



Paul Flakus

Australian Credit License No : 379603

Founder, Flakus & Associates

Suite 1 (Ground Floor), 115-117

Bluff Road, Black Rock VIC 3193

T 03 - 9598 9222

F 03 - 9598 9777

www.flakus.com.au

HIGHLIGHTS

Testimonial - Jan Griffiths

Brief of Events During 2015

Business / Commercial Loans

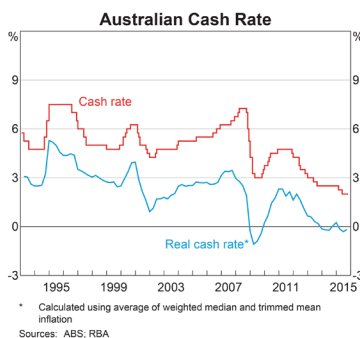
Title Insurance

**Is Age an Impediment to Obtaining
a Home Loan?**

Tax Rates 2014-2015

Helping the Community

Professional Services



**Finance for homes now one
of the lowest in 60 years**

HAPPY HOLIDAYS BEST WISHES FOR 2016



TESTIMONIAL

Jan Griffiths, Simply Helping Franchisee

"I originally thought my application would be relatively straightforward. After being given the run-around for 6 weeks, the frustration mounted as I had made virtually no progress. I decided then that I should use the services of an expert in the field of finance. A colleague of mine referred me to Paul from Flakus & Associates.

After the first meeting, I had a precise list of what I needed so that Paul could compile a concise application which included projections. He assessed the business concept, showed me independent research he had done and convinced me that the process would be successful. He had a sound idea of whom to approach and explained why. And he was right.

I would highly recommend Paul to others because he :

1. Had a precise understanding of the franchise sector and what financing was required (and achievable).
2. Was available 24 x 7 to respond to queries.
3. Followed up from start to finish - including being present when contracts were signed after he ensured that everything was correct and in order.

Paul provided sound advice on options available and was able to substantiate his reasons for every proposal made. Thank you, Paul!

BRIEF OF EVENTS DURING 2015

The 2015 calendar year saw some very interesting and challenging movements in the financial sector as well as the property sector. During 2015, we saw record property sales with high clearance rates at auctions. This "boom" has been a concern during the year.

We also saw the Reserve Bank of Australia reduce the RBA Cash rate to a record low of 2%, with saw financial institutions reducing their mortgage rates to compete in the fierce residential home loan market.

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Business / Commercial Loans

The year has seen Flakus and Associates assist many business clients not only in successfully purchasing businesses but also with their requirements to finance motor vehicles, equipment, debtor funding, trade finance and other worthwhile ventures.

Whilst the major banks often refer to “open for business”, it all comes back to the transaction and the bank’s appetite for the transaction.

Not all commercial transactions, whether secured by real estate or not, meet the bank’s lending appetite or credit policy on the day.

Hence, by planning the nature of the transaction, Flakus and Associates has been able to assist clients achieve the desired outcome.

Contact Paul today to find out more about how we can help you achieve your finance goals.

BRIEF OF EVENTS DURING 2015

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With high numbers of borrowers entering the investor property market, the banks regulatory body, APRA was becoming alarmed that lending to property investors would and did exceed the benchmark of 10%.

This has caused the banks to rein in their investment lending by firstly increasing investment interest rates and secondly reducing the loan to security ratios. In addition, they have significantly modified their credit criteria for investors.

More recently several lenders have scaled back even further, with a second tier lender withdrawing their investment lending altogether.

Apart from the tightening in investment lending, we also have seen the lenders revise their overall criteria for serviceability.

Some areas visited were :-

- Increase calculated household expenses to account for increase in cost of living
- Increase the lenders

TITLE INSURANCE

An important component for a successful loan

Over the past year it has been noticed that lenders are incorporating a Title Insurance cost into their loan documentation.

What is title Insurance?

Title Insurance is a specialized type of insurance which provides protection to home buyers and existing home owners of residential property against certain unknown and any hidden risks which may exist at time of purchase.

Some of the risks covered include :-

1. Illegal building works: illegal structures may have been constructed without the required Council permits or do not comply with the permits.

2. Boundary defects: any adverse problems that would have been revealed in an up-to-date survey report.
3. Registration gap: someone else lodges a dealing i.e. caveat, which prevents your interest from being registered.
4. Fraud, Forgery and Identity Theft: results in you being denied your ownership of the land.
5. Planning & Title defects: loss through non-compliance with zoning and development laws, unregistered easements and covenants, lack of legal access and any defects in title to the land which you are unaware of at the time of purchase.
6. Outstanding rates and taxes: any outstanding rates and taxes which you are now liable for as you are the current owner.

Title Insurance is a wise one-time premium that provides protection forever.

Contact Paul today on (03) 9598 9222 to find out if Title Insurance is an option for you.

