



Paul Flakus

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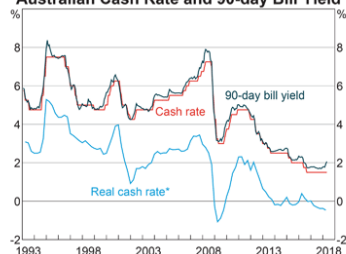
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HIGHLIGHTS

- Paul's Outlook for 2019
- 2018 - The Year That Was
- The Importance of The Credit Score
- Asset Rich, Cash Poor
- Self-Managed SuperFund Lending
- Commercial Property Finance
- Business Finance
- Tax Rates 2016-2017
- Quotes & Wise Sayings
- Professional Services

Australian Cash Rate and 90-day Bill Yield



* 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

WISHING YOU A WONDERFUL FESTIVE SEASON & HAPPY HOLIDAYS!

PAUL'S OUTLOOK FOR THE NEXT YEAR

What can we expect for 2019?

- ★ Further tightening of lenders' credit assessment criteria
- ★ Competitive Fixed Interest Rate terms
- ★ Owner Occupied home loans interest rate to remain at present levels with banks offering competitive discounted interest rates subject to their further tightening lending criteria
- ★ Reserve Bank to retain "Cash Rate" at present levels
- ★ Residential property showing a further slow down with reduction in property values in Sydney and Melbourne
- ★ Minimal wages growth

2018 - THE YEAR THAT WAS

Comprehensive Credit Reporting provides lenders with access to both the positive and negative credit reports of applicants to allow them to make a more balanced assessment of their credit history.

From 1st July 2018, major banks with more than \$100 billion in total residential assets and their subsidiaries will be required to supply 50 percent. We certainly experienced an eventful 2018 with the Royal Commission, tightening of credit by all financiers, property values declining and increase in lending interest rates, all in spite of the Reserve bank holding the "cash rate" at record levels.

The Royal Commission into banking was the highlight of the past year. What can be said of this? We are beginning to see all the lenders' addressing the issues raised by the Royal Commission, and no doubt in 2019, there will be more changes made by lenders regarding their conduct in the marketplace.

Banks have further tightened their credit processes for lending, especially in the home loan market. Lenders have again raised the bar for borrowers in "Interest Only Loans". This has been attributed to borrowers who are nearing or who have their recent Interest Only Loans reach the end of interest-only term and now face the prospect of the loans converted to principal and interest repayments.

This change in lenders' policy has certainly raised concerns with many investors who now may face the dilemma of either having to sell their investment property or face the possible cashflow strains as the loans are being repaid at a shorter loan term.

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2018 - The Year That Was

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As we have seen over the past few months, the Reserve Bank has maintained the Cash Rate at a record level of 1.5%, whilst the banks have raised interest rates for investors.

The term “Responsible Lending by the Financiers” is now the new norm. ‘Responsible lending’ has in my view, always been a major factor for any lender in approving finance for any borrower, whether that be for residential, investment or commercial finance. The Banking Royal Commission has prompted closer scrutiny in assessing the borrower’s ability to repay a loan. In particular, more detailed verification is now being made of borrowers’ living expenses.

With this in mind, we as finance brokers are even more diligent as we are required to fully analyse a client’s living expenses to ensure that the expenses are a true indicator of the applicant’s financial position. Some of these living expenses include how much you spend on groceries, petrol, childcare, school and education fees, utility bills, mobile phones, cable television, online subscriptions etc. Most of the applications now have to list and separate these items individually and incorporate them into the application process.

It’s not just a case of the applicant filling in the “boxes”, but the lenders now closely require all these boxes filled in, and painstakingly scrutinizing the applicants’ bank statements to see if there are any discrepancies or things that are not accounted for.

As seen in recent media reports and coverage, lenders are still aggressively marketing home loans at excellent discounted interest rates with Offers of cash-backs for “switching” loans. In many respects, it is still ‘business as usual’ for most scenarios and applications. Competition is still high among the major and mainstream lenders both banks and non-banks. This is not expected to change much especially in light of the current economic climate.

However, borrowers need to be aware that the lending criteria and application approval process has been greatly increased in order to meet the lenders’ stricter guidelines. Also, lenders today utilize their “assessment” criteria for serviceability that is tested between 7.25% and 7.55%. Applicants need to be aware of this before applying.

How to prepare for your application

Here are some steps that we can assist to maximize the success of your application :-

- Prepare a detailed list of current living expenses
- Prepare a budget including a loan repayment plan for interest rate of 7.25%
- Remember to factor in new expenses such as council rates, home and contents insurances, and allow for costs of any repairs and maintenance
- Have all your credit cards and store accounts up to date. Lenders will look closely at the last 3 months of credit cards and store accounts to ensure that there are no arrears.
- Ensure that all financial accounts i.e. tax returns have been completed and lodged.
- Obtain a Credit Report, or have your finance broker arrange one. This will enable a review of the current position as lenders will also do their own report. Occasionally, a utility provider or telco may have recorded a default. Therefore, it is best to address any potential issues prior to submitting a loan application.
- Mature aged borrowers have to present a clear exit plan prior to retirement, as lenders will look closely at the loan term and repayments to ensure loan is cleared on or prior to retirement.

