

THE BLACK ROCK DIGEST



Issue 60 Spring Edition September 2021

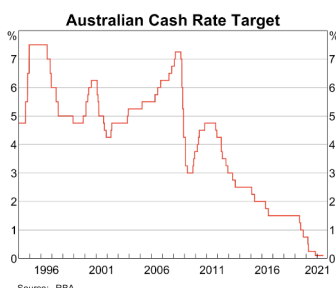


Paul Flakus

Australian Credit License No : 379603
Founder, Flakus & Associates
Unit 5, 120 Talinga Road,
Cheltenham VIC 3192
T 03 - 9583 0119
M 0417 567 747
www.flakus.com.au

HIGHLIGHTS

- The Year So Far
- Testimonial
- Commercial Real Estate Finance
- Business Finance
- Estate Wills
- Buy Now Pay Later (BNPL)
- Home Loan Interest Rates Descending Even Lower and Cash Back Offerings
- Lenders Mortgage Insurance (LMI) vs Parental Guarantee
- Surge in Reverse Mortgages
- How Flakus & Associates Can Help You
- Professional Services



Finance for homes now one of the lowest in 60 years

THE YEAR SO FAR

The Reserve Bank of Australia (RBA) has kept the bank's interchange rate at a record low of 0.10% and the recent commentary released by the RBA states that they are not intending to increase the 'cash rate' over the next few years. Therefore, the Cash Rate has been retained at the record low level.

Whilst lending institutions are still lending, the lending criteria and policies have constantly changed over the past few months and are constantly under review.

In particular, lenders have adjusted their Household Expenditure Monthly (HEMs) in accordance with the quarterly Consumer Price Index (CPI). This has resulted in increased serviceability models to reflect the change in the CPI.

Currently, lenders have and will constantly tweak their "assessment criteria" with serviceability criteria commencing at 5.10%. Potential borrowers take note and plan accordingly to ensure your application is best placed to succeed.

TESTIMONIAL

For me, the 3 most important factors in choosing a bank or broker to assist with finance for our business are trust, honesty and efficiency, and Paul aced all 3 factors.

I found out about Paul and Flakus & Associates from a friend, and word of mouth is a good thing!

My experience in dealing with Paul and getting our finance organised was always pleasant and Paul was highly professional. He has vast knowledge about the inner workings of banks and businesses because he had been deeply involved in the industry and sector throughout his career.

He is also diligent and very particular in that he ensures that he follows up every detail. He is also a shrewd negotiator and persists until the job is complete. This meant that Paul did all the the leg work and presented the best option for us to choose from. He also continually tweaked and improved the negotiations until we had reached the optimum outcome for our business.

I would highly recommend Paul to others - because Paul is kind, he knows the pressures people face in their daily business and he supports you. Paul is also very dogged (committed and persistent), no job is too hard, and he is optimistic in that no problem is without a solution, and he works tirelessly towards the goal always.

Paul is a great communicator. At every point he conveyed information in a way and manner that is easily understood and appreciated. Real talk, face-to-face, phone, email - he communicates frequently and is adaptable to suit your preferred mode anytime of the day, any day of the week. Prompt, to the point and always the consummate professional. That's Paul for you.

Thank you Paul, I appreciate all you have done for our business. I really could not have done it without your tireless work.

Naomi, M.A. Gardens

PAUL FLAKUS - Your First Port of Call for all your Finance Options

COMMERCIAL REAL ESTATE FINANCE

Considering purchasing a commercial property?

This is a growing category of investment for owner-occupiers, investors and those with a Self -Managed Superfund (SMSF).

Rates on commercial property loans are currently very competitive and lenders are eager to fund clients wishing to purchase or re-finance commercial properties which include factories/warehouses, commercial property or other similar assets. Lenders' interest in this category of assets are currently extremely encouraging.

Most commercial loan terms range from 15- to 30-years, and current lending on commercial properties sit between 60% to 80% of property or asset value.

Taking a commercial loan from a major bank usually involves the borrower transferring all their business banking relationships to that institution, which can be extremely onerous.

Also, major financial institutions focus on the financial health of the business rather than just the mortgagor, thereby requiring additional financial statements to assess the transaction.

Whilst the banks are using the catch cry, "We are open for business and accepting new bank clients", it comes back to their appetite for the business and the applicant's credit worthiness. Approval criteria and assessment requirements are still pretty comprehensive and exhaustive.

Contact Paul today on 0417 567 747 to discuss your current or future commercial finance requirements you may be considering.



ESTATE WILLS

With more and more young borrowers, it is worthwhile that they consider preparing a Will. Whilst this may be considered as a "to do for later job", borrowers need to consider the implications in the event of a mishap and what impact this will have on the family unit.

In addition, borrowers should always have Powers of Attorney executed for rainy days ahead.

If you are looking for help or guidance with preparing wills and/or estate planning, Flakus and Associates has access to a number of professionals who specialise in those areas who can help.

BUSINESS FINANCE

Flakus and Associates are well-versed in business finance, having successfully assisted clients with obtaining business finance, whether for purchasing, re-financing or restructuring their current business finance needs, especially in times of uncertainty such as the current.

Contact Paul to discuss this as Paul has associates that would assist in this regard.

BUY NOW PAY LATER (BNPL) PROVIDERS

This form of finance is growing at a rapid rate and seems to be the new way to spend money which the 'borrower' may not have at present.

Currently, there are more than 20 BNPL providers in the marketplace.

Examples include Afterpay, ZIP, Latitude Pay, Klarna, Payright and Brighte.

As this is currently an unregulated category or product type, most BNPL providers do not conduct credit checks. However, you need to be aware that this may impact your financial welfare and standing.

