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Smooth Sailing

When it comes to buying a home, one of the first questions you need to ask is: "How much can I borrow?"

While your lender will make the final assessment concerning how much they are prepared to lend, it is essential that you make your own assessment of your finances first.

Your goal is to determine what you can comfortably afford to repay towards your mortgage each month – this will then help establish what you are able to borrow.

Ins and outs – The best place to start is to add up all your regular monthly outgoings and then subtract this from your net income.

Your outgoings include any regular commitments such as car or personal loans, credit card and store card repayments. Also add up other regular costs such as school fees, club memberships, monthly living expenses

and your monthly discretionary spending.

Do not include your current rental commitments into these figures. It will no longer be relevant once you move into your new home as you'll be paying off your mortgage.

Now look at your income. This should include your after tax salary, dividends on investments, rental income and any other funds that flow in over the course of the month.

The dollar amount you're left with will give you an indication on what you have available to pay towards your mortgage each month as things currently stand.

Rising waters – The most important factor to consider is that if you have a variable home loan rate your mortgage repayments will increase as interest rates start to increase.

Economists expect the cash rate to rise in the next 12 months so be

sure to factor this into your mortgage repayments and household expenses.

Lifestyle – It's also essential that you consider exactly how much you are prepared to let your home loan change your life.

The benefit of assessing your borrowing capacity is really twofold – to ensure that you don't borrow beyond your means but also to help identify where you can realistically cut back if needed.

Future plans – Lastly, be sure to take into consideration other personal factors, such as plans to have a family, or any dreams to travel. For more information about finding a mortgage to suit your lifestyle and future goals, give us a call on (08) 9381 8311 or fill in an online quote on our web site.

Careful consideration about your home loan size will help make a more comfortable and stress free mortgage.

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 current 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's accumulated.

This equity can be used for a deposit on an investment property, with an additional loan used to secure the remainder of the purchase.

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. 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 we'll run through the numbers with you to see if this strategy will work for you.

Additional benefits

An investment property can be used to help you minimise your tax obligations. For example, the gap between the rental return and your mortgage commitments 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.

New Year 2010—Are you financially fit?



With the start of the year approaching, it is the perfect time to consider your New Year Resolutions for 2010.

When considering your financial goals ahead, consider your existing loans and ask whether these are achieving your financial goals.

Maybe this is the perfect time for the resolution to speak with one of our

Finance Managers to discuss your goals ahead and how your finances can be structured to support these goals.

Whether you want to consider new borrowings for extensions, investment properties or other purchases or, you would like to consolidate your existing debts and get set to step into 2010 feeling financially in

control, we recommend you speak with one of our Finance Managers. Our team will work with you to achieve the best result for YOU not the lender.

So, if you haven't got a resolution yet for 2010, try 'ring 9381 8311 and get my loans in order'. This is bound to work better and last longer than many other resolutions!

Economic Wrap



Interest rates have now risen for the third consecutive month bumping up the cash rate by three quarters of a per cent since its low of 3 percent between April and September 2009.

But for most homeowners, mortgage rates have increased above the cash rate level as the banks have looked to offset the impact of higher funding costs at the expense of the borrower.

This is a concept that is confusing for borrowers because there is an expectation that the Reserve Bank of Australia (RBA) dictates where interest rates should sit – and in normal circumstances that would be the case.

Unfortunately we are still not in a 'normal' market as far as funding is concerned.

Though Australia has well and truly sidestepped the recession that has gripped much of the developed world, our banks and financial institutions are still very much dependant on the international money markets for our mortgage funding.

You may wonder why we depend on the financial markets at all for mortgages – surely the banks bring in deposits through one door and lend them through another? The reality is that today there are fewer savers out there than there are borrowers and so the banks must look elsewhere to fund their customers' property purchases.

But while the December rate rise may have hit us a little harder than expected there may be a silver lining.

One of the reasons the RBA increases rates is to cool consumer spending.

With the banks bumping rates up even higher there is a reasonable chance that the cash rate may stay at its current level for a while longer.

The reality is rates are still at historic lows and there is a fair way for them to go before they reach normal levels. While we hope that this transition will be a slow one, it makes sense to start factoring the potential for higher repayments into your budget.

Your first port of call should be to target reducing any high interest debts such as credit cards and store cards. If you're concerned about your debt levels, or are unsure what rates you are paying, feel free to give me a call to discuss.

Contact Us

'All About You' Financial Solutions — Making Loans Easy

Suite 2b, 17 Southport Street
West Leederville, WA, 6007

P.O. Box 1233
West Leederville, WA, 6901

Email:
contact@allaboutyoufinance.com.au

Web:
www.allaboutyoufinance.com.au



Christmas Trading Hours

While our office is officially closed over Christmas, we will still have a team of Finance Managers available to speak with you regarding any loans you may be considering. Please feel free to either contact your existing Finance Manager or alternatively, ring:

Jerry Pires: 0404 175 727 or Garry Knight: 0400 115 917
(South of the River enquiries)
Anthony Raynor: 0409 293 303
(North of the River enquiries)

We wish you a very Merry Christmas and a prosperous year in 2010.