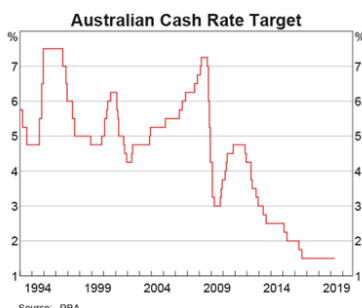




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## HIGHLIGHTS

- What's Happened over the past 6 months?
- What to look forward to
- How Mortgage / Finance Brokers Help the Industry
- Asset Rich, Cash Poor - Some Choices
- How Can We Help You
- How to Prepare Your Home Loan Application
- Tax Rates 2017-18
- Quotes & Wise Sayings
- Professional Services



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

## WHAT'S HAPPENED OVER THE PAST 6 MONTHS?

- ★ Real estate prices still falling in some areas and stabilized in others.
- ★ Reserve Bank Cash Rate cuts Cash rate to 1.25% - a historical low. There is a possibility of a further cut, thus reducing the cash rate to 1.00%. Watch this space!
- ★ Announcement of some major banks closing their branches.
- ★ Federal Election now finalized.
- ★ Bank's continuance further tightening.
- ★ Banks have reduced Fixed Rate home loans for owner occupiers and investors.
- ★ Banks are reducing variable rate loans.
- ★ APRA reviewing its benchmark/qualifying rate and decision.

## WHAT TO LOOK FORWARD TO

You may have read that real estate prices have fallen over the past few months and some of you may even be impacted. Recent property valuations have indicated a fall in real estate values, especially if the valuation is for finance purposes. Also, fair market valuations have reflected lower prices for properties.

As indicated in the Autumn Newsletter, the cycle must come to an end as most real estate punters realise, what goes up, must come down. The cycle is normally 10 years and we are experiencing the downturn of that cycle.

With the federal election now behind us, property investors may feel at ease in regards to negative gearing while potential investors may become more confident in investing. However, borrowers seeking finance for a home or investment property must remember the current strict lender's credit policies. They are still just as tight as before. Emphasis is placed on the applicant's living costs. Lenders are amending their finance application forms to scrutinise the borrower's living expenses including groceries, petrol, childcare, school fees, utility bills, mobile phones, cable TV, pet insurance etc. Other expense items that lenders look at include contactless payments such as Uber Eats, online streaming, and gambling etc.

The qualifying rate is currently unchanged between 7.25% to 7.85% depending on funder. In practice, banks test whether customers can manage loan payments if the interest rate hits 7.25% which is much higher than the actual rate, currently as low as 4% being offered by many mortgages funders (a gap of 3.25%).

With rates sitting at low levels and likely to remain for some time, APRA has advised that they are reviewing the "floor rate" that banks utilize to reduce it or Assessment rate to 7%. However, the "floor rate" could vary from lender to lender. This was introduced in late 2014 by APRA in an attempt to contain soaring house prices. Overall, this is a positive move forward and banks would no doubt reduce it accordingly to enable customers to obtain a mortgage loan. Follow my Web site for further updates on this.

### ASSET RICH, CASH POOR - SOME CHOICES

Given our longer life expectancies, rising costs of living and the recent property boom, more and more retirees are finding themselves asset rich and cash poor. There are some options for retirees or 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 additional associated costs. Estimate costs could be as high as \$100,000 which is a huge loss of your capital unless the move is a necessity. As a result, many retirees take the view that they are better off battling along with their present house and the on-going bills and maintenance costs that come with it.

**The second option is to seek a Reverse Mortgage.**

Virtually all of the major banks have opted out of this lending product largely due to changes to their lending policies and in view of the negative publicity received from the Royal Commission. There are now a limited number of lending institutions that have a financial solution for retirees.

A reverse mortgage involve substantial decisions. However, once all the pros and cons are considered, a reverse mortgage is a viable option for some retirees. Also, many retirees and pensioners wish to reside in their own property for as long as possible (this is also the federal government's preference) instead of entering Aged Care. This type of loan would assist with living costs, payment for allied services and other unforeseen expenses. Some of the lenders products allow for Lump Sums and periodic payments to assist with daily living costs.

