



Paul Flakus

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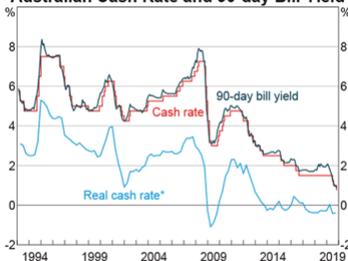
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HIGHLIGHTS

- What Happened in the Past Year
- What We Can Expect for the Year 2020
- Reduction in Interest Rates for Owner Occupiers & Investors
- Business Loans : Secured or Unsecured
- Responsible Lending
- Commercial Real Estate
- Self Employed Borrowers
- VEDA / Credit Scores
- Estate Wills
- Tax Rates 2016-2017
- 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

SEASONS GREETINGS & HAPPY HOLIDAYS!!!

A BIG THANK YOU TO EVERYONE FOR ENABLING FLAKUS & ASSOCIATES TO ASSIST YOU DURING THE YEAR. WE LOOK FORWARD TO OFFERING OUR PROFESSIONAL SERVICES FOR THE COMING YEAR

WHAT HAPPENED IN THE PAST YEAR

- ★ Reserve Bank of Australia has reduced the cash rate to a record low of 0.75%.
- ★ Banks and other financial institutions have reduced their variable mortgage lending rates, however not in line with the RBA's cut in the cash rates.
- ★ The result of the banking Royal Commission in February this year had a major effect on the finance industry with more emphasis placed on responsible lending practices by the banks. This stymied borrowers from accessing funds and banks adopting a tighter lending criteria.
- ★ APRA reduced the benchmark that banks utilize for serviceability for borrowers. However, recently lenders have again adjusted their serviceability models centering around household living expenses and rental income resulting in potentially reduced loan amounts.
- ★ Federal Election in May 2019 saw the return of a Coalition Government.
- ★ Home loan mortgage rates are now the lowest for over 60 years. In August 1959 the standard variable rate was 5% and in August 2019 the standard variable rate is 4.98%.

WHAT WE CAN EXPECT FOR THE YEAR 2020

- ★ Possible reduction of the RBA cash rate in the March quarter due to central bank expecting jobless rate to be higher and wages growth lower than expected.
- ★ Increased banks' competitiveness for the home loan market.
- ★ Low home loan rates.
- ★ Borrowers maintaining loan payments at higher levels to reduce loans at a rapid rate, thereby gaining more equity.
- ★ Banks' constant review of credit policies and serviceability models could promote renewed macroprudential restrictions from APRA to prevent growth in household debt.

REDUCTION IN INTEREST RATES FOR OWNER OCCUPIERS AND INVESTORS

Over the past weeks we have seen lenders reduce their variable and fixed interest rates for Owner Occupiers and Investors. Some lenders are now offering tiered interest rates on the Loan to Security Ratio (LVR).

An example would be if the LVR was under 60%. This would attract a slightly lower interest rate than a loan with a LVR of 80%.

We are also noticing the major banks reducing their discounts on “packaged” loans. All discounts above and beyond the bank’s standard tiered discounts are subject to pricing approvals and to obtain a higher lending discount of interest rates the borrower would

need to be in the upper end for the lender to consider higher than normal pricing discounts.

Floor and Buffer Rate

This sensitive area for lenders has seen some of the lenders reducing their “floor rates” range between 5.00% to 5.50% with a buffer ranging from 2.50% to 2.75%.

However, whilst this may provide additional borrowing capacity for customers who have rental income or proposed rental incomes, the lenders have scaled back their allowance for rental income from 80% to 70%. Therefore, the outcome would be a reduced borrowing capacity.

In addition to this, lenders are constantly adjusting their “living costs” expenditure and are now attributing a percentage of Gross Annual income. Subsequently, the higher the gross annual income, more is allocated for “living expenses” plus fully detailed expenses for other monthly expenditure. Examples include childcare, private schooling, holidays, pet insurance, TV streaming and other discretionary expenses.

If you have any concerns or questions about how this will affect your credit rating and ability to successfully secure finance, call Paul today on 1300 FLAKUS.

BUSINESS LOANS : Secured or Unsecured?

Many small business owners utilize the equity in their family home to finance their business requirements. You will now be glad to know that today there are many more options available for small business owners in this arena.

Unsecured or partially secured loans from banks usually takes far longer to process as the banks will require applicants to supply at least the past 2 years’ financial statements, bank statements and ATO Portals among a range of other requirements. This is required in order to assess the risk and evaluate the health and viability of the business.

Flakus and Associates has access to several specialist business cash flow lenders whose appetite in this space is growing.

Generally, these types of loans range from \$5,000 to several hundred thousand dollars and are set on an unsecured basis.

