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Fixed vs Variable, Explained Plainly

Not a textbook comparison - just what actually matters for the decision in front of you right now.

Where rates sit today

As at September 2026, the gap between fixed and variable rates is small, and variable remains the more competitive option at most lenders. The RBA held the cash rate at 4.35% in August 2026, with the next decision due 29 September - forecasts among the major banks are mixed, ranging from an expected hold through to a possible rise to 4.6%. When fixed rates sit close to or above variable, it generally signals the market expects rates to hold or rise; when fixed sits meaningfully below variable, the market is pricing in cuts.

The honest trade-off

Variable

- Unlimited extra repayments and full offset account access - both genuinely reduce total interest
- You benefit automatically if rates fall
- Generally cheaper and easier to refinance later (no break cost)
- Repayments can rise if rates rise

Fixed

- Repayment certainty for budgeting - useful during a hiking cycle or tight budget
- Usually locked for 1-5 years
- Limited or no extra repayments without a cap
- Break costs apply if you exit, sell, or refinance early - can be substantial

A middle option most people don't consider

Split loans - part of your loan fixed, the rest variable - give you a genuine balance: certainty on a portion of your repayments, while keeping offset access and flexibility on the rest. Worth discussing if you're torn between the two.

> **The real decision test:** if there's any meaningful chance you'll sell, refinance, or want to make large extra repayments within the fixed term, the break-cost exposure usually outweighs the certainty benefit. If you're confident you'll hold the loan as-is for the full fixed period, that risk disappears.

Quick guide

- **Value flexibility and extra repayments?** → Variable
- **Value certainty, tight budget, or worried about further rises?** → Fixed
- **Can't decide, or want both?** → A split loan

Not sure which suits your situation? **Run the free Loan Savings Check** at loansavings.com.au, or book a 15-minute call - no obligation.

This guide provides general information only and does not constitute credit advice. Figures and market conditions are indicative, current as at September 2026, and will change over time - confirm current rates and your own circumstances before making a decision.

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