



Money Matters

with Bruce Cruickshank



So where can we get the most bang for our renovation bucks? Experienced renovators suggest the bathroom and kitchen and the living space inside a house are where the dollars should go – and that’s where you’ll get the best enjoyment too.

The kitchen is the most important room in the house. New doors/ bench tops/handles are very quick and easy choices for a kitchen renovation; then consider appliances/sinks/taps. A renovator can get cabinets customised but these will generally be much more expensive so do a comparison shop.

In the more expensive locations, consideration can be given, for example, to imported ovens and customised bench tops, but do the numbers. An extra \$10,000 spent

will have to produce this plus a margin to make it pay for itself. Tapware too can impair your budget so do the sums carefully.

The bathroom is usually the next in line in the order of priority. Again simple is better than high-ending: replace old tiles/old shower screens; resurface bath /replace taps and vanity. Look in showrooms for ideas of combinations.

Timber floors are in. They look great and are a much cheaper alternative to tiles. Old houses can have hidden gems once floor covering is stripped back but a home owner would be wise to check condition of boards and employ a floor sander to bring them back to shine. And if you want to be a real pro, get a valuer to give you an estimate based on your plans.

‘Renovator’s delight’ may be agent-speak for an eyesore but renovation can be one way to add value to your home. We all want the dream home but, at a time when property prices look like they are going nowhere for the time being, a well planned renovation can generate future profits well in excess of the renovation cost.

There are some rules to the renovation game. The first is not to “fall in love” with designs rather, fall in love with the financial outcome as well as the joys that a renovated home can bring. The bottom line is a renovation is stressful; expensive; so why not make it pay? As a general rule, you need to be returning at least 50 percent in value-add for the cost incurred, if the exercise is to be worthwhile.



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Has your mortgage had a health check recently?

Just because you've spent ages making sure you have the right Mortgage, it doesn't mean it will always be right for you. You need to contact your broker regularly for a Home Loan Health Check to see if refinancing your Mortgage would suit you.

Mortgage Refinancing Reason 1: You Change

Over time, your personal and financial situation may change. You may get a pay rise, or decide on a sea-change. You might go from a safe corporate salary to the more uncertain income of the self-employed. You might want to start a family, or need to finance their education. As your needs and priorities change, you'll probably find the right Home Loan product for you will change, and you'll need to refinance your Mortgage.

Mortgage Refinancing Reason 2: Rate Rise

In stable economic conditions, a variable interest rate might look more attractive, while in more volatile periods you could prefer the predictability of a fixed interest rate. Refinance your Home Loan to suit the economic times.

Mortgage Refinancing Reason 3: New Products

In the past, there was limited innovation in the Mortgage market. But now competition between Lenders is fierce and new products are constantly emerging that might suit your situation better. A good broker can keep you up-to-date with new Home Loan products that might make it worthwhile to refinance your Mortgage.

Fixed or variable rate home loans – the pros and cons

There is little doubt a mortgage is a major financial commitment and a significant part of home ownership. At the same time, it's important to understand there are broadly two categories of mortgages – fixed and variable rate home loans – and choosing the right option can save you money long term.

A fixed rate mortgage offers set loan repayments irrespective of interest rate fluctuations, which is comforting with many pundits tipping at least one interest rate rise before the end of the year. Fixed rate loans are for a set term, usually between six months and 10 years – with the majority one, three or five years.

However while fixed rate loans can provide security, they're not exactly flexible. For example, many won't allow you to make additional repayments which can be useful in shaving years off the term of the loan and interest repayments.

Variable rate home loans, on the other hand, are the most popular type of mortgages in Australia. This is because they are considered more flexible, and may include features such as the ability to make extra repayments and/or allow homeowners to redraw funds for emergencies. The downside of a variable loan is that, generally speaking, they are linked to official interest rates. So, when the Reserve Bank increases interest rates, your lender will usually follow suit – and in some cases will increase rates over and above the RBA's increase.

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Ever wondered how some phrases originated?

“Three sheets to the wind”

Meaning – Very drunk

Origin – In nautical terms, sheets aren't sails, as many might expect, but ropes. These are fixed to the lower corners of sails, to hold them in place. If three sheets are loose and blowing about in the wind then the sails will flap and the boat will lurch about like a drunken sailor.

Economic Update

I recently heard speak 2 leading economists, Chris Richardson Chief Economist for Access Economics and Besa Deda Chief Economist for St George Bank. Their Australian economy outlook summarised was:

CR: It has been 20 years since our last recession and this is possibly a record. Demand for iron ore and coal is still increasing and continues to drive our economy. We need to be careful of the volatility of our ever reliance on China and being complacent because of it.

BD: In 2016 China is predicted to be the worlds largest economy and in 2050 it will be India. Housing and retail to remain slow and the value of our dollar to remain high. This will have an effect on our struggling tourism and manufacturing sectors. The economy slow down will remain moderate for 2011 and into 2012.

Why are there rate increases expected in the near future?



Bruce Cruickshank
Director

Total Finance Corporation Pty Ltd

Australian Credit Licence No.386603
1143 Sandgate Road
(PO Box 183) Nundah QLD 4012
P 07 3266 9101
F 07 3266 9046
M 0400 179 560
E bruce@total-finance.com.au

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