- “serviceability/ stress ” rate
- Increase other lenders monthly repayment to ensure the external debts are cleared within set time frames
- Looking more closely at the applicants transactional bank statements to ensure all stated repayments are being met

Recently, the major banks not only increased investment residential interest rates, but have also increased the owner occupied home loan rates. (The recent increase in interest rates according to the banks, is to partially offset costs associated with recent changes to capital requirements.)

Superfund Loans

During the year, we have seen the departure of some lenders in this arena.

The overall criteria in this sector remains very stringent and ASIC compliant but we have lenders still doing quality transactions.

The point to note if borrowing via a superfund, is that after the purchase of the investment, that the superfund has sufficient funds retained.

An example is :-

Funds held in super is \$ 200,000. If the fund purchased a property for say \$ 500,000 . The max loan amount would be 80% if purchasing a residential property .

Therefore the fund would need to contribute a minimum of 20% plus costs, leaving approximately \$100,000 retained in the fund (prior to associated costs. i.e. stamp duty, legals etc)

The funds retained would decrease if the SMSF was purchasing a commercial property as the loan max would be 70%.

Therefore, careful consideration should be applied if there is not sufficient reserves in the fund. Some lenders require a balance of \$100K held in the fund post purchase.

Recently, the Self-Managed super funds have come under the scrutiny of David Murray’s Financial System Inquiry and more recently ASIC.

Overall, it is paramount that should you contemplating borrowing in a SMSF, that the borrowers fully understand all the risks involved in the asset purchase and the compliance involved.

Is Age An Impediment to Obtaining A Home Loan?

With the recent ongoing appetite for purchasing property, older potential borrowers will be facing new hurdles.

Some older age group borrowers re-enter the property market after they have been through a divorce, having had a failed business venture, lost employment or other unforeseen circumstance. Therefore, their ability to borrow money in a new financial climate may be questioned. Whilst ‘age’ should not be regarded as an OBSTACLE, some lenders do consider age to be an impediment to paying out the loan on or before retirement.



The main questions that need to be explored by older and mature aged borrowers seeking a loan include :-

1. What equity in being injected into the purchase?
2. What is the Borrower’s clear exit strategy on or before retirement. Can the borrower pay out the loan from usual income streams?
3. What is the borrowers superannuation holding at the time of retirement? The point to note is that funds in super should not be the main contributor for to clear a home loan. Funds in super are meant to maintain an ongoing retirement lifestyle, not for paying out a home loan.
4. Are there any additional funds to be received during the term of the loan? It might be an inheritance, an overseas super nest egg, or a property that could be sold.

If you feel age is an impediment to obtaining a loan for you, contact Paul today.

TAX RATES 2014 - 2015

Taxable income	Tax on this income
\$0 - \$18,200	Nil
\$18,201 - \$37,000	19c for each \$1 above \$18,200
\$37,001 - \$80,000	\$3,572 plus 32.5c for each \$1 above \$37,000
\$80,001 - \$180,000	\$17,547 plus 37c for each \$1 above \$80,000
Over \$180,000	\$54,547 plus 47c for each \$1 above \$180,000

Income includes :

Salary & wages, commissions, bonuses, tips & gratuities, Jury attendance fees, Centrelink payments, payouts from sickness & accident insurance policies, investment income from

Superannuation Contribution Limits

Age	Concessional	Non-Concessional
Under 49	\$30,000	\$180,000 or \$540,000 over 3 years
49 - 65 yrs	\$35,000	\$180,000 or \$540,000 over 3 years
65+ yrs	\$35,000	\$180,000**

** Subject to work test of minimum 40 hours in 30 days

PROFESSIONAL SERVICES

Services Required	Paul Recommends	Contact Details
Tax and Accounting	Craig J. Allen, Craig Allen & Associates	Tel : 93 9589 4599
Quantity Surveyors	Bradley Beer, Director BMT Tax Depreciation	Tel : 03 9654 2233 Mob : 0413 271 777
Accounting Services	Philip Tyquin, Hermann & Associates	Tel : 03 9589 3521
Law and Legal Services	Amanda Black, Quayles Law Agents	Tel : 9670 9000
	Ian Moffatt Solicitor	Tel : 03 9551 4491
Insurance Services	Dennis Drew, HWA Insurance Brokers	Tel : 03 9559 3317 Mob : 0414 460 709
Design and marketing communications services	David Cheah, Strategist Abacus Mind	Mob : 0403 97 99 86
Property Conveyancing services	Colleen Buck Cheltenham Conveyancing Services	Tel : 03 9585 6222 Mob : 0416 246 617
Financial Planning, Superannuation and Risk Products	Ian Henry, Ian Henry Financial Services	Tel : 03 9521 0303 Mob : 0408 571 757

HELPING THE COMMUNITY
**Sandringham
College**

Paul Flakus also sponsors
students at Sandringham
Secondary College to
enhance educational
opportunities and their
life experiences.

**Quotes & Wise
Sayings**

“If we command our
wealth, we shall be
rich and free; if our
wealth commands us,
we are poor indeed.”

Edmund Burke

“The lack of money is
the root of all evil.”

Mark Twain



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