all FINANCE
SERVICES PTY LTD
Newsletter
Edition 1, 2010

All Finance Services Pty Ltd
Finance Broker Licence No. 993
Unit 2/200 Winton Road
Joondalup WA 6027
Tel: (08) 9301 5800
Fax: (08) 9301 5900

All Finance Services Osborne Park
Finance Broker Licence No. 1531
Unit 1/185 Main Street
Osborne Park WA 6017
Tel: (08) 9207 3611
Fax: (08) 9207 3911

Email: mail@allfinance.com.au
www.allfinance.com.au

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When is an offset facility worth having?

If you have excess cash that's earning minimal interest, then you may be wondering whether your money shouldn't rather be put to work reducing your mortgage through an offset account.

For some people this facility is worth having – for others it's questionable.

Essentially, an offset account aims to reduce your interest and shorten the term of your loan through linking your standard transaction account to your mortgage account.

An offset account works in much the same way as your standard bank transaction account where you deposit money and use it to pay your bills and expenses.

Unlike a standard transaction account the bank does not pay interest on the money you save and retain in your offset account but instead the money you have in the account at any point in time is 'offset' against your mortgage.

In effect the money you have in your account reduces the outstanding balance of your loan which means you only pay interest on the balance – thus an offset account can reduce the interest you pay over the lifetime of your loan.

If you have your salary paid into your offset account your salary immediately reduces interest payments from the day it is credited to your account. What it means is that your money is working for you from the moment it arrives in your account.

Is an offset facility suitable for everyone?

Some brokers suggest an offset facility is not worth it if your money is withdrawn almost as quickly as it goes into your account. If very little of your wage is retained then it won't be making much of a contribution to reducing your interest rate.

One of the ways of deciding whether an offset account is for you is to meet with your All Finance broker.

Property investment

What will happen to rentals over the next few years?

The renewed interest in investing in property in recent months has been driven by favourable interest rates, lower property prices, relatively low unemployment, continued strong population growth and more obviously good rental returns and continued low vacancy rate.

But what are the prospects for property investment over the next few years?

According to leading industry analyst and economic forecaster, BIS Shrapnel the average annual growth in rentals was 6.5 per cent from 2002 to 2008, well above the national average of 4.4 per cent.

The company says high rental growth has continued in 2009, with an estimated rise of 6.6 per cent but is forecasting more moderate rental growth of 3.2 per cent per annum over the next three years to 2012.

BIS Shrapnel says much of the rental growth has occurred due to very large increases in average wages. It expects average wages growth will be more moderate over the next three years.

Looking at Australia as a whole, BIS Shrapnel's Senior Economist Jason Anderson says, "Higher interest rates would dampen the construction of new dwellings, exacerbate the housing shortage, and thereby place upward pressure on rentals."

If you have been considering investing in property come in and see us and let's discuss the options.

Freeing up equity for investment

Property investment has long been an effective wealth building tool for Australians and for very good reason.

Property typically doubles in value on average every seven to 12 years – potentially offering investors solid capital growth.

But investment property can also yield strong cash flows for the here and now, as well as having the potential for future gains.

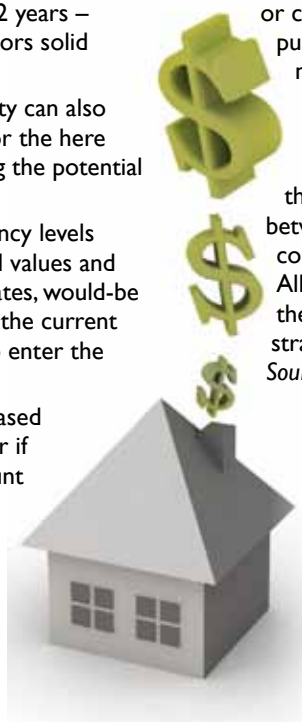
With current low vacancy levels coupled with rising rental values and continued low interest rates, would-be investors could consider the current market as a good time to enter the investment market.

If your home has increased in value over the years, or if you've reduced the amount that you owe on your mortgage, you may be able to unlock some of the value of your home (equity) through refinancing or borrowing against the equity that you've accumulated.

In determining your ability to service a mortgage for an investment property, a lender will take into account your salary or combined salary should you be purchasing with a partner, among a number other factors. They may also consider the potential rental the property may return.

