



Mortgage Insights

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November 2009

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The main issue for homeowners is to ensure that they remain well within their comfort zone in terms of their repayments

Welcome to our November newsletter

While it may inflict a little pain on the hip pocket for homeowners, two consecutive 25 basis point increases to the cash rate in October and November sends a clear message from the Reserve Bank of Australia (RBA) that we're on the road to recovery.

In comments released in conjunction with the November rate rise RBA governor Glenn Stevens said: "The global economy has resumed growth. With economic policy settings likely to remain expansionary for some time, the recovery is likely to continue during 2010 and forecasts have been revised higher."

"Economic conditions in Australia have been stronger than expected and measures of confidence have recovered," Mr Stevens said.

The message is certainly a positive one and while it does indicate that more rate rises can be expected, there is now better potential for a steady housing market recovery over the coming years.

How the RBA tightens its monetary policy moving forward is still hard to call. Inflation is again becoming a worry for the central bank and the usual approach to tackle this issue is to raise rates, however there are still major concerns over the health of the global economy, so sharp rate rises in Australia remain unlikely – at least in the foreseeable future.

The main issue for homeowners is to ensure that they remain well within their comfort zone in terms of their repayments.

Whatever pace the RBA does decide to push rates up, they are still significantly below 'normal' levels; even the most conservative estimates are tipping a further 1 per cent by the end of next year.

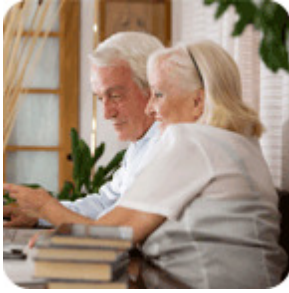
So while rates remain low why not try and channel a few extra dollars into your mortgage? Remember, every dollar you repay towards your loan takes you that step closer to owning your home outright.

And if you do decide that you'd like to tap into the property investment market in the future, or renovate your existing home, you should be able to access any additional equity that's built up in your property. Give us a call and we'll chat through your options.

I hope you enjoy our November issue.

Sincerely,

Pat Cranshaw



Reverse mortgages – options for older Australians

If you're retired and own your own home a reverse mortgage could be the key to unlocking a more comfortable lifestyle.

You've put in the hard yards and now own your home yet you don't have much spare cash to play with. This situation is a reality for many older Australians who did not have the opportunity to benefit from superannuation.

There is always the option of selling the family home to release a lifetime's hard earned savings but the prospect of retiring to rented accommodation is not one that appeals to most.

A reverse mortgage offers seniors, usually over the age of 60, the ability to release some of the equity that they have built in their home to finance their lifestyle.

There is a range of ways you can access the equity, which include drawing down a one-off lump sum for expenses – such as holidays or a renovation – or as a regular income stream to simply improve your day-to-day quality of life.

The amount you'll be eligible to access will depend on your own personal circumstances but usually home owners can draw anywhere up to 40 per cent of the value of their home.

Unlike a loan no repayments are required as the lender simply takes the amount drawn from the sale price of the home once you sell the property or pass away. You will however be charged interest on the amount you borrow against your home, which will be added to the loan balance.

A word of caution

While a reverse mortgage can greatly improve cash flow and enhance the quality of life for seniors, borrowing against your home requires careful consideration and ongoing diligence to ensure you don't end up spending away your most important asset.

The rate of interest on a reverse mortgage will usually be higher than a regular home loan and it compounds over the term of the loan, meaning your level of debt can rise quite rapidly. For this reason it is important to draw on the loan carefully and monitor how quickly your debt is rising.

In the very worst case scenario, you may end up in what is called negative equity, where the value of your debt is greater than the value of your home. Many lenders offer guarantees that you'll never owe more than the value of your home, but not all – so it's an important point to remember.



10 simple tips to add value to your home

Polishing up your house with some simple renovations and TLC can really sharpen its appeal as well as maximise your profit potential – and it needn't break the bank.

