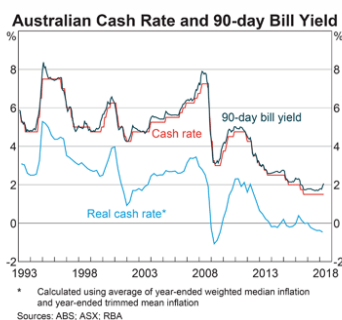




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HIGHLIGHTS

- 2019 'Financial Bang!'
- What to look forward to in 2019
- How Mortgage / Finance Brokers Help the Industry
- Business Finance Criteria Has Tightened in Today's Climate
- How to Prepare Your Home Loan Application
- Asset Rich, Cash Poor
- Self-Managed SuperFund Lending
- Commercial Property Finance
- Business Finance
- Tax Rates 2017-18
- Quotes & Wise Sayings
- Professional Services



Finance for homes now one of the lowest in 60 years

WOW! We have begun the 2019 year with a "financial bang!"

- ★ Real estate prices falling
- ★ Release of the Royal Commission report
- ★ Reserve Bank Cash Rate remains unchanged
- ★ Variable interest rates moving out of cycle
- ★ Announcement of some major banks to close their branches
- ★ Federal Election scheduled for May 2019

WHAT TO LOOK FORWARD TO IN 2019

Most of you will have read that **real estate prices have fallen over the past few months. Some of you may have been impacted.** However, the cycle must come to an end and as most real estate punters realise, what goes up, must come down. The normal cycle is usually 10 years so we are now experiencing the downturn of the cycle.

With property prices dropping, more potential borrowers may enter the market. However, borrowers should seek finance first to ensure they can secure their home or investment property because it all comes down to satisfying the lenders' current strict credit policies.

As seen in media reports, lenders are still aggressively marketing home loans at excellent discounted interest rates with offers of cash-backs for "switching" from their current lender. Therefore, competition is still high among lenders, both from mainstream and second-tier banks as well as non-bank lenders (mutuals and white label products).

The credit process is still as tight as noted in previous newsletters

More emphasis is now on scrutinising applicants' living costs. Lenders continue to amend their finance application forms to ascertain the full extent of borrowers' living expenses. Some of these expenses include amount spent on groceries, petrol, child care, school fees, utility bills, mobile phones, cable TV, pet insurance etc.

Also, note that the qualifying rate is unchanged, sitting between 7.25% to 7.85% depending on the funder.

Another issue is lending to mature-aged borrowers i.e. applicants over 45 years. Lenders are now seeking detailed written advice as to how the borrower intends to clear the debt on or prior to retirement. Banks cite that solely relying on superannuation to clear the debt at the time of retirement and possibly leaving a little balance in superannuation may not be a valid exit strategy. There needs to be other supported income avenues available to strengthen the payback proposal.

HOW MORTGAGE / FINANCE BROKERS HELP THE INDUSTRY

The Royal Commission Into Banking received much publicity last year but now that the report has been published. It is up to the various banks and Government of the day to implement what is necessary.

Certainly from a Finance/Mortgage Broker's point of view, I felt the main issue was the recommendation of charging a fee-for-service. In the Royal Commission, this was flagged initially by CBA.

In my opinion, this proposed fee-for-service is of no benefit to the consumer/client. If consumers shopped around for a home loan, they would have an "enquiry" tagged in their credit file each time they applied. This raises concerns with a potential lender as they would see that the applicant is "shopping" around and this may have an adverse impact on the application. This would limit the ability of the consumer to obtain

the best loan product that meets their financial requirements.

Banks only sell their own products and do not compare their offers with other competitors. This would be seen as a bad outcome for the consumer.

An experienced Finance/Mortgage broker works for the client and ensures that the client fully understands what the requirements are. Plus, the finance/mortgage broker sits with the client and does a detailed scrutiny of their income, living expenses and other financial liabilities. He/She then processes the submission **matching for the best suited loan product for that client and their unique financial situation.**

Your personal experienced Finance/Mortgage broker is always there to assist you from

the start to the completion of the transaction.

Ongoing support is there post settlement too. Clients will not be hand-balled from one bank to another, chasing different bank employees for answers to their questions.

Additionally, the Finance/Mortgage broker is available to the client generally on a 7-day-a-week basis during the application and are available to see the clients after hours as opposed to a bank, which can only service clients during business hours. The Finance/Mortgage broker takes the stress out of the equation for the client.

Paul and many of his fellow professionals have been integral members of the finance community addressing unique needs of their clients that banks cannot. Contact us today to find out how we can help.

BUSINESS FINANCE CRITERIA HAS TIGHTENED IN TODAY'S CLIMATE

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 statements been finalised? (Lenders require a minimum of 2 years of the 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 clients' needs.

For commercial property finance, key questions to consider include :

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

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.

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

How to prepare for your home loan application

Here are some steps that can assist :

1. Prepare a detailed list of current living expenses (Paul can email a form to you to help you cover the bases)
2. Prepare a budget including a loan repayment at 7.25% (remember to factor in new expenses such as council rates, home and contents insurance, and allow for any repairs and maintenance)
3. Ensure all your credit cards and store accounts are paid up to date. Lenders look closely at the last 3 months of credit cards and store accounts to ensure that there are no arrears.
4. Cancel unused Credit Cards
5. Ensure that all financial accounts i.e. tax returns have been completed and lodged and paid up to date if need be.
6. Obtain a Credit Report or your finance broker can arrange one. This will enable a review of your current position especially as lenders will do their own report too. Occasionally a utility provider or telco may have recorded a default. Therefore, it is best to address any issues prior to submitting a loan application.

Talk to Paul today if you need more information about your home loan application.

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

Normally a highly regulated finance area, there has been a decline in lending for self-managed super funds. Many major banks have opted out of this type of lending while those that remain have minimum entry requirements that effectively place them out of the mix. Should you wish to seek finance in this area, Paul has various other lending options to meet your needs.

Commercial Property Finance

Currently, there are many borrowers who wish to purchase commercial properties for investment or for their owner-occupied businesses. 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

Includes equipment, debtor and import finance, and cashflow funding. However, business finance is a challenge to obtain. Also, moving your business banking to another bank can be a ghastly experience and take many months. Current lending for property development is extremely difficult to obtain from mainstream funders. However, there are specialist property development financiers available who will look at any viable proposal, subject to their usual credit policies.

Equipment Finance

Thinking of purchasing new equipment (cars, plant/machinery, yellow goods) for your business? Contact Paul today!

TAX RATES 2017 - 2018

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%
Tier 3	\$140,001 and above	\$280,001 and above	2%

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 & marketing services	David Cheah, Abacus Mind	Mob : 0403 979 986
Property Conveyancing services	Colleen Buck Cheltenham Conveyancing Services	Tel : 03 9585 6222 Mob : 0416 246 617
Financial Planning, Superannuation & Risk Products	Ian Henry Brenton Henry	Tel : 03 9521 0303 Mob : 0408 571 757 0433 923 669
Valuations	WPB- Greville Pabst	1300 302 581 Mob : 0419 326 361

Quotes & Wise Sayings

“Don’t think money does everything or you are going to end up doing everything for money.”

Voltaire

“Libraries will get you through times of no money better than money will get you through times of no libraries.”

Anne Herbert

“Everyone wants to ride with you in the limo, but what you want is someone who will take the bus with you when the limo breaks down.”

Oprah Winfrey



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