Importantly, they'll need to ensure that you're able to cover the shortfall between the rental return and mortgage costs – if any. Give us a call and your All Finance broker will run through the numbers with you to see if this strategy suits you.

Source: Plan Australia newsletter.



A word of warning. There are tax implications if you purchase another prime residence and keep your original prime residence as an investment property. Talk to us to find out more.

Keep in mind.....

There are additional benefits to owning an investment property. The main one is that it can be used to minimise your tax obligations.

For example, the gap between your rental return and your mortgage interest as well as utilities, council rates and other costs associated with owning the property can generally be offset against your taxable income.

Refer to your accountant to discuss maximising the tax efficiencies associated with owning an investment property.

Rising rates – how to manage your mortgage

There are a number of proven strategies to help you better manage your mortgage in a rising rate environment. In this article we examine some of them.

There can be little doubt that we're now firmly in an upward interest rate cycle.

The Reserve Bank of Australia (RBA) has already pushed rates up three times and the rhetoric coming from the bank – supported by current economic data – would indicate that there's going to be a number of additional hikes this year.

The RBA's Glenn Stevens recently told the House of Representatives Standing Committee on Economics that borrowing rates in Australia were still 50 to 100 basis points below average, a possible indication of future rate increases as economic activity returns to normal levels.

Rate increases for borrowers on variable rate mortgages will translate into higher mortgage repayments.

While borrowers should have factored in a number of interest rate hikes when taking out mortgages, the reality is that some borrowers will still struggle with higher repayments.

But if you're worried about the impact of higher rates, don't despair – there are a number of tactics you can employ to help you better manage your mortgage.

Don't stick your head in the sand. If you think you're going to struggle with increased mortgage repayments take immediate action. First up, undertake a solid assessment of your current finances. This means creating, or reviewing, your household budget.

Your budget should include all household costs over the course of the month – including food, mortgage repayments, utilities, entertainment as well as allocating monthly instalments of yearly costs like school fees, car registration and insurance.

Once you've accurately determined your monthly outlay you'll be able to assess where you can realistically tighten up your spending. Repayments can spiral out of control should you try to ignore them – making it harder to rectify the situation in the future.

If you think you're still going to struggle to meet your repayments – even after trimming back your budget – your broker should be able to help.

Today most lenders would far sooner work with the borrower when they run into difficulties with their repayments than take a hard line.

As long as you're honest and address the problem early, there's every chance that your broker and your lender will be able to help you find a solution. One such approach is to switch to an interest-only option for a period of time – thus reducing the monthly repayments.

While this means you won't reduce the principal of your mortgage during this period, it is an effective strategy to minimise your repayments while you seek other alternatives to meet your commitments.

Remember, if you think you're going to struggle with increased repayments act now to avoid problems in the future. Contact us at All Finance today if you need help.

Source: Based on article in Plan Australia newsletter

How did Perth property prices fare over the past 10 years?

According to RP Data, Australian residential house values have almost doubled in the last 10 years, with Perth recording an annual growth rate of 12.2%.

This compares to REIWA's figure of 11.5% over the past 10 years. Whichever way you look at it, that's a hefty growth rate equating to a doubling in value in about six years.

In relation to results over the12 months to December 2009, the RP Data-Rismark Home Value Index indicated the Perth residential property market staged a solid comeback in 2009 with capital gains of 7.1% over the year to nearly recover their 2007 peak.

Looking at the future of the Australian market as a whole, Christopher Joye, managing director of Rismark International said, "We are projecting that the Australian housing market will cool* as mortgage rates normalise back to 7-8% levels.

"It pays to remember that the price of Australian homes is only around 4.1 times disposable household incomes, which has been unchanged since September 2003. This tells us that over the last six years Australian house price have very closely tracked changes in household incomes. Contrary to popular myth, Australia's house price-to-income ratio is not unusually high, nor has it risen in recent times" Mr Joye said.

*Melbourne and Sydney achieved growth rates well in excess of 15% during 2009, according to the Index.

Plan for that rainy day

If you've got a favourable gap between your household expenses and monthly salary start to channel additional funds into savings.

A slush fund can act as your buffer against future interest rate rises or other unexpected costs – such as medical bills or unplanned emergency renovations. Try to aim to save at least 10% of your monthly take home pay or even less should funds be tight.

Even if you don't need to draw on these funds to meet increased mortgage repayments they'll make for good savings, which can be channelled into your mortgage or even used for a much needed holiday.

