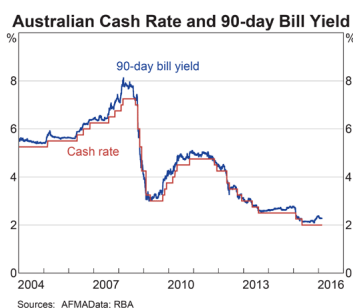




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## HIGHLIGHTS

Testimonial - Sandy & Dean  
How to Get the Best Interest  
Does your Super offer Life  
Expectancy of Two Years?  
Economics & How it Affects Your  
Hip Pocket  
Tax Rates 2015-2016  
Helping the Community  
Professional Services



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



## TESTIMONIAL

**Sandy & Dean, Franchisees**

### 1. What was important to you in choosing a broker to assist you with finance for your recent Franchise Purchase?

It was important to us to have a broker who knew the requirements of borrowing within a self managed super fund. It was also important that we had a broker we felt we could trust and that we could get along with.

### 2. How did you find out about Paul from Flakus & Associates?

Our Financial Planner highly recommended Paul and he worked closely with him to enable us to achieve our goal.

### 3. How would you describe the experience of dealing with Paul and getting finance organised?

Paul was very professional and well organised. He was also very good and with follow through. Throughout the entire process he followed up with other parties involved to ensure our best interests were paramount.

### 4. If you had to choose 3 reasons why you would recommend Paul to others - what would they be?

1. Good understanding of the field and requirements.
2. Excellent eye for detail.
3. Friendly and helpful.

## HOW TO GET THE BEST INTEREST

Whilst the official cash rate has been sitting at 2.0%, borrowing money has and will continue to be harder to borrow for many of us.

It is important to understand why this has occurred and how you can position yourself to successfully borrow money.

### Regulation Change

Towards the end of 2015, the APRA (Australia's financial services industry regulator) imposed tighter lending standards. Simply put, they told all Australian financial services organisations that they needed to ensure that borrowers (that's us folks) could repay loans should our circumstances change.

*Continued on Page 2*

## How to Get the Best Interest continued from Page 1

Whilst it may seem that there are many obstacles present that make the borrowing process insurmountable – don't despair. There are a few ways you can get the best deal for the money you are borrowing. We have outlined some of them for you below.

### Add a Serviceability Buffer

If you have already started to look at banks, using their online calculators to determine what you can borrow, we recommend that you add a buffer to the bank's advertised rate.

We know through our work with financial institutions that these calculators and initial conversations do not take into consideration what is known as "the serviceability buffer".

Once your paperwork is lodged and shuffled through to the assessments department in the backend of the financial organisation, they will add a "serviceability buffer" ranging from 2% to 3.5% above the current interest rate.

This buffer is in line with APRA guidelines and helps to provide Australia with a sound financial system. It also ensures that borrowers can actually afford to service a loan realistically.

### Shop Around

Many of us already shop around for other products and services, so why not for banking services? Compare different lenders and what they offer. Compare apples with apples and understand the different words that lenders use for fees and charges to ensure that you aren't caught out.

**Talk to Paul if you would like a comparison of a few products.**

**Are you a good saver and can you stick to a budget?**

If you answered yes, then an offset mortgage may be an option for you.

With an offset mortgage, all your pay goes into the offset account and you withdraw money from the account as needed. If you can stick to a budget, you can use a credit card to pay for your monthly expenditure and then use the interest-free period of the credit card, which allows more money to stay in the offset account, to reduce the interest on the mortgage.

**Talk to Paul about this lending option and he can show you how it works. Calculate the amount of interest you pay, the number of years it would take to pay off the loan and work with you to plan a budget.**

### If it's too good to be true.....

We've all heard this before "If it's too good to be true, then it usually is". In most cases, if there is a special offer or if it's all very shiny without a lot of substance, then it probably is too good to be true.

Many of these special deals are there only to trap new and unsuspecting people into a long term deal. As with any contract, you should always do your due diligence and go in asking lots of questions.

There are many resources available to assist you to understand terms on contracts like RBA's Glossary. Don't feel uncomfortable asking Paul or your lawyer if you don't understand something about a financial deal. At the end of the day, this is a contract that will cost you money, so you need to feel comfortable with it.

### To invest or not to invest

With lending criteria on the rise, lending for investment has become even harder. In addition to this, the future of negative gearing is uncertain, creating a challenging environment for both borrowers and institutions.

Borrowers need to consider their personal circumstances and the

negative gearing positions put forward by all political parties prior to any future borrowing.

### Fixed or Variable

With the cash rate sitting at 2.0%, it is not expected that it will drop further. Owner-occupiers looking to fix their rate and those who have good equity and credit should be able to get a discount on the standard variable rate of which the average is 4.72%. Just remember to check any early pay out fees as this will cost you. You may want to hedge your bets by fixing 50% of your mortgage.

