



Money Matters

with Bruce Cruickshank



Put your goals within reach this financial year



A new financial year is a great time to revise household budgets and plan to achieve future financial goals sooner.

In view of the recent uncertainty in the economy, existing borrowers and those looking to enter the property market in the future need to re-assess the savings and investment strategies. This could include cutting unnecessary spending and/or borrowing and preparing for any future interest rate increases that may occur.

The end of one financial year and the beginning of a new financial year is an opportune time to revisit personal and household expenditure budgets and set clear financial objectives and goals for the period ahead.

Goals and objectives to reach for could be:

- Moving out of the rental market and purchasing a home,

- Buying an investment property,
- Renovating or upgrading the current home,
- Paying more off the mortgage to pay it off sooner,
- Assisting a family member to purchase a home.

Whatever the future financial goal is, one thing is certain, it needs careful planning and budgeting. Here are some tips to consider when revising the budget for a new financial year.

1. Goals and Priorities for the New Financial Year. Plan ahead and work out what is most important by distinguishing between 'need' vs 'want' as a priority. Forego some luxuries to achieve the set goals and contribute any additional funds into your mortgage repayments. Consideration can also be given to selling some high value non-income producing assets in order to achieve other prioritized objectives.

2. Investing for Financial Stability in the Future. Whatever the current personal situation, whether single, a couple or a family unit, it can be advantageous to invest any unexpected windfalls into reducing debt. Windfalls can be in the form of an inheritance, a tax refund at the end of the financial year or a year-end bonus from the employer. Clearing and/or reducing debt can also help to reduce personal stress. *(Continued on page 2)*



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Put your goals within reach this financial year *(From page 1)*

3. Purchasing Your Own Home. It has been a long held view that 'paying rent is money down the drain.' Not many people will argue with this, because one does not get any return for the rent that is dutifully paid weekly, fortnightly or monthly. Therefore, saving towards a deposit for a home loan and/or, at the very least, organizing the other debts in a manner which will enhance the chances of obtaining a mortgage is well worth considering.

4. Buying an Investment Property. Creating wealth through investing in Real Estate is still a very popular strategy. If there is sufficient equity in the home, it is possible to purchase an investment property with no money down and it may also be possible to enhance cash flow via rental returns.

The goals and ensuing budgets can be for any one or a combination of the above scenarios depending on individual circumstances.



Debt problems in Europe provide reprieve to Australian home owners

The banking and sovereign debt problems in Europe coupled with the ongoing effects of the Japanese earthquake have contributed to the RBA Board's decision to leave the cash rate unchanged at 4.75 per cent. For the time being this is welcome news for Australians with a mortgage. For the full report visit www.rba.gov.au



Extra dollars make a difference to the mortgage

Using extra money to reduce the home loan or employing refinancing strategies to increase mortgage payments can help to pay off the loan earlier and own the property sooner.

All mortgage holders, whether for owner occupied homes or investment properties, should revisit their personal finances to ascertain if they are in a position to make additional payments to their home loans. Increasing the repayment amount by just a few dollars can reduce the term of the loan and save on interest.

There are various ways to achieve this.

1. Increasing the frequency of mortgage payments. This is the easiest and the most painless way to make additional payments into a home mortgage.

2. Paying more than the required minimum. It need not be a whole lot of dollars. For instance, if the fortnightly minimum payment due is \$489.00, just rounding it up to \$500 can make a sizable dent in the capital.

3. Making a lump sum payment into the mortgage. There are many ways that an unexpected windfall can be spent but choosing to put the money into the mortgage can save thousands of dollars in future interest and reduce the term of the loan. An income tax refund, an annual bonus from an employer, extra commissions from sales or an inheritance are lump sum payments that could be used to pay off the home loan sooner.

Putting extra money into the home mortgage by using one or a combination of the above repayment strategies will result in reducing the term of the mortgage and saving thousands of dollars in payable interest.

New Building Grant For Queensland

A new building boost grant of \$10,000 will now be available for any person or corporation buying or building a new property to live in or for investment for contracts signed between 1 August 2011 and 31 January 2012.

To be eligible for the grant customers should be aware of the following details/conditions;

- The purchase price of the property must be less than \$600,000.
- First home buyers of a new home will be eligible for both the \$7,000 First Home Owner grant and \$10,000 building boost, provided that all eligibility criteria is met. First home buyers may be eligible for further concessions.
- Building work must commence on or after 1 August 2011 and within 26 weeks of the date of the contract. Construction should be completed within 18 months of the building work commencing. For more information go to: www.budget.qld.gov.au/current-budget

trivia CORNER

Ever wondered how some phrases originated?

“Pull out all the stops”

Meaning – Make every possible effort

Origin – this phrase derives from the manner of construction of pipe organs. These instruments have stops to control the air flow through the pipes and pulling them out increases the musical volume.



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