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HIGHLIGHTS

First Home Ownership - is it just a dream?

What is Ethical Superannuation?

Is Your Pension being affected by Deeming?

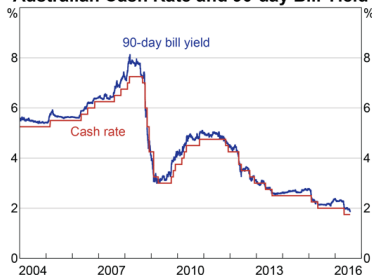
Conservative Lending - Effective Borrowing

Credit Ratings

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

FIRST HOME OWNERSHIP

Is it just a dream?



For many Australians, owning a home has been the big dream. But is this just a dream and will those not yet in the home market, be able to enter the market.

Let's look at the issues!

That pesky deposit

Feeling the pinch when trying to put away that 10% deposit. We know, it's hard. There's always an emergency that comes along to take some of that money away and somehow it just seems to take so long to save.

If you are in Melbourne or Sydney, it will now take more than a year's salary for that 10% deposit compared with six months of pay during the early 1990's.

Home Loan Serviceability

For those who bought a few years ago, they are sitting pretty as the home loan serviceability (the measure of the interest payments that people are making on their loans compared with average income) has fallen to just 7%, at its lowest level since 2003.

So for many of these people, repayments have decreased whilst home values have increased, which can allow them to borrow more to upgrade or purchase an investment property.

Interest Rates – how low can they go?

Whilst Australian's are basking in some of the lowest interest rates in history which is great from a borrowing perspective, for those trying to save, it's not a great time as the return can be small and makes building that deposit even harder.

Housing Supply

Record number of high rise apartments are being approved, however not every first home buyer wants to live in one. The competition on prime properties will be fierce as there will be other first home buyers or those with a good repayment history looking to purchase an investment home or to upgrade.

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WHAT IS ETHICAL SUPERANNUATION?

As Australians, we hold a whopping AUD \$2,032 billion superannuation assets as at the end of March 2016. Investing strategies can be confusing; however the Responsible Investment Association of Australasia (RIAA) reported that responsible investment of Australia's total assets under management (TAUM) now represents 50%.

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Is your pension being affected by the Deeming Rate?

For those receiving income from Social Security or Veteran's Affairs, a deeming rate assumes that financial investments are earning a certain rate of income, regardless of the amount you are actually earning. Should you earn more than the set rates, the extra income won't be assessed.

So, what financial assets are assessed?

- Savings accounts and term deposits
- Managed investments, loans and debentures
- Listed shares and securities
- Account-based income streams from 1 January 2015, and
- Gifts

So, how is it calculated (from 1 July 2016)?

- Single, receiving an income support payment – the first \$49,200 of your financial investment is deemed to earn income at 1.75% p.a. and any amount over that is deemed to earn income at 3.25% p.a.
- Member of a couple, where at least one of you receive a pension – the first \$81,600 of you and your partner's combined financial investments are deemed to earn income at 1.75% p.a. and any amount over that is deemed to earn income at 3.25% p.a.
- Member of a couple and neither of you receive a pension – the first

\$40,800 for each of you and your share of jointly owned financial investments are deemed to earn income at 1.75% p.a. and any amount over that is deemed to earn income at 3.25% p.a.

If you earn investment return is higher than the deemed income calculated, the extra income will not count towards your assessable income for your income support payment.

So how do you get a return of 3.25% p.a. on your investments?

Paul recommends that you shop around. Firstly take a look at comparison sites like Canstar (<http://www.canstar.com.au/>) where you can check out savings accounts (including online accounts), and term deposits.

This allows you to compare all major products and consider your personal circumstances. Higher rates are being offered by other institutions that you may not usually consider. With the government deposits guarantee still in place for deposits up to \$250,000 per person per institution, these institutions are not any riskier.

Talk to Paul if you have any questions about deeming.

CONSERVATIVE LENDING - EFFECTIVE BORROWING

Banks continue to be risk adverse in their lending criteria and we are seeing specific areas affected during the borrowing process.

Talk to Paul if you are considering:

- Owner occupied interest only loans
- High loan-to-value ratios (LVRs)
 - o Some lenders are restricting borrowing against certain postcodes and LVR in certain postcodes (i.e. inner-city

areas where there is an oversupply of apartments)

Living expenses continue to be a concern for lenders and loan officers are applying a higher ratio which can impact the amount you can borrow. Paul recommends that you add a realistic buffer to your overall calculations.

Contact Paul if you need assistance in determining an appropriate buffer for lending or any other lending questions.

