

BEST WISHES FOR THE FESTIVE & HOLIDAY SEASON

from all of us here at Paul & Associates



Paul Flakus

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Founder, Flakus & Associates

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HIGHLIGHTS

Testimonial - Heather Wallach

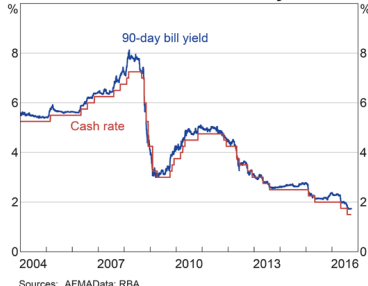
**Home Loan Interest Rates Are
Down But Meeting the Criteria is
still a Tough Process**

Purchasing A Property Off The Plan

Tax Rates 2015-2016

Professional Services

Australian Cash Rate and 90-day Bill Yield



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

TESTIMONIAL

Heather Wallach, Director - Classic Moves Relocation Services

"To many relocation and moving is a very stressful exercise. For me, that is my business so it comes naturally. However, my blood pressure does tend to head north when I am required to prepare financial loan documents, look at best financial products for fit for purpose, and organise valuations of property to substantiate my loan application.

I was referred to Flakus and Associates via a friend who had engaged Paul who had previously organised a financial loan for a business she was purchasing. At the same time, I needed to reorganise my private and business finances and establish a business loan that had an overdraft facility to allow for business growth and unplanned contingencies.

I first met with Paul from Flakus and Associates in February 2016 for the initial discussion and financial assessment/screening. My business loan was finally approved in August 2016. Paul restructured all our personal and investment financial loans, set up my business loan as a standalone entity, and organised the valuations for our investment property and residential property. This was a complicated restructure that neither I nor my partner would have been able to fathom alone. Paul kept us informed at all times during the entire process, and would even come to my office to have documents signed and sent off to expedite the process.

Thank you Paul for your attention to detail, for never getting exasperated by the silly questions I would ask, and for always clarifying what was happening. I will definitely be a loyal and returning client should there be a need in the future (however, I do not want to take on any more loans!)."

Contact Paul today to explore your financial options and ideas to grow your business and achieve your goals. Paul and his team are always ready to listen to help you strategise a way forward.

HOME LOAN INTEREST RATES ARE DOWN BUT MEETING THE CRITERIA IS STILL A TOUGH PROCESS

With all residential lenders (big banks, 2nd tier lenders, and mutuals), the current low interest rates for home loans are very enticing for first home owners, investors and customers wishing to refinance for a "better deal".

Over past years we have seen the growth of new banks, non banks ,mortgage managers and finance brokers who have taken the hassle out of the process of applying for home loans. The lenders have fashioned various loans with all the "bells and whistles" to capture your custom. In essence, the most valuable loan feature has not really changed, that being the flexibility to place more payments off your loan.

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HOME LOAN INTEREST RATES ARE DOWN BUT MEETING THE CRITERIA IS STILL A TOUGH PROCESS

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Since the last Reserve bank reduction of the Official cash rate, the financial institutions reduced their mortgage rates to less than the RBA 0.25%. Presently, we see and experience the lowest home loan rates in over 60 years.

This has enabled potential borrowers to purchase a property in a higher price range, thereby having to increase their potential home loan. However, recent data has shown that home loan borrowers entering into Mortgage Default is on the rise.

There are a number of ways that a potential borrower can avoid a Mortgage Default. Some being :-

- Before purchasing an expensive property, keep a cool head and consider all fundamentals.
- Ask yourself, If mortgage rates increased, could you meet the repayments?, OR if your financial and personal circumstances changed could you still meet the repayments.
- Build in a buffer into your loan payments, example calculate repayments at 1% above the rate being charged. This will assist you to ensure you have accumulated repayments.
- If it is a rental property, are you solely relying on rental income to pay the loan? You need to buffer a 1% additional loan payment, as most Investment loans are higher than owner occupied loans.
- Consider a transaction account with an 100% Off Set, as this could save interest on the home loan
- Consider setting up loan as a Re Draw facility, if Off Set is not available. This could assist with additional funds later on.
- Avoid Interest only loans, as lenders will assess your loan repayments on the terms after the interest only period has ended.
- Retain loan payments if interest rates reduce, and if they rise, the increase immediately.
- Calculate your loan payments at 2% higher than the lenders standard variable rate, to ensure that you can afford loan payments in the event of an rate increase.

We are seeing that lenders are gradually increasing their Serviceability Or Stress Test Rate. As a general rule of thumb, the various lenders would add an additional 2% to 2.5% to their standard variable rate as a “stress test” or safety net. This is to ensure that any borrower would have the capacity to meet increased loan repayments, should the interest rates move upward in the future.

