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From the Director

Our new Financial Year is off to a flying start with many clients taking advantage of Mortgage Stamp Duty being abolished as I discussed in our last newsletter. For any of you who missed this and, who may be considering refinancing, speak to us now as this change is through and could mean a potential saving for you.

Our focus in this newsletter continues in line with our last newsletter and that is—saving you money.

With this in mind, we have an article on tax breaks for investment properties, another article outlining a couple of ways to reduce interest you may be paying on your own home. We are also delighted to

be introducing our VIP card as a 'thank you' for those of you who settle any type of loan with us.

We also have an article for those first home buyers who may be finding it difficult to get into the market. Remember, we have a range of ways we can assist those of you looking to get started.

Tax breaks



One of the benefits of an investment property is potential tax savings. While the following list is far from exhaustive, here are a number of costs you may be able to claim against your investment.

Make sure you speak with your accountant when factoring any of these costs into your yearly tax return:

- Interest on mortgage repayments
- Advertising for tenants
- Bank charges
- Body corporate fees
- Borrowing expenses
- Council rates
- Decline in value of depreciating assets
- Gardening/lawn mowing
- Insurance
- Land tax
- Pest control
- Property agent fees or commissions
- Repairs and maintenance
- Stationery
- Telephone
- Water charges
- Travel undertaken to inspect the property or to collect the rent.

If you would like to speak to a quality Accountant, simply ring us on (08) 9381 8311 and we will organise an introduction.

## Home Loan Extras



Drive your mortgage down quicker with a mortgage offset or redraw facility

You might not be aware that a number of handy features are now available with your home loan to help you manage it more effectively – the most common being mortgage offset accounts and redraw facilities.

Both features can make a significant impact as part of a mortgage reduction strategy, taking years off your mortgage and helping to save in Interest repayments.

The basis for each technique is simple: by making extra repayments to your principal loan amount you will reduce the interest you are charged – thereby reducing the life of your loan.

While both offset accounts and redraw facilities can be an effective mortgage reduction tool for many borrowers, you may find that you are paying a higher rate on your loan for bells and whistles you don't really need. When discussing these options with your broker, here are some

important points you'll need to consider:

**Redraw facility:** Lets you make extra repayments directly into your loan, helping to drive the principal down faster. This reduces the interest you're charged each month, allowing you to channel more money into cutting the principal loan amount further. Unlike some basic home loans, you can redraw additional repayments if required – to cover school fees for example – without having to refinance your loan. While this offers a degree of flexibility, a redraw can be more expensive: you can often incur fees for each withdrawal and may find that the amount or frequency for withdrawals has a cap.

**Mortgage offset:** This feature effectively allows you to save on the interest you are charged on your mortgage through offsetting its balance against your savings. For example, rather than earning a few per cent interest in a traditional savings

account, by placing your savings into your mortgage offset you are effectively saving whatever your current home loan interest rate.

You can also direct your salary into the account while servicing your bills and other debts as required. Mortgages that have an offset account attached to it usually charge a higher rate of interest, and often require a substantial amount of cash to remain untouched in the account to reap maximum benefits.

There are obviously pros and cons with both options; make sure you talk through your objectives with one of our Finance Managers who can look at your situation and tailor their response to suit you before making a decision on adding a redraw or offset facility to your mortgage.

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## Start small; think big!



Rising interest rates combined with climbing property prices present a daunting prospect for many first time buyers. But backed by a solid plan, a little flexibility and a long-term approach, your home ownership dreams may quickly become a reality.

The trick to beating the affordability trap is to start small and to keep your eye on the final prize. Even a modest property investment can be a stepping stone to bigger and better things through allowing you to get the most out of the equity you build in your property with each and every mortgage repayment.

Equity is simply the difference between a property's value and what you still owe on your mortgage. By starting with a more

humble first home purchase not only will you build equity more quickly, your initial deposit amount will also be smaller – which means you won't need to spend as much time or money renting before you make your first purchase!

When deciding on how much you can afford to spend on your first home you will need to take a close look at what you can realistically manage in mortgage repayments. Your budget should be your guide – so set yourself a price limit, arrange a mortgage pre-approval through us and start searching for properties that match.

It is important to look for suburbs where values are still growing so you can achieve the maximum return on your investment

(i.e. grow your equity). This may mean moving to an area that is not initially ideal; just remember that you're looking to get your foot in the door and you won't have to live there forever!

Properties in need of a little TLC or a few minor improvements are also a great way to jump into homeownership without breaking the bank.

Once you have pinpointed the right property, immediately start working at building your equity. A tight control on your household budget and other debt will let you chip away at your repayments. With capital growth as your goal, you may soon be on the move and ready for that next buy.

Your *first* home doesn't necessarily have to be your *dream* home.

## Our new VIP Card

We are preparing to launch a VIP Card as a 'thank you' to those customers who settle loans through us.

This card is in conjunction with 'The Good Guys' Malaga Store only. It will mean each time you shop at the Malaga store, you will be entitled to get your purchases at Cost + GST.

This is obviously a significant saving and, could be very timely for those of you building, renovating or buying a new property.

To find out more, contact us and we will be happy to provide you with further information and how you can qualify.



## Contact Us

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