



Mortgage Insights

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The RBA's decision to hold rates will bode well for property markets in general, as well as for borrowers



Welcome to our February newsletter

The surprise Reserve Bank of Australia (RBA) decision to leave the official cash rate on hold at 3.75 per cent will doubtless be welcomed by borrowers across the country.

While economic conditions remain stronger than expected, RBA governor Glenn Stevens said inflation measurements plus higher lending rates prompted the central bank to pause on hiking interest rates – for now at least.

Although the RBA's preferred measure of underlying inflation hit almost 0.7 per cent to reach an annual rate of 3.4 per cent – well above the central bank's target band of 2 to 3 per cent – Mr Stevens said inflation is expected to be consistent with the bank's medium-term target in 2010, regardless of whether or not there is another rate hike.

The RBA's decision to hold rates will bode well for property markets in general, as well as for borrowers.

Stable interest rates typically encourage more people to put their houses up for sale – helping to stimulate property prices as well as buying activity. In some cases, demand for housing is outstripping supply.

Borrowers are also feeling more confident about their job security as overall economic conditions improve, which will help push demand for property purchases.

Whether you're a prospective buyer, a seller, or an aspiring investor, there are certainly opportunities in most property markets at present.

If you've been thinking about selling your home with a view to upgrade – or even thinking about capitalising on equity in your home to purchase an investment property – there's plenty to consider right now.

And with competition returning to mortgage lending, there are also some very competitive rates available from lenders. If you'd like to discuss your situation, give us a call today and we'll chat through your options.

Sincerely,

Pat Cranshaw



Drive your mortgage down with an offset or redraw

A mortgage offset or redraw facility can be an effective mortgage reduction strategy, however to maximise the benefits you'll need to be diligent.

Both features, which are linked to your mortgage, essentially work by minimising the overall loan amount you're charged interest on, but they have subtle differences.

A mortgage offset account is a separate savings account that sits alongside your mortgage – with any funds placed in this account used to offset the balance of your mortgage.

So, for example, on a \$100,000 loan with \$20,000 in the offset account, you'll only pay interest on \$80,000 as long as the offset account balance remains the same.

While you typically won't accrue any interest on the funds held in the offset account, you will save on the amount of interest paid on your home loan.

With interest on a typical standard variable rate loan at around 6.5 to 7 per cent, you'll be saving a reasonable sum each month rather than attracting the 1 to 3 per cent of interest that's paid on the average transactional savings account.

A mortgage redraw facility works in much the same way however rather than placing extra savings in a separate account, your funds are channelled directly into your loan – driving down the principal loan amount.

You can withdraw any additional payments made to your loan; however there may be a charge for the privilege, so check the small print.

One popular strategy with borrowers to maximise the effectiveness of a redraw facility is to channel their monthly salary directly into their mortgage.

A point worth noting is that lenders calculate interest on a daily basis. Therefore, every dollar that's knocked off your balance every day will save you interest.

With your monthly salary driving down your loan over the course of the month, you can opt to meet monthly expenses with a credit card that has an interest free period, repaying the balance from your loan on the final day of the month.

As long as you've spent less than you've earned each month, you'll be ahead with your mortgage.

While at first glance this might seem a complex mortgage reduction strategy, the savings can be considerable as long as you're disciplined.

But be warned – without due care credit card spending can easily spiral, so there's a danger that you'll end up exceeding your monthly salary. And this could end up costing you far more in the long run.

So when it comes to deciding whether to opt for an offset account or managing a redraw facility, you really need to assess how disciplined you are when it comes to your finances. It's also important to remember that you may well be charged a higher interest rate for the privilege of fancy loan features, so make them work.



Achieve a higher sales price

Selling your home can be an exciting, not to mention stressful, experience.

