



## PRACTICAL GUIDE

# LMI vs Bigger Deposit, Run the Numbers

When paying Lenders Mortgage Insurance to get in earlier beats saving for 20%, and when it doesn't.

## When LMI makes sense

- Property market rising faster than your savings rate.
- Deposit shortfall is small (5% to 10%) and LMI premium is reasonable.
- First Home Guarantee scheme available (LMI waived for eligible buyers).

## LMI cost ranges

- 5% deposit, \$800k purchase: roughly \$25k to \$35k.
- 10% deposit, \$800k purchase: roughly \$12k to \$20k.
- 15% deposit, \$800k purchase: roughly \$5k to \$10k.
- Can be capitalised into the loan; adds interest cost over the life of the loan.

## When to save more deposit

- Market flat or falling; no opportunity cost to waiting.
- Income highly variable; lower loan-to-value gives breathing room.
- Investment property; LMI not tax deductible upfront for owner-occupiers.

## Run both numbers

- Scenario A: buy now with 10% + LMI.
- Scenario B: save 6 more months to hit 20%.
- Factor in expected price growth, rent paid in interim, LMI saved.
- In rising markets (typical for Melbourne over 10+ years), buying earlier usually wins.

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