covered by the new lender. If your loan-to-value ratio has changed since your original purchase, Lenders Mortgage Insurance could apply again on the new loan even if you didn't pay it originally.

Government charges, including mortgage registration fees, also apply when a new loan is registered against your property title. These are generally modest compared to break costs or LMI, but they still add to the total switching cost that needs to be weighed against the savings on offer.

Discharge fee $350

Application/settlement fee $600

Valuation fee $300

Government registration $200

EXPERT TIP

Ask your broker for an all-in switching cost estimate upfront, including any potential LMI — it's the only way to compare the true cost against the savings on offer.

No. 4

Calculating Your Break-Even Point

The single number that answers whether refinancing is worth it

Your break-even point is the total switching cost divided by your monthly repayment saving, giving you the number of months until the switch pays for itself. If your total switching cost is $1,500 and the new loan saves you $150 per month, your break-even point is 10 months — after that, every month is genuine savings.

Compare that break-even period to how long you realistically expect to hold the loan. If you're confident you'll stay well beyond the break-even point, refinancing is usually worthwhile. If you're likely to sell, refinance again, or pay off the loan before reaching break-even, the switch may cost more than it saves.

STEP 1
Add up all switching costs

→

STEP 2
Calculate your monthly repayment saving

→

STEP 3
Divide cost by saving for break-even months

→

STEP 4
Compare to your realistic time in the loan

EXPERT TIP

Run this calculation with a conservative estimate of how long you'll hold the loan — plans change, and a break-even point you're confident you'll clear gives you a real margin of safety.

No. 5

Cashback Offers — The Catch Behind the Headline Number

Why a cash incentive doesn't always mean the better deal

Cashback offers, often $2,000 to $4,000 for refinancing, can make switching look immediately attractive — but they're frequently attached to a rate that's not the most competitive on the market, meaning you trade a one-off payment for a higher ongoing cost over the life of the loan. The cashback can also come with clawback conditions if you refinance again too soon.

The right way to evaluate a cashback offer is to treat it as a reduction in your switching cost, then compare the resulting break-even point and ongoing rate against other options on the market — not as a standalone reason to choose a lender. A slightly lower rate with no cashback often outperforms a cashback offer over a multi-year hold.

- Treat cashback as a reduction in switching cost, not a reason to choose a lender alone
- Check whether the cashback rate is genuinely competitive against the broader market
- Confirm any clawback conditions if you refinance again within a set period
- Run the full break-even comparison with and without the cashback included

EXPERT TIP

Ask your broker to model the total cost over your expected hold period with and without the cashback — the better deal is often the one with the lower ongoing rate, not the bigger upfront number.

No. 6

When Refinancing Makes Sense Beyond the Rate

Reasons to switch that go beyond pure interest savings

Rate isn't the only reason to refinance. Accessing equity for a renovation, investment property purchase or debt consolidation is a common driver, as is switching to a lender with features your current loan lacks — an offset account, more flexible redraw, or better serviceability for a future purchase.

Consolidating multiple debts (personal loans, credit cards) into your home loan at a lower rate can also genuinely improve your financial position, even if the home loan rate itself isn't dramatically different, simply because the consolidated rate is far lower than what those other debts were costing you separately.

- Accessing equity for renovations, investment purchases or other goals
- Gaining loan features (offset, redraw flexibility) your current lender doesn't offer
- Consolidating higher-interest debts into your home loan at a lower blended rate
- Restructuring an investment portfolio for better tax or serviceability outcomes

EXPERT TIP

If your reason for refinancing isn't purely about rate, the break-even calculation still matters — but weigh it against the value of the feature or access you're gaining, not savings alone.

No. 7

When Staying Put Is Actually the Smarter Move

Recognising when the numbers don't support switching

If you're within a year or two of paying off your loan entirely, switching costs rarely make sense regardless of the rate gap, since there's little time left for savings to accumulate. The same applies if you're planning to sell the property in the near term — the break-even period may simply be longer than your remaining time in the loan.

It's also worth calling your current lender before refinancing elsewhere — many will match or improve your rate to retain you as a customer, sometimes without any of the switching costs involved in moving to a new lender entirely. This is often the fastest way to capture savings if the numbers support staying.

- Close to paying off the loan: switching costs rarely pay back in time
- Planning to sell soon: the break-even period may exceed your remaining time in the loan
- Currently on a competitive rate already: the savings may not justify the switching cost
- Call your current lender first — rate matching is often faster and cheaper than switching

EXPERT TIP

A rate-match conversation with your current lender costs nothing and takes one phone call — it's always worth trying before committing to the time and cost of a full refinance.

No. 8

How a Broker Runs the Numbers For You

A genuine cost comparison, not just a rate comparison

Comparing total cost over time across multiple lenders, including every fee, incentive and rate, is exactly the kind of detailed comparison a broker is set up to do quickly — saving you from comparing headline rates alone and missing the real picture.

Total Cost Comparison

Models your real cost across multiple lenders, not just the advertised rate.

Break-Even Calculation

Calculates your exact break-even point for any refinance under consideration.

Exit Cost Confirmation

Obtains an exact discharge quote from your current lender before you decide.

Cashback Evaluation

Assesses whether a cashback offer genuinely beats the alternative on offer.

Rate-Match Negotiation

Can approach your current lender first to see if a rate match is available.

Equity and Feature Review

Identifies whether refinancing could unlock equity or better loan features.

Lender Panel Comparison

Compares your situation against 40+ lenders, not just one or two options.

Paperwork Coordination

Handles the application and settlement process if refinancing proceeds.

NEXT STEP

Book a free assessment and we'll calculate your exact break-even point across multiple lenders before you decide whether to switch.

Your Refinance Decision Self-Check

Tick off what applies to you before you commit to switching

- ☐ I've obtained an exact discharge quote from my current lender, including any break costs
- ☐ I know the total switching cost for the new loan, including fees and possible LMI
- ☐ I've calculated my actual break-even point, not just compared the headline rates
- ☐ I know roughly how long I plan to stay in this property or this loan
- ☐ I've checked any cashback offer for clawback conditions and compared it against the rate
- ☐ I've called my current lender to see if they'll match or improve my rate
- ☐ I understand whether my reason for refinancing is rate, equity access, or features

GET YOUR FREE ASSESSMENT

Ticked fewer than five? A free assessment with Loan Experts will calculate your real break-even point and compare it against staying put or rate-matching with your current lender.

Quick Reference — Break-Even Calculation

FACTOR	WORKED EXAMPLE
Total switching cost	**$1,500**
Monthly repayment saving	**$150**
Break-even point	**10 months**
Worth it if staying beyond	**10 months**

Ready to Know Your Real Number?

We'll calculate your break-even point across 40+ lenders — free, no obligation.

Get Your Free Assessment

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