CREDIT RATINGS

Lending institutions will check your credit rating to determine your ability to pay a new loan or credit card including a loan amount or credit card increase.

Here is our top 5 list on keeping your credit rating healthy :

1. Check your credit rating once a year

Each year, you are able to request a free copy of your credit rating. Check that all loans or debts listed are yours and that your details are correct.

2. Limit your credit applications

Each time you make a credit application, it will do a credit check. As part of the credit rating report, providers are able to see how many requests you have made. If you have made too many – someone will inevitably ask, "What are you doing?"

3. Pay on Time

The simplest way to keep your credit rating is healthy is to pay your bills on time and meet your loan repayments. This ensures that when a lending institution checks your rating, you won't flag as a risk.

4. Try direct debits

This ensures that you pay your regular bills and loan repayments on time, everytime.

5. Having trouble paying? –

Let the creditor know so that they can work out a payment plan and keep you off the default list.

Call Paul today to discuss how to improve your credit rating to be able to get credit in the future.

First Home Ownership : Is it just a dream?

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What can you do to build that deposit?

- Have a written budget
- Write a weekly meal plan
- Take your lunch to work
- Pay your bills on time to avoid late fees
- Pay off your credit card – this is usually a high interest rate and this is costing your money
- Shop around on anything for large purchases or services to get a better deal
- Have money taken out each pay and put it straight into a higher interest savings account
- If you get an increase or bonus – put it straight into your savings, you didn't have it before so you won't miss it
- Consider term deposits or investments to take advantage of compound interest

Thinking of Refinancing?

All of us at some point will consider refinancing. Now is the best time to look at it. Refinancing for existing owner-occupied mortgages reached its highest rate, 36% of total borrowing in April 2016 since recording began in 1991.

So what should we be looking for when refinancing?

- Compare the lenders offers

- To fix or not to fix – talk to Paul so that he can guide you on what is best for your personal situation
- Calculate the savings that you will gain from switching and compare against any fees or charges from your current bank

Paul recommends that you allow a minimum of four weeks to undertake the entire switching process. Thinking of refinancing, give Paul a call for his expert advice.

Commercial/ Business Funding

With the recent mortgage interest rate reduction by banks, it is noted that the reduction being passed onto commercial/business borrowers is not widely publicized. Many commercial and business borrowers usually have their house encumbered to secure the lending facilities.

How to assess what interest rate you are being charged on your commercial loans

This is often difficult to ascertain as most of the major lenders utilize a "Risk for Reward matrix."

Whilst the major commercial lenders broadcast that they are open for business, the stumbling block is how to prepare and submit the application to a commercial funder.

If seeking additional borrowings or just switching lenders for business funding, the process is cumbersome as the credit criteria has tightened. Each commercial funder has different lending criteria and to navigate through their credit criteria, is at times a nightmare.

As an example, lenders look at the last 3 years financial accounts of a business and look at the business profitability to ensure that the business has the capacity to meet loan current payments and proposed loan payments. All loan payments are assessed at an "Assessment or Sensitivity Rate" to combat any future interest rate increases.

Apart from the serviceability aspect, the lenders would look at the conductivity of the business trading accounts to ensure that the accounts are operated without any concerns. Other factors include payment of taxation, (are all taxes paid to date), other statutory charges and management of the business.

Generally, a commercial/business loan with a commercial bank may take up to 6 weeks to finalise.

Paul is highly experienced in assisting with all types of commercial/business finance and can navigate through the process, enabling the client to continue working on their business whilst this happens.

WHAT IS ETHICAL SUPERANNUATION?

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So what is Responsible Investment (RI)?

Responsible investment is where environmental, social, governance (ESG) and ethical issues are taken into account during the investment process. This includes investment research, analysis, selection and the monitoring of investments.

Do Responsible Investments (RI) give strong returns?

Obviously each fund would need to be reviewed prior to selection, however the Responsible Investment Benchmark Report 2015 shows strong returns on average compared to the average of equivalent mainstream funds.

http://responsibleinvestment.org/wp-content/uploads/2015/08/2015_Benchmark_Factsheet_AUST_FINAL.pdf

If you are interested in the environment, social, governance and ethical issues, perhaps investigate or discuss a Responsible Investment fund when reviewing your superannuation investment.

More information on Responsible Investment can be found here - <http://responsibleinvestment.org/>

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

*** The above limits may be subject to change upon Government finalisation

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

“In a country well governed, poverty is something to be ashamed of. In a country badly governed, wealth is something to be ashamed of.”

Confucius

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

Oliver Wendell Holmes, Sr.

“The only wealth which you will keep forever is the wealth you have given away.”

Marcus Aurelius



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