I have seen over many years that some borrowers seek finance on their own and “shop around” with the banks. Remember, by doing this, the banks conduct credit checks, recording a “hit” on your credit score. This may have a negative impact as a lender would assume that the borrower may have been refused finance by other lenders.

If you have any concerns or questions about your Credit Score or Record, Paul has key associates that can assist you to find out more and rectify your situation if it is negative. Call us today.

THE IMPORTANCE OF THE CREDIT SCORE

A credit score is a “number” given to consumers and business entities by financial institutions that help them determine your credit worthiness.

The initial credit score for a consumer is 1,200 and the more times a consumer makes an application for any finance, whether it is successful or not, their credit score is reduced. There have been many instances where consumers apply for credit online, and not take the finance, only to find out later that their credit score has been affected by the application or enquiry.

Bill payment is another factor that may affect your credit score. Not only do you need to pay your bills, they need to be paid by the due date. If you are 14 days late with a payment, it will be recorded for 2 years. If you miss a bill payment altogether, after 60 days, that may be recorded as a ‘Default’ on your credit file and will remain on the credit file for 5 years (if the default is more than \$150).

Australians’ Credit Reports, and now Credit Scores used to be something that people do not take seriously. Now that is about to change as your credit report will become your CV (vitae curriculum) that will shape your financial destiny.

Talk to Paul today if you need more information about your Credit Score.

ASSET RICH, CASH POOR - CRUCIAL CHOICES TO MAKE

Given our longer life expectancies, the rising costs of living and the recent property boom, more and more retirees are finding themselves asset rich and cash poor.

However, there are options for retirees and people over 60 years of age. **The first option is to downsize.** This has disadvantages as there are costs associated with selling the house, purchasing a new home and associated costs. An estimated cost would be close to \$100,000 which is a huge loss of your capital unless the move is a necessity. As a result, many retirees think they are better off battling on with their present house and the ongoing bills and maintenance costs.

The second option is a Reverse Mortgage. Virtually all of the major banks have or are about to opt out of this lending product largely due to changes to their lending policies and the negative publicity that they have received from the Royal Commission. There are now a limited number of lending institutions that continue to offer a financial solution for retirees. Taking a reverse mortgage pathway involves making many substantial decisions. However, once you have carefully considered all the pros and cons, reverse mortgage can be a liberating and viable option for retirees. Some of the lenders’ products even allow for Lump Sums payments, or periodic payments to assist with ongoing daily living costs.

Paul is accredited with many proven and experienced Reverse Mortgage lenders who offer a variety of options to suit the borrower’s requirements. Please do not hesitate to contact Paul to discuss your specific needs today.

HOW CAN WE HELP YOU ?

Self Managed Superfund Lending

Whilst this is a highly regulated financial area, we have seen the decline in lending for self managed super funds.

Recently, we have seen the opting out by major banks for lending for Self managed Super funds. Again this could be the fallout of the recent Royal Commission into banking.

If you wish to seek finance in this arena, Paul has access to various lending options to meet your needs. Call today.

Commercial Property Finance

Currently we are seeing a number of clients wishing to purchase commercial properties for investment or for their own owner-occupied business. There are a number of lending options available for this type of security and Paul has access to various mainstream and non-mainstream lenders.

Contact Paul to discuss further.

Business Finance

Finance in this category includes equipment finance, debtor finance, import finance and cashflow funding. If you have a business that require finance to grow, or improve your cashflow, please do not hesitate to contact Paul for any assistance. We have extensive and proven experience in helping business owners leverage on financial products to grow and secure their business.

TAX RATES 2018 - 2019

Taxable income	Tax on this income
\$0 - \$18,200	Nil
\$18,201 - \$37,000	19c for each \$1 above \$18,200
\$37,001 - \$90,000	\$3,572 plus 32.5c for each \$1 above \$37,000
\$90,001 - \$180,000	\$20,797 plus 37c for each \$1 above \$90,000
Over \$180,000	\$54,097 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 (2014-15 / 2015-16 / 2016-17 / 2017-18)

	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	1.5%

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	Richard Alford, Managing Director HWA Insurance Brokers	Tel : 03 9559 3302 Mob : 0403 338 306
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

“One of the funny things about the stock market is that every time one person buys, another sells, and both think they are astute.”

William Feather

“Wealth consists not in having great possessions, but in having few wants.”

Epictetus

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

Benjamin Franklin



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