(Based on article in Plan Australia newsletter).

Improve your chances of getting business finance

In looking to finance your business or your next equipment purchase, it's important to appreciate that there are few set rules for business finance – bank lending policy is usually case specific.

Interest rates, fees and terms tend to depend on what the finance institution regards as the risk profile of the business and the asset position of the purchaser.

Be aware that when applying for business-related finance a considerable amount of documentation is required to support a loan application.

For example, you will probably be required to supply accountants' figures for 2008/9. This is important as the 2008/2009 figures cover a year that has experienced an economic downturn. Lenders are therefore keen to have up to date information on how your business fared during the GFC and also how you're doing now.

There have been rumours about that business finance is almost impossible to get. This is not true. The banks will still lend money to businesses. However, they'll really scrutinise your application closely. This makes it essential to ensure you satisfy their documentation requirements from the outset. With our hands-on knowledge of ever changing lender requirements we can help ensure that your application stands the best possible chance of success.

How could a financial review benefit you right now?

We're in the midst of turbulent economic times. Interest rates have changed dramatically and banks are constantly varying their requirements and introducing new products.

In this climate, it's almost impossible to determine whether your loan is the best deal possible.

Now more than ever you need the advice of an expert focused on what is best for you – an experienced financing professional up to date with changes occurring in the industry and therefore well placed to help you through the complexities of today's lending maze.

Your All Finance broker is not bound to any one lender. Their focus is to look at what's available out there and find you the best deal for your circumstances.

So what could a review by your broker do for you?

In the first place it could mean lower repayments. Also, a review could end up saving you thousands in interest or assist you to pay off credit cards and expensive personal loans.

On the other hand, it could help you turn your home equity into cash or access the funds to build your dream home.

Whichever way you look at it, it's a good idea to review your finances, particularly in rapidly changing times.

With the assistance of your All Finance broker you will find out which loan is most suited to your circumstances, taking into account not just the interest rate but also many other critical factors.

Quick and easy recipe

Apple & sultana cake

250g self raising flour

Pinch of salt

175g butter or margarine

100g caster sugar

100g sultanas

350g apples, weighed when peeled, cored and diced

2 eggs

Grease a 20cm cake tin or line with baking paper.

Sift flour with the salt into a bowl and rub in the butter.

Stir in sugar, sultanas and apples.

Stir in eggs with a spoon. Do not beat. Place mixture in prepared cake tin.

Bake at 180C for about 50 minutes until a skewer inserted into the centre comes out clean.

Dredge with caster sugar while still warm.

Delicious!!

Meet the team

Pam Sullivan	Director/Equipment Finance Specialist	0416 281 801	pam@allfinance.com.au
Chris Andronicos	Personal/Car Loans	0404 087 424	chris@allfinance.com.au
Kirsten Junge	Homeloans	0418 621 949	kirsten@allfinance.com.au
John Nietfield	Homeloans	0412 313 441	john@allfinance.com.au
Les Hancock	Equipment Finance Specialist/ Mortgages	9300 0466	les@allfinance.com.au
Colin Newcombe	Homeloans	0409 729 833	colin@allfinance.com.au
Jonathan Turnbull	Homeloans	0424 538 958	jonathan@allfinance.com.au
Kym Hannaford	Homeloans	0432 688 644	kymkj@bigpond.com
Jenny Lewis	Homeloans	0405 751 086	jlewis@allfinance.com.au
Terry Gardiner	Homeloans	0414 558 948	miadda@iinet.net.au
Peter Casserly	Homeloans	0400 794 284	peter@allfinance.com.au
Daniel Mahony	Home Loans/UK Rep.	0418 939 521 +44 7 914 185 532	dm@mahfinancial.com
Anita Hearne	Office Manager	9301 5800	anita@allfinance.com.au
Jeff Sullivan	Administrator	0417 987 232	jeff@allfinance.com.au
Julie Kilkelly	Reception/Admin	9301 5800	julie@allfinance.com.au

Osborne Park Office Ph: 92073611 Fax: 92073911

Lori Crews	Director/Lending Specialist	0412 541 919	lori@allfinance.com.au
Jenny McFarlane	Finance Consultant	0402 910 627	jenny@allfinance.com.au
Brett Thompson	Equipment Finance/Homeloans	0404 276 639	brecadi@bigpond.com
Grace Ravot	Reception/Admin	9207 3611	grace@allfinance.com.au

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