If retirees/pensioners are pondering Aged Care, they should carefully consider the financial implications and seek professional advice of a Certified Financial Planner that specialises in Aged Care to guide them through the labyrinth of paperwork and entitlements.

**Paul is accredited with proven and experienced Reverse Mortgage lenders who offer a variety of options to suit borrower's requirements. Please do not hesitate to contact us today to discuss your particular needs.**

### HOW MORTGAGE / FINANCE BROKERS HELP THE INDUSTRY

**The Royal Commission Into Banking** had received much publicity during the past year and 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, the main issue was the recommendation of charging a fee for service.

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

This would limit the opportunity for the consumer to obtain the best

suited loan product that meets their financial requirements.

Banks only sell their own products and do not do comparisons with any of their competitors. This would be a bad outcome for the consumer.

An experienced Finance/ Mortgage Broker works for the client and ensures that the consumer fully understands what the requirements are. Plus, the finance/mortgage broker sits with the client and completes a detailed scrutiny of the applicant's income, living expenses and other financial liabilities. The broker then analyses and processes the submission searching for the best-matched loan product for the client and their unique financial requirements and needs.

Your personal experienced Finance/ Mortgage Broker is always available to assist from start to the

completion of the transaction. Ongoing support is also available through to post settlement. With a Mortgage Broker, you will not be hand-balled from one bank officer to another. And you will not need to chase multiple bank employees for answers to your questions.

In addition, your Finance/ Mortgage Broker is available to you generally on a 7-day a week basis (clients can be seen after hours too, as opposed to a bank, which only sees customers during business hours.) In short, your Finance/Mortgage Broker takes the stress out of the equation for the you in the loan process because you will never be in the dark.

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

## HOW CAN WE HELP YOU ?

### REAL ESTATE VALUATIONS

Thinking of purchasing a property or just wanting to re-assess the value of your property? It would be a worthwhile pursuit to engage the services of an experienced, proven and trustworthy property valuer. Our associates provide valuation services for commercial, residential and industrial properties in specialised locations and industries. **Contact Paul today and let us help you find the most suitable valuer for your particular situation.**

### COMMERCIAL PROPERTY FINANCE

Available for clients who wish to purchase commercial properties for investment or their own owner-occupied business(es). There are a number of lending options available for this type of security and Paul has access to various mainstream and non-mainstream lenders and options. **Contact Paul today to discuss further.**

### SELF MANAGED SUPERFUND LOANS

Lenders in this space is very limited. However, Paul has access to various funders for lending in this sector both for commercial and residential properties.

**Please do not hesitate to call Paul today to find out more.**

### BUSINESS FINANCE

This category includes equipment finance, debtor finance, import finance and cashflow funding. With the banks marketing 'we are open for business', business finance is still difficult to obtain. Moreover, moving your business banking from one bank to another can be a ghastly experience and time-consuming task that may take many months and focus away from your business. The bank's appetite is also dependent on the industry and the risks of that industry. Lenders also tend to occasionally review their industry risks and sometimes withdraw facilities if they consider the industry has become too risky. This may present a refinance opportunity so contact Paul today to discuss your options.

### EQUIPMENT FINANCE

**Purchases include motor vehicle, trucks, trailers, excavators, caravans, forklifts, office fitouts, phone systems, audio and any other IT equipment, medical equipment, jet skis, helicopter, boats and machinery. This is a highly specialised area and Paul has many years of experience successfully acquiring finance for business clients to purchase equipment. There are various lenders in the market today who are not necessarily mainstream banks who only do Equipment Finance, and thereby able to provide attractive terms and excellent approval turnaround times.**

## How to prepare for your home loan application

For applicants over 45 years, lenders are now seeking written advice of how the borrower intends to clear the debt on or prior to retirement. Banks do not consider relying solely on superannuation to clear the loan while leaving a little balance in super as a valid exit strategy. You need other avenues to strengthen the payback proposal.

Here are some steps that can assist in your loan application :

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.**

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

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

Benjamin Franklin

“A big part of financial freedom is having your heart and mind free from worry about the what-ifs of life.”

Suze Orman

“Our incomes are like our shoes; if too small they gall and pinch us; but if too large, they cause us to stumble and to trip.”

John Locke



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