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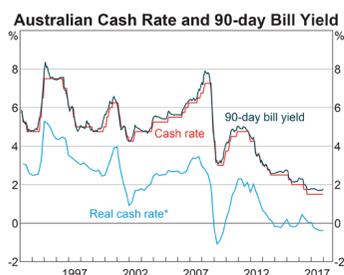
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## HIGHLIGHTS

- Paul's Outlook for 2018
- Testimonial - Albert Ma
- Is Finance Still Harder to Secure Now?
- Historical Standard Variable Home Loan Interest Rates Last 30 Years
- Business Finance Criteria Has Tightened in Today's Climate
- Business Insurance - Are you Covered?
- Estate Planning & Wills
- Tax Rates 2016-2017
- Quotes & Wise Sayings
- Professional Services



\* Calculated using average of year-ended weighted median inflation and year-ended trimmed mean inflation

Sources: ABS; ASX; RBA

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

## PAUL'S OUTLOOK FOR 2018

What can we expect for the year ahead

- ★ Further tightening of lender's credit assessment criteria
- ★ Competitive fixed interest rate terms
- ★ Owner-occupied home loans interest rate to remain at present levels
- ★ Reserve bank to retain Cash Rate at present levels
- ★ Residential property to remain at present levels
- ★ Minimal wages growth

## TESTIMONIAL | Albert Ma, Telstra Franchisee

It was important for me to have a broker and intermediary we could trust to explain the finance 'maze' and associated jargon back to me in layman's terms. Paul fit the bill because he is someone that can walk me through the process step-by-step and is always available when I had any issues. I also needed someone who took the time to truly understand my unique needs first and foremost and Paul did that well.

I first met Paul when he was referred to me by an associate who has had years of experience dealing with him, and trusted him as well as a keen advocate of Paul professionally and personally.

I especially appreciated that Paul took the time to listen and understand my situation first. He was very supportive without being over-bearing. He was also very forthright and articulate in his communication and explained things in a very clear and straight-forward manner. Throughout the entire process, I felt like I was in a partnership with him.

I would strongly recommend Paul to others if they are looking for a professional who is honest, very experienced and who acts more like a partner than just someone who's selling a service.

## Is Finance Still Harder to Secure Now?

During the whole of 2017, we saw how the banks dramatically and constantly change their lending criteria for all types of lending. The Australian Prudential Regulation Authority (APRA) had advised all lenders to tighten their criteria surrounding Interest-Only Loans on owner-occupied and investor properties.

According to APRA, the increased scrutiny is in response to an increase in heightened risks reflected in rising house prices, passive income growth and rising household expenses.

In addition, APRA has also instructed banks that no more than 30% of new housing can be interest-only. ASIC also intends to monitor this new directive by increasing its surveillance of lenders and mortgage brokers to ensure they continue to practice responsible lending.

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**BUSINESS FINANCE CRITERIA HAS TIGHTENED IN TODAY'S CLIMATE**

Business finance criteria today has tightened. The bank's risk appetite is dependant on which industry they support. Banks are constantly assessing their 'risk' in different industries and if it's an undesirable industry, they would notably 'pass on the transaction'. As a result, banks are now very selective. Examples include banks' caution in lending to property developers, specialised securities (service stations, franchises etc) and non-core businesses.

Key questions to ask when seeking business finance include :-

- Are taxes, superannuation and other statutory payments paid to date?
- Have financial accounts (i.e. balance sheets and profit-and-loss been finalised? (Lenders require a minimum of 2 years of latest financials to assess any business funding).
- Are there any Interim Management Accounts?
- What is the purpose of the finance? i.e. working capital,

capital expenditure or debt consolidation?

An experienced finance broker can analyse the financials and requirements to work closely with accountants to structure the funds required. Funds type can then be 'matched' to client's needs.

For commercial property finance, key questions to consider include :-

- What is the rental income?
- What are the terms of current or proposed lease?
- Is there any need for repairs and major works?
- What is the entity of the purchaser, whether company, individual, trust or SMSF?

Whilst major banks are offering competitive pricing for commercial property loans, they often wish to manage the business relationship. This could be an advantage for some clients. However, there are specialist commercial property financiers who assess the transaction on its merits and do not

require an ongoing banking relationship.

When seeking a Commercial Property Loan, borrowers should be aware of 'notional term' and 'standard term'. Some banks use the 15-year standard term to calculate loan payments while committing to an actual term of 1 to 5 years. The loan is amortised over a 15-year term, yet the commitment is only for 5 years.

On expiry, the borrower has to re-apply or re-finance. Some lenders do this as the cost of capital is lower for shorter commitments and they can deliver a lower 'headline' rate of interest. Specialist commercial lenders offer loan terms from 15 to 30 years on commercial property and other loan products to suit borrowers' requirements.

**If you need help to secure a business or commercial property loan today please talk to Paul today.**

**BUSINESS INSURANCE - ARE YOU COVERED?**

In today's environment where there is a growing number of self-employed business owners, the main area that is overlooked is Risk or Business Insurance. Some major banks today are requesting that business owners have a credible Risk Insurance in place to support a loan application. Here is a summary of Business Insurance that you should carefully consider, not only from the bank's position, but more importantly for the major owner of the business.

INSURANCE	WHO IT'S FOR	DESCRIPTION
Term Life	People with debts, financially dependent family or a business	Pays lump sum if you die or diagnosed with terminal disease.
Income protection	Employees, self employed, contractors	Pays replacement income up to 75% of regular salary if you suffer illness or injury within insurer's definitions. Not applicable if you quit, are fired or made redundant.
Trauma	People who require life insurance	Pays lump sum if you are diagnosed with a condition such as cancer, stroke or heart attack.
Total & permanent disability	Employees, self employed, contractors	Pays lump sum (usually) if you incapacitated and unlikely to be able to work ever again.
Business continuity	Self employed, business owners	Pays monthly benefit if unable to work. Payments aimed to keep business going ie rent, loan repayments.