Some of the points to consider :-

- Late payment fees
- Usage of several BNPL providers
- Impulse or unplanned buying
- Financial strain (Defaults could leave a mark on credit history)

Some common features include :-

- Interest free
- Four equal instalments
- Management and reporting via apps
- Account limits

HOME LOAN INTEREST RATES DESCENDING EVEN LOWER and CASH BACK OFFERINGS

With the RBA cash rate still at a record 0.10 % as at 4th August 2021, lenders are still offering variable interest rates at very competitive levels. Some lenders are even offering generous “cash backs” for existing borrowers to switch lenders.

Most “cash back” deals are for customers re-financing as opposed to first home buyers. Borrowers who are re-financing with the view of “cash back” need to consider competitive interest rates and costs such as fees. Another question to ask is, “Will the “cash back” amount that is going to be paid more than the extra interest over time?”

We have seen recently that the Fixed Interest Rates for a 4-and 5-year term have increased as lenders are anticipating that official interest rates set by the Reserve Bank will be rise over time. Although funds are now at low interest rates, the finance application is still subject to the lender’s stringent credit criteria.

If you are considering re-financing or purchasing a new property for investment or owner-occupied, contact Paul today to discuss all your available options.

LENDERS MORTGAGE INSURANCE (LMI) vs PARENTAL GUARANTEE

WHAT IS LMI?

Lenders Mortgage Insurance (LMI) was introduced by the Federal Government in 1965 to transfer the risk from the lender to the insurers. Without a 20% deposit, home buyers are usually required to take out LMI. Self-employed borrowers and non-residents may also need LMI in order to secure their loan, with the lenders deciding on a case-by-case basis.

LMI is required if you are seeking a residential loan in excess of 80% of the property value, and the added cost can be hefty. Many borrowers mistakenly believe that LMI is designed to protect them if they default on their loan, thereby enabling them to retain their house. In fact, it actually protects the lender if the borrower defaults on their loan.

THE RETURN OF THE PARENTAL GUARANTEE (FAMILY SUPPORT)

Recently, lenders have re-introduced the parental guarantee for up to 15% of the purchase cost to assist their children entering the real estate property market for owner-occupied properties without the need for LMI. The total loan, which is split into 2 loans, is assessed on the borrower’s capacity to repay the total combined loan. More young buyers are caging parents for assistance. This has become increasingly prevalent as rising property prices have pushed the deposit required beyond the reach of many home buyers. Usually, the bank of mum-and-dad “gifts” the funds to bring the loan under 80% thereby avoiding the need for LMI. However, there are numerous pitfalls with this approach, and all parties need to be fully aware of the implications of parental assistance.

For further information regarding LMI or parental assistance, contact Paul on 0417 567 747 today.

SURGE IN REVERSE MORTGAGES

Cash Poor? Asset Rich?

Over recent months, I have noticed an increase in mature and elderly people seeking to access this type of funding. There are 2 options available.

1. Seniors Reverse Mortgage

In Seniors Reverse Mortgage, borrowing is calculated as a percentage of the applicant’s age to the value of the property as security. The minimum age is 60 and funds can be a lump sum or monthly advances. The application will need to consider the borrower’s ability to meet Aged Care entry costs.

2. The Pension Loans Scheme (PLS)

This is a Federal Government scheme for anyone who has reached pension age to take out a “reverse mortgage” from the government where the balance of the loan is repaid when the property is sold. The property can be either owner-occupied property or an investment property which will be used as security. The ability exists to draw down an income stream of up to one and a half times the maximum Age pension plus supplements. No Lump sum payments are given out. However, in recent May 2021 Federal Budget, this aspect was being reviewed. Please refer to the Federal Government website for updates.

For further details, do not hesitate to contact Paul if you fall into this category of finance.

HOW FLAKUS & ASSOCIATES CAN HELP YOU

REAL ESTATE VALUATIONS	Thinking of purchasing a property or just wanting to re-assess the value of your property? 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.
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.
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.
BUSINESS FINANCE	Includes equipment finance, debtor finance, import finance and cashflow funding. Business finance is still difficult to obtain and moving your business banking from one bank to another can be a ghastly experience and take many months and focus away from your business. 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	Includes motor vehicle, trucks, trailers, excavators, caravans, forklifts, office fit-outs, phone systems, audio and any IT equipment, medical equipment, jet skis, helicopter, boats and machinery. This is a highly specialised area and require many years of experience to successfully acquire 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.

PROFESSIONAL SERVICES

Services Required	Paul Recommends	Contact Details
Tax and Accounting	Craig J. Allen, Craig Allen & Associates	Tel : 03 9558 7316
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, Wills, etc	Keith Hoban or Dita Kaye D & K Legal	Mob : 0497 650 790
	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 Mob : 0433 923 669
Property and Advisory Advocacy	WPB Property Greville Pabst	Tel : 1300 302 581 Mob : 0419 326 361

Quotes & Wise Sayings

"Money is only a tool. It will take you wherever you wish, but it will not replace you as the driver."

Ayn Rand

"As much money and life as you could want! The two things most human beings would choose above all - the trouble is, humans do have a knack of choosing precisely those things that are worst for them."

JK Rowling

"Money cannot buy peace of mind. It cannot heal ruptured relationships, or build meaning into a life that has none."

Richard M. DeVos

"Money has never made a man happy, nor will it, there is nothing in its nature to produce happiness. The more of it one has, the more one wants."

Benjamin Franklin



Paul Flakus

Australian Credit License No : 379603
Founder, Flakus & Associates
 Unit 5, 120 Talinga Road,
 Cheltenham VIC 3192
 T 03 - 9583 0119
 M 0417 567 747
www.flakus.com.au