

PRO MORTGAGE

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Welcome letter from the Directors...

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Welcome to our autumn newsletter.

Well I guess we have had some good news and some bad news over the past couple of weeks in regard to interest rates. The good news is that the Reserve Bank has maintained rates at their current levels but the bad news is unfortunately we are again under the threat of another Interest Rate rise with this threat now a real possibility before August 2007. At this point the financial commentators are talking of only one rise of a quarter of a percent. These same commentators still believe that by early 2008 that Interest Rates will start to fall providing the economy does not heat up any further. Let's hope that they are right about the projected reductions.

According to the Australian Bureau of Statistics over the past quarter 17% of all home loans written have been first home buyers and we at ProMortgage have certainly seen this market increase dramatically since the New Year. We get a lot of satisfaction from helping people into their first home. So, if you have any friends or relatives that are thinking of purchasing a home we would be more than happy to assess their financial position and see if they have the capacity to purchase their own home. And with the way rents are going up, it may be just as cheap to buy.

ProMortgage is now one of a select few broking companies to be able to write a new, innovative loan being offered through Homeloans Limited. This new product will not suit everybody but we feel it will have a position in the market. This product is an Equity Finance Mortgage which basically means that the Financial Institution has equity in your property. This may assist you to purchase a better home or reduce your mortgage payments. The Financial Institution will provide an interest free loan of up to 20% of the value of the property. The equity debt to be repaid when you sell the property, and at this stage they will share in a portion of the Capital Gain made on the sale. They will also share part of the loss if there is one. That is a basic overview of the product. Full details can be obtained from your ProMortgage consultant, so if you or a prospective buyer require further information please contact either one of our offices.

I hope you find the rest of this newsletter informative and enjoy the onset of the colder weather.

~ Wayne Pattison
Director

"The biggest compliment you can pay us is to recommend our services to your family and friends."

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PROACTIVE LANDLORDS PROFIT MORE

As the owner of an investment property it can be a little disconcerting knowing that the potential value of your property can come down to the way it's treated by your tenants.

If you want to protect your investment, getting the right tenants is an obvious place to start. But the following proactive actions could safeguard your property's long-term rental returns without costing big dollars.

Choose a representative: Having a professional liaison between you and your tenants is an effective approach with an investment property. Choose an agent who's enthusiastic about keeping a good relationship with your tenants, and proactive in your property's care and maintenance.

Know your rights and responsibilities: Although your agent can guide and instruct you, it's essentially your duty to know what your rights and obligations are to your tenants—so read up on state guidelines to make sure you aren't caught unawares.

Get insured: Many property owners in Australia are significantly underinsured when it comes to their home and contents. You need to make sure that your investment has the right cover to protect you and your tenants and to safeguard against any scenario, such as fire, flood or burglar.

Put everything in writing: Transparency is the best way to avoid complications in a contract situation. Keep a copy of all contracts signed by your tenant as well as documenting any requests, reports or requirements noted by your agent—a paper trail can be a great incentive for your tenants to keep the property in good repair.

It's also a good idea to increase rent costs annually by a sensible margin, and this should be outlined in your initial contract. If your

tenants expect a rise in costs each year there is less chance of complications when it comes time to ask for it.

Neat, safe and clean: If you don't look after your property, your tenants won't see a need to either. Providing a clean and secure residence will encourage your renters to maintain the property's aesthetic looks and therefore its value.

Spending a little to make sure that you have the right locks, smoke detectors and security screens can save you a lot in the long run. You could consider hiring a gardener to keep the outside tidy, and you should always make sure the repairs are made straight away to avoid excess damage and unhappy tenants.

Respect privacy: It might be your investment property, but while your tenants are living there it is their home. Your agent should conduct regular inspections, but give plenty of notice before they arrive.

If you want to protect your investment, getting the right tenants is an obvious place to start.

Almost everyone can afford to take ten percent of their weekly earnings and put a side in a savings account...

SMART SAVERS

According to ANZ's December Economic Outlook, Australian household spending has been accelerating steadily thanks in a large part to an increase in the average disposable income. The retailers are profiting from our increased wealth, but are you?

With fluctuating petrol prices, high housing costs and uncertainty over interest rates, 'budget' is probably a familiar word in most Australian households. But instead of budgeting—just the word gives many of us the shudders—why not try some of these smarter spending strategies to help you reach your financial goal sooner?

Know where your money goes: Everyone should have a plan outlining their financial commitments and detailing their long-term goals. Knowing where your money is committed month on month is an important step to saving in the long run.