Here are some simple and affordable ways to boost your home's sale potential so you can maximise your resources for the more exciting project – your new home!

1. **Make an entrance** – ensure a strong first impression with a welcoming doorway. Think sparkling footpaths and porches and new pot plants. A new front door may also be an inexpensive way to spruce up your entrance, along with a new doormat.
2. **A green trim** – a well groomed garden is the perfect way to frame your home. Get your lawn in tip top condition, weed the garden, remove any shabby

plants and introduce some cheerful flowers.

3. **Cleanliness is next to godliness** – get out a bucket and brush and scrub away the years of grime from your bricks and windows.
4. **Shiny coat** – nothing will freshen up your house more than a coat of fresh paint.
5. **The small things** – new fittings and fixtures can easily modernise an older home. Think door handles, cupboard handles and taps.
6. **Repair time** – the time to sell is the perfect time to tackle those odd jobs such as broken fly screens, cracked window panes or broken blinds. They may be fiddly tasks but they will give your home a more polished finish.
7. **Beautify the bathroom** – a dirty looking bathroom can be an instant turn off so take the time to replace any dripping or rusty taps and fixtures. A new toilet seat is also an easy way to spruce up a bathroom as are new fluffy towels.
8. **Clean carpets** – a steam clean will only cost a few hundred dollars and help restore your carpets to their former glory.
9. **Add some sparkle** – polish floorboards and shampoo rugs.
10. **De-clutter** – the easiest and cheapest way to add value to your home is by having a big clean out and removing any junk.



Take your tax return further

Dedicating your tax return to your mortgage can save you thousands.

You should have lodged your 2008-09 tax return by now – the cut off was 31 October. While some may be expecting an unwelcome tax bill, for many others a tax rebate might be on its way.

So what exactly should you do with your tax refund?

While it may be tempting to purchase that new lounge suite you've been thinking about or splurge on a weekend away, putting your tax return towards your mortgage could save you considerable money in the long term, making it an option well worth considering.

What you could save

We all know that the sooner we reduce a mortgage the less interest we will pay in the long run – but how much exactly could you be looking to save?

Take a tax return of just \$1,000, for example. On a 30 year \$300,000 home loan at an interest rate of 5.75 per cent, a lump sum payment of \$1,000 could save you around \$3,000 over the life of the loan while reducing its term by more than two months.

Imagine the results if you did this several times during the life of your loan.

Of course the greater the size of your payment the more dramatic the results. If you had a tax rebate of \$10,000 and used it on the above-mentioned loan, you could knock a whole year off your mortgage term and save close to \$30,000 in interest.

A long term approach

Don't forget, this philosophy will work just as well should you increase your regular mortgage repayments – even if it's by as little as \$50 a month.

On the same home loan as above, increasing monthly repayments from the minimum of \$1,750 to \$1,800 would take one and a half years off your loan term and save you over \$17,000 in interest.

So this financial year, dedicate a good portion of your tax return to your mortgage and make extra repayments part of your overall loan strategy – and reap the long term

benefits.

Wine review

Robert Stein Reserve Shiraz 2005

Made with traditional open fermenters, gentle hand plunged then matured in new and used French oak barrels, this intense shiraz with ruby red hues leads enticingly to aromas of star anise, clove, cinnamon, mulberry and black cherry, with a long and well balanced finish.



RRP \$30

www.robertstein.com.au

Book review

How to balance your life

As one of the few women to survive – and flourish – in the hothouse that is federal politics, Julia Gillard has captured the hearts and minds of many Australians. *The making of Julia Gillard* tells the story of Gillard's life and career, drawing on interviews with her friends and foes – and with Gillard herself – to reveal the woman behind the politician. From her childhood in Adelaide to her days as a fiery student activist, her battles to get into Parliament and her relationships with the important men in her political life – Simon Crean, Kim Beazley, Mark Latham and Kevin Rudd – the Julia Gillard story makes for a compelling read.



Authors: Jacqueline Kent

Publisher: Penguin Australia, 2009

RRP: \$32.95

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