However there are some tried and tested tips to ensure you achieve the highest sales price possible – no matter the market. Here are five proven ideas:

1. **Find the right agent:** Identifying and securing a good real estate agent is essential to achieving a good price, as well as minimising the stress associated with a house purchase. There's a saying in real estate circles that '20 per cent of the agents do 80 per cent of the business', which can indeed be true. Just remember that the best

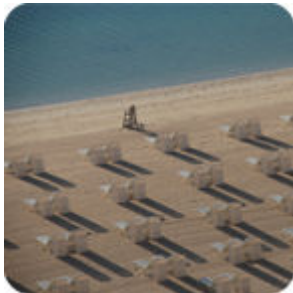
agent for you doesn't necessarily work at the largest firm, close the most transactions or make the most money. The best agent for you is an experienced professional that listens to you, conducts themselves in an ethical manner, and understands your market.

2. Showcase your house: Make sure any real estate advertisements highlight your property's best assets. Always take exterior photos of your property in the evening – it will give the property a classy, elegant look, which should ultimately drive the selling price upwards. Ensure any internal photos are bright, with plenty of natural light.

3. Light up: First and foremost, check that all the lights work throughout the home and replace any spent bulbs where necessary! Importantly, select your lighting for each room carefully as it plays a major part in creating the room's ambience and can also be used to highlight the room's most attractive feature. Lighting can produce a warm, homely environment.

4. Clean and tidy: Cleanliness is next to godliness, so make sure your house is 'spick and span' before any potential homebuyers come traipsing through the front door. If your house is clean and clutter free, it will give the illusion of good storage space and in turn, a bigger property.

5. Bake it fresh: If you are having an open house inspection, bake some fresh bread in the oven to give the property a homely feel; it will also help potential homebuyers' picture themselves living there. This easy and straightforward tip can make all the difference.



Holidays that won't break the bank

Holidays are key to a balanced family life; however they don't need to come with a massive cost.

Here are a few different ideas for holiday fun that'll keep the whole family smiling.

Create a budget – and stick to it

Set aside time to do some holiday budget planning – including determining how much you want to allocate to your trip, and how it will be spent. Be realistic and don't be afraid to include a few special treats – it's a holiday after all.

Do your research

There's loads of different websites that offer cheap holiday ideas and discount family packages – so it pays to do some research before you decide on location and duration. Also, prices can be seasonal. Accommodation and flights to the Gold Coast, for example, are usually cheaper around the September school holidays than in December, and the weather is still quite warm at this time.

Local places like museums, aquariums, fun parks and bowling alleys also offer discounts for families, so it's worth checking out what's on offer.

When booking accommodation, opt for apartments over hotels. They are generally cheaper – especially if you're planning to stay for a period of time – plus they include in-room cooking facilities so you can alternate between eating out and dining in. Also check out websites like lastminute.com.au and wotif.com.au, which can offer some excellent last minute deals.

A penny saved...

Encourage your kids to get back in touch with nature. Beaches and national parks offer great activities, like picnics, bird watching, bush walking, and swimming. And best of all... It's free!

Alternatively, you can simply take the family for a drive – you never know where you'll end up. And with a basket full of goodies and car activities for the kids, it's sure to be a day to remember.

The ultimate goal of going on a holiday is to spend quality time with your family; just keep to budget to avoid a holiday credit card hangover in the months following.

Wine review

Shaw Vineyard Estate 'Laughter Series' Riesling 2009

The owners of Shaw Vineyard Estate have been keen supporters of Camp Quality – Australia's leading fundraiser and laughter-provider for children with cancer – for over 18 years.

Now they have found a unique way to support the charity, with the launch of their Laughter Series Riesling. The wine boasts a beautifully floral, limey bouquet with citrus and tropical fruits dominating the palate and a long, crisp finish.

Shaw will donate \$50 from the sale of every case of Laughter Series to Camp Quality – which is even more reason to give it a try.



RRP \$129 per dozen with \$50 donated to Camp Quality
www.shawvineyards.com.au

Book review

Big, better, branding

Why do global brands like Apple, Coke and Google have such a loyal following? Brand expert Simon Hammond says it comes down to how they engage consumers. In a narrative style that is part *Hitchhiker's Guide to the Galaxy* and part *Fish!*, *CEO of Earth* examines the power of consumer engagement in creating brand connection and loyalty, through the simple question: How would you run Earth as a business and a brand?



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