### Clean up your credit rating

This might sound like common sense. **However, for many people, their credit rating is what impacts their ability to borrow.**

Missing your last utility bill when you moved; applying too often for credit or regularly paying bills late can impair your credit rating.

Whilst lenders do tend to be lenient on an impaired credit rating due to mistakes, a good finance/mortgage broker will work with you to clean up your credit rating prior to applying. However, it is important that you advise the broker of any issues that may impact on your Credit File.

A professional broker will do a Credit Check (provided Privacy Forms are executed) and the broker can address the Credit Report prior to any submission to a lender.

**Paul has worked with many clients whose credit rating has been impacted through financial circumstances. He is able to review each situation, planning a strategy with the client to increase the VEDA credit rating score and work closely with them to successfully obtain a loan.**

## ECONOMICS and how it affects your hip pocket

This glossary will help us understand the financial terms we read in our papers and how they influence our financial well-being.

### Cash rate

This is the interest rate which banks pay or charge when they lend funds to each other. This is a daily number, published by the Reserve Bank and found on their website. However, this is not the interest rate banks charge when you borrow money from them. From a big picture perspective, the Reserve Bank will raise this rate when it wants to slow the economy or reduce the rate to stimulate it. The current cash rate is 2%.

### Inflation

Inflation is the measure of the increase in the general level of prices. If money is cheap (i.e. cash rate is low) it is likely that we will spend more money on goods and services which then starts to push prices up. If the cash rate is high, then we won't spend as much and prices won't increase much. The process is a fine balancing act, with the Reserve Bank meeting monthly to review different data to determine if they should raise or lower the cash rate. Currently, inflation is pegged at 1.7%

### GDP

We have all heard the word "Balanced Scorecard" and many of us use a scorecard at our places of work. The GDP or Gross Domestic Product is a balanced scorecard of how fast the national economy is growing.

Currently, our GDP is 3.0%, which is above the global trend.

### Global Growth

During its monthly meetings the Reserve Bank looks at how the rest of the world is growing. They compare the health of our economy to other similar economies to determine potential impact from the global financial market. Slowing growth in other countries may alert the Reserve Bank on the potential slowing of the Australian market. The International Monetary Fund (IMF) reported global growth of 2.4% for 2015 with 2016 forecasted for 2.9%.

### Labour Market

The Reserve Bank defines the labour market as the sum of employed, unemployed, participation rates and wages. Basically, we want to see a low unemployment number as strong employment is good for everyone. Banks are by nature risk adverse and don't feel comfortable lending money to the unemployed. Currently our unemployment rate is 6.0%.

### Exchange Rate

Exchange rates are used when we express the price of one currency in terms of another.

Recently, the Australian dollar has experienced parity or close parity with a number of other currencies including the US dollar. Whilst that had been great for those of us who like internet shopping or overseas holidays, it hasn't been great for our exporters and local tourism.

Note that the exchange rate published is essentially based on larger transactions. Most consumers purchase foreign currency in smaller amounts, the rate provided is usually different to the published rate.

### Industrial vs. Services Economy

For years, Australia has made a significant return from the mining industry. Recent slowdown in other economies this has led to the slowing demand for our mining products. Australian organisations have had to find other ways to make money and this is through our services economy.

### Household Consumption

This reflects our confidence in spending money on goods and services. Our consumer confidence is currently strong as we continue to spend.

### Balance of Trade

Total balance of exports – total balance of imports = Negative or Positive Balance of Trade. Unfortunately, Australia is currently importing more than we export, so we have a trade deficit.

### Business Investment

Confidence has a lot to do with how well a country's economy is going. In good times, a business will expend capital (or invest). However, in bad times, it will hold back on investment. Business capital expenditure was down about 16% from 2014 to this year.

## Does your Super offer life expectancy of two years?

Being diagnosed with a terminal illness is frightening enough without having the money to pay for the medical care you urgently need or to keep you comfortable. Since 2008, Australians diagnosed with a terminal illness have been entitled to withdraw their super balance. In 2015, funds and insurers were provided with an updated legal definition of "terminal", which allows them to develop policies so that their clients can claim this death benefit once they are diagnosed with a life expectancy of 2 years, rather than the 1-year rule. This has led to many superannuation funds re-negotiating deals with their life insurance providers to deliver this change.

**Paul recommends that you check your current Superannuation policy or contact your life insurance provider to determine if this new change is in effect.**

**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**

\*\* 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**

“Money won’t create success, the freedom to make it will.”

Nelson Mandela

“Put not your trust in money, but your money in trust.”

Oliver Wendell Holmes, Sr.

“No one’s ever achieved financial fitness with a January resolution that’s abandoned by February.”

Suzy Orman

“Many people take no care of their money till they come nearly to the end of it, and others do the same with their time.”

Johann Wolfgang von Goethe



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