**Paul has key associates that will assist with this vital component of any business owner or individual.**

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During 2017 we also saw lenders adjust their overall lending criteria with one major factor being what is known as the 'Serviceability or Assessment Guidelines'. This is due primarily to lenders now assessing all residential loans at an 'Assessment rate' of 7.25% regardless of discounts applied.

We started the 2018 year with NO CHANGES to the lenders' guidelines, and see the possibility ahead of further tightening, especially given the rise of 'living costs' for families. Slow wage growth and rises of some essential services, i.e. electricity, fuel, gas, private health care and educational costs are placing additional

pressures on family household budgets.

As a generalization we see that the first quarter of a calendar year will place household budgets under further strain. This could be due to the recent Christmas spending on presents, holidays, educational costs and other discretionary items.

However, the group commonly nicknamed 'the avocado set' (usually under 35 years without children and on double incomes) tend not to be fazed by rising costs in essential services and mortgage costs.

Whilst the 2018 year has kicked off with lenders marketing their home loans at very attractive interest

rates success comes back to meeting the lenders' current credit assessment criteria. Especially as we are still in an extremely low Interest Rate Cycle, presently 5.25% for the majority of the major banks. This low interest rate environment cannot last forever.

Recent reports indicate that lenders may continue to review their variable and fixed interest rates, especially for investment borrowers so changes are to be expected.

[Visit www.flakus.com.au](http://www.flakus.com.au) to view the graph of historical home loan variable rates over the past 60 years which is most informative.

**If you are keen to explore your loan possibilities please contact Paul on (03) 9598 9222 today.**

## ESTATE PLANNING AND WILLS

After the recent passing of the same-sex marriage bill by Parliament, same sex couples are expected to keep the wedding industry very busy over the coming year. Couples should not overlook the need for a new or updated will and estate plan, as a marriage generally nullifies any previous will or plan prior to the marriage.

Some matters to consider with Wills and Estate planning include :

### De facto protection

De facto couples need to make a will and estate plan that includes a Power of Attorney. A Power of Attorney is vital as in some instances where this is not completed the parties can be treated unfairly as the partner is not allowed to make medical decisions for example, which may lead to unnecessary stress and complications.

### DIY Will Kits

Whilst DIY can save on legal fees, it may not be so practical for integrated families. For couples

with blended families it may be worth seeking the services of a lawyer to draw up the will and Powers of Attorney as often the courts are besieged with DIY-will kits that have gone horribly wrong.

### Update of Will

Whilst it is important to have a will, it is equally important to update the will. Generally, wills should be reviewed or updated every 5 years. However, it should be done earlier if there is a major change in family structure or medical circumstances.

### Changes to family structure

Changes to family structure and additional dependants often lead to a change of a will. Examples include addition of grandchildren, stepchildren or even half-siblings that would require re-wording of the will to ensure that everyone is acknowledged.

### Binding Agreements

These are also known as prenuptial arrangements and are now more



acknowledged than previously due to court decisions and the increase of prenuptials. Prenuptials can be drawn up during the course of a relationship, not just at the start. Under law, if a couple co-habitates for at least two years, their financial assets can be divided in the same way as if they had been legally married for many years. A Binding Financial Arrangement is activated only if the union ends and it must specify how the assets are to be divided. This is different from a will which becomes effective on the death of one partner, or a Power of Attorney, which is invoked when one partner is incapacitated.

**Paul suggests that you constantly review your position and he can place you with one of his associates to discuss these matters further.**

TAX RATES 2016 - 2017

Taxable income	Tax on this income
\$0 - \$18,200	Nil
\$18,201 - \$37,000	19c for each \$1 above \$18,200
\$37,001 - \$87,000	\$3,572 plus 32.5c for each \$1 above \$37,000
\$87,001 - \$180,000	\$19,822 plus 37c for each \$1 above \$87,000
Over \$180,000	\$54,232 plus 45c 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

Medicare levy surcharge (2013-14 / 2014-15 / 2015-16 / 2016-17)

	Taxable income		Rate of surcharge
	Individual	Family	
Tier 0	Up to \$90,000	Up to 180,000	0%
Tier 1	\$90,001 - \$105,000	\$180,001 - \$210,000	1%
Tier 2	\$105,001 - \$140,000	\$210,001 - \$280,000	1.25%
Tier 3	\$140,001 and above	\$280,001 and above	1.50%

Goods & Services Tax (GST) 10%

Annual turnover threshold for registration is \$75,000.

For non-profit organisations, the threshold for registration is \$150,000.

PROFESSIONAL SERVICES

Services Required	Paul Recommends	Contact Details
Tax and Accounting	Craig J. Allen, Craig Allen & Associates	Tel : 03 9558 3716
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
	Joanne Simmonds LLB, Director Beaumaris Law Legal Practitioners	Tel : 03 9589 3205
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 Brenton Henry	Tel : 03 9521 0303 Mob : 0408 571 757 0433 923 669

Quotes & Wise Sayings

“The greatness of man is not in how much wealth he acquires, but in his integrity and his ability to affect those around him positively.”

Bob Marley

“You are your greatest asset. Put your time, effort and money into training, grooming and encouraging your greatest asset.”

Tom Hopkins

“He is richest who is content with the least, for content is the wealth of nature.”

Socrates



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