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HIGHLIGHTS

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- Commercial Real Estate Finance
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Finance for homes now one of the lowest in 60 years

THE YEAR SO FAR

This quarter we have seen the RBA increase the cash rate from 0.10% to the current level of 2.35 % as of September 2022. The financial institutions have also increased their variable rates and fixed rates accordingly.

Recently, I have seen a number of lenders reduce their variable rates for owner-occupied and investment properties. The various reductions are based on the loan to security ratios (LVR's) with recent rate reduction ranging from 0.10% to 0.15%. As a result, an example of an owner-occupied variable rate with a Loan to Security Value of below 70% would be 3.94%.

It is worth noting that there are a large number of various home loan products available in the market place and whilst media hype is centered around increased home loan rates and the trend is to "shop around for the best deal", it is wise to discuss the best-suited loan product for your needs with your finance broker.

Also, your finance broker can determine if you, the borrower, meets the lender's serviceability criteria. With recent increases in the RBA Cash Rate, the lenders "assessment criteria" has also increased. This increase in "assessment interest rate" has affected the borrowers' loan amount sought.

Borrowers should also be mindful of their household monthly expenses (HEMs). This category is heavily scrutinized by the lenders and living expenses must be realistic and within the HEM's parameters. Another measurement "tool" that lenders are now implementing is the "Debt To Income ratio" (DTI). This is the multiplier of what you wish to borrow versus your annual salary. This recently added assessment tool is also known as a potential 'handbrake' to borrowing. This is assessed on a bank by bank basis. The higher the DTI, the greater the concern a lender may have. This new lender's serviceability tool does not take into consideration the value or equity in the property.

LENDERS SPRING CAMPAIGN TO SWITCH

As we engage in the traditional Spring period for home loans, lenders are beginning to offer generous "cash incentives" to attract new mortgage customers. Some lenders are offering cash-backs of up to \$4,000, and if a loan switch is above \$1M, a cash-back of up to \$6,000 is on offer.

Most cash-back offers are available to customers who are refinancing, usually with a 20% equity in the property being refinanced, and a minimum loan size of \$250,000.

Whilst "Cash-Backs" are very enticing, your finance broker should be able to navigate through the various loan products available to identify pros and cons. Sometimes, whilst switching your loan product with your current lender may be a beneficial solution, you may not meet the new lender's credit assessment.

So, bear this in mind if you are considering refinancing or purchasing a new property for investment or owner-occupied, contact your finance broker first to discuss all the available options, and prepare your application for the best possibility of success.

Contact Paul to discuss your options and take advantage of the Spring Campaign to refinance or secure your new property. Call Paul on 0417 567 747 today.

BUSINESS FINANCE

Flakus and Associates is well versed in business finance, having successfully assisted clients with obtaining business finance, whether to purchase an established business (including franchises), refinancing, or restructuring of their current business financial needs.

In the past 6 months, some of the loan solutions that Flakus and Associates has assisted clients include :-

- Payment of ATO Arrears
- Purchase of specialized medical equipment
- Finance for Commercial Office Fit-Out
- Asset finance for cars, trucks, trailers, horse trucks and IT equipment

Most business owners are far too busy to deal with the banks. Engaging the services of a professional finance broker certainly enables the finance broker to become the conduit between the client and the lender, freeing the business owner to focus on the business and managing the ins and outs navigation of the process.

Generally speaking, depending on the type of business, there are now Fintech lenders who specialize in the SME market that offer solutions very competitive and empowering solutions.

Contact Paul today to discuss your current business financial position and any future business and equipment finance requirements you may be considering.

FIRST TIME BUYER

If you are a first time buyer, here are some terms and advice to help you avoid potential pitfalls and navigate the process.

FOMO (fear of missing out) trap: Auctions are very competitive. The last thing you want to do is to exceed your budget, through fear of missing out. Stick to your finance limit, needs and want list.

Pre-Approval Offer: Many people assume that obtaining a Pre-Approval for a home loan secures the loan. Incorrect!!!! Pre-approvals only assess your desirability as a borrower based on your income, financial history and ability to make loan payments. The amount is only an estimate.

Hidden Costs: some additional costs include :-

Home insurance - It's best to check out the location for the "risk rating" of the property. Some risks may include flood risks, high crime rates, bushfire risk etc.

A "high risk" location accordingly has a higher Insurance premium and you would need to budget for that. Also, if the property is in a "high Risk" area, the insurer may not provide Insurance Cover and therefore the Lender may not provide finance as their security is not insurable.

Home Office /Working from Home - You need to check the wording on your Insurance Policy and see if the property is NOT used for business activity.

Some insurers advise that if No clients attend the house, the Home Insurance policy will not change. However, if this changes, then you must notify your insurer as your insurance may not be covered.