In addition, the lenders have a basic “Living Expense” formula which is incorporated into their criteria. Take the following example of a husband and wife with 2 dependents. A lender would allow approx. \$36,000 per annum to cover all the applicants living expenses (excluding any financial commitments). The more dependents, the higher the annual living expense allowance becomes.

Many borrowers become disheartened when they discover that they cannot afford to borrow the amount they require. Therefore, it is vital that all potential borrowers review their net monthly income and prepare a detailed monthly budget for all expenses and allow for a loan repayment at “buffer” repayment to ensure that they have the capacity to meet loan payments in case of an interest rate increase.

Fixed Rate versus Variable Rate

Whilst there is more emphasis on the variable rates set by lenders and media, one must also consider the fixed interest rates.

Presently lenders are offering excellent fixed interest rates that are not commonly promoted. Any potential borrower should seriously consider splitting their loan into part fixed and part variable so as to provide some form of “insurance/ safety net” for any potential future interest rate increase.

Whether you are buying an investment property or an owner occupied property it's important to carefully focus on the financing options. Obtain advice on your borrowing capacity, serviceability and loan options.

Lenders move to credit scoring approvals

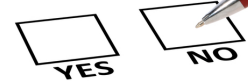
Over the past few years the major banks have been modelling their home loans approvals using a credit scoring process. This would greatly improve turnaround times from application to full approvals.

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Some of the pitfalls a borrower may face under the Credit Scoring Models are :-

- Adverse Veda CRAA report
- Numerous enquiries for credit being recorded against one's name
- Poor history of current loan repayments (loan payments not being made on time)
- Employment changes (not consistent within applicants industry)
- Ability to service borrowings(present and future)



The lenders, willing to approve loans, must ensure that the customer has the ability to service a loan without any potential hardships and they have a duty of responsible lending practices.

Some other non-bank lenders do not credit score their applications and assess the transaction manually. Whilst this may be cumbersome, it enables the finance broker to liaise with the lender directly to discuss any issues that have arisen with the application.

Therefore, it is suggested that should first embark on a finance application you discuss with a reputable finance broker to ensure that the application is fully completed thereby addressing any issues.

Flakus and Associates has access to numerous lenders within the financial market place and works for the client to secure the best flexible loan option to suit the particular situation.

PURCHASING A PROPERTY OFF THE PLAN

10 Key Things to Remember Before You Sign the Contract

Although purchasing a property off the plan (OTP) can be a sound way to invest, there are 10 key things that can greatly optimize the profitability of your investment.

Key No 1 : Finding Value

Be smart and get an independent valuation of the property before buying. Check data from companies like Australian Property Monitors, RP Data and SQM Research.

Key No 2 : What to Look For

Study key factors that determine the value of property such as location, bedroom size, balconies, parking, natural light, storage and use of spaces. Know how the vicinity will be developed in the near future.

Key No 3 : Research

Research before you buy. Be prepared for opportunities and threats that are outside your control.

Key No 4 : Seek Advice

Seek legal advice on the contract. There may be details in the contract that can work against you in the event circumstances change or if there are delays.

Key No 5 : Settlement Risk

There is usually a gap between the buying and the settlement of an OTP property. During this time circumstances may change that may adversely impact the settlement conditions such as valuation. Investors need to be aware of this and prepare to meet any resource shortfall should it occur.

Key No 6 : Approval of finance

Never buy a property impulsively unless you have organized the necessary finance. Never over leverage and learn how different loans work and what's the best one for you.

Key No 7 : Settling Up

Always negotiate a reasonable timeframe for settlement before you commit to the purchase. Penalty payments apply if you are unable to settle within the time set.

Key No 8 : Credit History

Limiting the number of times you apply for finance helps your credit history. Keeping a positive cash flow and paying your bills on time helps too.

Key No 9 : Space and Inclusions

Scrutinize the marketing collateral and ensure that you cover all the details. Pay attention to the scale and integrity of the spaces represented.

Key No 10 : Savings

Buying OTP benefits investors by way of a large stamp-duty saving. Remember to check 'indicative' depreciation schedule to get further deductions for building and fixtures.

Before you purchase an Off The Plan (OTP) property, contact Paul today on (03) 9598 9222 to find out more about the pros and cons.



TAX RATES 2015 - 2016

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**

* The Superannuation Contribution limits may be subject to change upon Government finalisation

** 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	Michelle Frey 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

Quotes & Wise Sayings

“Beware of little expenses. A small leak will sink a great ship.”

Benjamin Franklin

“Our incomes are like our shoes; if too small, they gall and pinch us; but if too large, they cause us to stumble and to trip.”

John Locke

“We at Chrysler borrow money the old-fashioned way. We pay it back.”

Lee Iacocca



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