The 10% rule: Almost everyone can afford to take ten percent of their weekly earnings to put aside in a savings account: by taking the money out directly you won't even notice it is gone. This is a much better savings practice than keeping an excess amount readily available, as it removes the temptation to buy non-essential treats just because you have the cash at hand.

Weekly allowance: Give yourself a weekly allowance making sure you have enough to purchase all your grocery needs, with a little extra for incidental spending and other expenses. Keep this money in a separate account to your savings.

Keep debt in check: Avoiding additional debt from credit cards is essential as these can attract huge interest rates. Use the savings taken from your salary instead to make large purchases: another option to consider is to take out a personal loan, which typically charges interest at a lower rate.

Increase your mortgage repayments: Try upping the contributions you make to your mortgage each month. The more cash you put towards your home, the faster you'll be able to unlock equity to use for other projects or investments.

Being cash conscious doesn't mean you have to feel like you're on a strict budget. But removing the excess from your account and planning how you spend your cash can make a big difference to your financial future.

capital growth vs rental return: *which investment property is suitable for you?*

Investing in real estate is undoubtedly one of the most efficient ways for Australians to build their wealth. Property has historically increased in value in most markets in the long-term and gives buyers the added benefit of receiving a direct return from the rental income.

Property that yields high rental returns as well as good capital growth can be hard to find. So many investors therefore usually base their strategy around either long-term capital growth or a cash-positive rental return.

If you're not sure which path you should take, the following tips should help you decide which strategy best suits your goals.

High rental returns

Though they can pop up anywhere, good rental yields typically arise in regional or outer suburban areas. While such properties are less likely to be affected by fluctuations in market prices, steady rental demands increase the likelihood of solid rental returns.

Properties with a high rental yield can make for a great investment with those looking to increase their day-to-day cash flow, however it pays to take note that it is also taxed as income, and this

can minimise an owners net earnings.

Capital growth

Capital growth investors on the other hand are looking for properties that appreciate in value rather than focusing on the rental yield. While usually found anywhere, investors often focus on capital cities or areas of growth and development.

The objective of this strategy is to sell the property for a profit within a certain number of years, leaving a healthy return on the initial investment.

It can be a struggle for some investors to work through the first two years of ownership though, as the rental returns may yield little or no profit and mortgage repayments may need to be bolstered with other funds. Just be careful that you're not over committing or paying more than you can afford.

It is important to remember that while property investment is one of the safer options open to Australians, there is no guarantee that a property will continue to increase in value at the rate it has done in the past. Make sure you take time to research the market, always take a long-term view and speak to your broker to ensure you've chosen suitable finance.

BEATING THE MID AFTERNOON SLUMP

Struggling to make it through the last couple of hours of the afternoon?

Try these five tips to get you through the entire day with loads of energy to spare!

1 Drink plenty of water. Even if you aren't being physically active your brain needs liquid to work too! try and keep a bottle of water handy at all times and take a drink every 20 minutes or so.

2 If you're going to be sitting at your desk all day, a huge lunch with only leave you lethargic. Aim to have smaller meals that are spread evenly through out the day so you aren't affected by a sharp drop in your blood sugar level.

3 As tempting as it can be to head to the nearest vending machine for an afternoon sugar fix, don't! instead have an apple, dried fruit or yoghurt to give you long lasting energy.

4 Increasing your complex B vitamin intake through a vitamin supplement can really make a difference to your daily energy levels. So ask your chemist what would be best for you.

5 If your struggling, then its time to get some fresh air. Take a walk outside for five minutes, and do some deep breathing to clear your head. Why not volunteer to take the afternoon mail if you need and excuse to escape the office!

If all else fails try one of Gav's ANZAC bikkies :)

COOKING WITH GAV ... 'ANZAC Biscuits'

Ingredients: 110g Butter • 3 Tablespoons Golden Syrup • 5 Tablespoons Boiling Water • 1 Teaspoon Bicarb Soda • 1 Cup Self Raising Flour • 1 Cup Flaked Oats • 1 Cup Coconut • 1 Cup Brown Sugar

Method: Pre heat oven to a moderate temperature. Combine butter, golden syrup and boiling water in saucepan over low heat. Stir well until butter is melted. Remove from heat and allow to cool. In a large bowl mix together remaining dry ingredients. Pour butter mixture into dry ingredients and mix well. Put spoonfuls of mixture onto greased oven tray. Bake in moderate to slow oven for approximately 10 mins until golden.