Applications can be approved in a very short time frame and is ideal for helping businesses overcome cashflow issues. Purposes of this type of funding include day-to-day business operations, paying tax due and covering staff and incidental costs.

Contact Paul today if you or your business is keen to explore this type of business cash flow lending.

RESPONSIBLE LENDING

A major buzz phrase that emerged from the recent Royal Commission was the term “Responsible Lending Practices”.

Consumer Credit Policy Changes

Banks have recently announced changes to their mortgage credit policy to ensure they continue to apply ‘responsible lending practices’ in assessing a customer’s ability to service existing and proposed debts.

Finance and mortgage brokers commit to fully understand the borrowers’ needs and analyse their financial situations to ensure that the borrowers not only meet their current and proposed financial commitments, but also to ascertain proposed loans that are NOT unsuitable for the borrower.

It is important that whilst lenders are offering attractive interest rates, it still comes down to the lenders’ credit assessment. Too often, applicants are enticed by lower interest rates but then becoming disappointed when their application does not meet the lenders’ credit criteria. To minimise this, talk to an experienced broker today.

COMMERCIAL REAL ESTATE FINANCE

Are you considering purchasing a commercial property? This is a growing type of investment for owner occupiers, investors and Self Managed Superfunds.

Whilst commercial mortgages may appear to be similar to residential mortgages, they require more specialized knowledge. Most commercial loan terms range from 15 to 30 years and lending on commercial property is between 60% to 75%.

Rates on commercial property loans are also higher than normal residential home loans. A commercial loan from a major bank usually requires the borrower to transfer all their business banking which can be extremely onerous. Financial institutions also focus on

the financial health of the business, rather than just the mortgagor, therefore requiring additional financial statements to assess the transaction.

Flakus and Associates has access to specialist commercial funders who are mainly non-banks as they have less eligibility requirements, fewer loan covenants, longer loan terms and can lend up to 75% of the commercial property value. They are also able to lend to Self Managed Superfund which major financial institutions resigned from several years ago.

Contact Paul today to discuss your current commercial loan or any future commercial finance requirements.



SELF EMPLOYED BORROWERS

Many self-employed applicants are often refused finance while others face very difficult hurdles to overcome and hence opt out of borrowing due to their overall business structures.

Some lenders would assess the borrowers' financial capability utilizing the latest financial accounts, and require the past 2 years' financials as a guide. Other smaller lenders may utilize the average of the last 2 years' financial accounts and if the borrower's previous year was lower than the current year, the borrower may be stymied by this requirement .

When issues with the economy arise or events like the Royal Commission occur, the default position of the banks would be to turn away anything that is too difficult or potentially a risk. The application process is now more automated and the personal connection between the borrower and the lender at the bank becomes non-existent. This is why an experienced finance broker is ideal to assist the borrower navigate the credit process. This is a growing segment in the market that the traditional lenders are ill-equipped to manage and service.

Paul is accredited with many proven and experienced lenders who offer a variety of options to suit the borrower's requirements. Please do not hesitate to contact Paul if you are a self-employed borrower and want a smoother and less stressful process for your personal and professional finance needs.

VEDA / CREDIT SCORE

Recently, there is much discussion around personal credit scores and credit checks. If you are seeking credit online or directly with a bank, a credit check is conducted and your enquiry is recorded as a 'hit'. The more "hits" on your Veda Credit file, the higher the possibility of your score being reduced.

The majority of lenders look closely at an applicant's credit file and would notice if an applicant has been seeking finance repeatedly. This may negatively affect their decision to approve your application because repeated credit checks generally raise "alarm bells".

Engage a professional finance broker to conduct a credit check prior to any finance submissions and address any issues on the file to maximise your success rate.

ESTATE WILLS

As part of a finance broker's needs analysis, Wills, Estate Planning and Powers of Attorney is a crucial topic to be discussed.

Often, prospective borrowers do not have a will in place, or if they do, it may be out of date, especially if their personal circumstances have changed since the writing of the Will. Often, younger borrowers, whether single, married or in a de-facto relationship, do not have a Will or Power of Attorney in place.

Whilst this might be the last thing on peoples' minds, it is an important issue. If a death occurs, proceeding with the Estate without a will or power of attorney in place may become a nightmare.

Paul has a number of specialists and professionals who can assist with Wills and Estate Planning. Nothing is as comforting as peace of mind when it comes to Wills.

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 : 03 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	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 and Risk Products	Ian Henry Brenton Henry	Tel : 03 9521 0303 Mob : 0408 571 757 0433 923 669
Property and Advisory Advocacy	WPB Property Greville Pabst	Tel : 1300 302 581 Mob : 0419 326 361

Quotes & Wise Sayings

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

Suze Orman

“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

“The single most important personal finance decision you make is your career.”

Sal Khan



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