Other Hidden costs when buying a property include removalists, disbursement adjustments (including water, rates and Owners' Corporation fees), utilities connection fees, building and pest inspections etc.

LEASE DOC FINANCE

This type of finance product is back with limited lenders. Most lenders are now keen to provide finance.

Contact Paul on 0417 567 747 to ascertain if you are eligible for this finance type for your SME (small and emerging business).

PROPERTY CONTRACTS

In a rapidly moving real estate market it's tempting to overlook or cut corners when reviewing a contract, and not all purchasers are familiar with what's in a contract.

Beware of being caught up in a possible "bidding war" to secure the property. It is paramount that you engage the services of a Solicitor or Conveyancer to carefully peruse the contract prior to placing an "Offer" or signing. See if your legal representative will accept a financial retainer for reviewing any property contracts that you're investigating to ensure the right property is secured. Most professionals in the industry will be pleased to assist in this regard.

Employ an old adage 'Caveat Emptor (Buyer Beware)'

ESTATE AND WILLS

Dying intestate (without a will) can create huge problems for the next-of-kin.

With more younger and middle-aged borrowers seeking debt, it is worthwhile to consider preparing a Will. Whilst this may be considered as "to-do later job", borrowers need to consider the fall-out in the event of a mishap and what impact this will have on the family unit.

When preparing a Will, make sure that your Accountant, Lawyer and Executor's all receive a copy of the Will. Also, borrowers should always have Powers of Attorney executed.

Contact Paul today to discuss your will as Paul has associates who can assist in this regard.

COMMERCIAL REAL ESTATE FINANCE

Considering purchasing a commercial property?

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

As with home loan interest rates, commercial lenders have also passed on their commercial interest rates. If the proposed security is compared against residential security, the interest rate is different to the commercial rate. Some lenders align their commercial rates on a 3-year Bank Bill Swap Rate (known as BBSY). This pricing mechanism moves with the market.

A recent commercial property transaction for my client who borrowed 50% of the purchase price, utilizing his residential unencumbered investment property as security gained a lower interest rate solely against the commercial property. The commercial property purchased can then be utilized for a future acquisition once the market settles.

Whilst finance for a commercial property for a Superfund Asset may seem daunting, Flakus and Associates has access to several funders who are able to fund to SMSF for commercial property purchases at very competitive rates and low fees.

Most commercial loan terms range from 15- to 30-years, and lending on commercial property currently sits between 60% to 80% of the valuation.

Taking a commercial loan from a major bank usually involves the borrower transferring all of their business banking relationships to that institution which can be extremely onerous. Consider non-bank funders for more flexibility and a less onerous business relationship and transaction.

Contact Paul to discuss your current commercial loan or any future commercial finance requirements you may be considering.

SENIORS UPDATE

Finance impacts different age groups differently. Here are some advice and guidance for senior people to do by the time they are 60 :-

- Know how long your savings will last.
- Clear all debts and pay off your mortgage (don't use Super funds to pay out the home loan and/or other bad debts).
- Lower your living costs.
- Check your Centrelink entitlements.
- Draw up a Will and have a good Estate plan.
- Keep your advisors close, i.e accountant, lawyer, financial advisor etc.
- Maximize the value of your family home (explore the option of selling, downsizing and/or funding your retirement with the proceeds).
- Look into retirement living options.

Planning ahead in your senior years can help you achieve a better lifestyle and be in greater control of your assets, finances and well-being.

Paul & Associates have meaningful experience in this aspect of finance and financial planning, with access to different specialised associates who can provide the right care and level of engagement to help you transition. Call us today.

RESIDENTIAL CARE : Reform in Aged Care

As interest rates rise, so does the cost of moving into a residential-aged care home.

From July 1st 2022, the maximum Permissible Interest Rate (MPIR) jumped from 4.07% to 5%. The MPIR is a government -set interest rate used to calculate the daily accommodation payment at aged care homes, and is based on your room price.

The majority of people who live in aged care today pay the cost of their accommodation as a daily payment.

Should you have parents who are considering moving into an aged care facility, Paul strongly recommends that you contact an expert in this field.

Paul suggests you read this excellent article on John's LinkedIn titled, 'New Government Has its Work Cut Out for It in Reforming Aged Care Services', which was also featured in the Weekend Australian in June 2022.

John Rawling is the Aged Care Consultant at Joseph Palmer & Sons (VIC), wealth managers and aged care specialists.

To read the article, please click on the link or scan the QR code,

https://www.linkedin.com/pulse/new-government-has-its-work-cut-out-reforming-aged-care-john-rawling?trk=public_profile_article_view



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

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

Epicetus

“It’s not how much money you make, but how much money you keep, how hard it works for you, and how many generations you keep it for.”

Robert Kiyosaki

“Investing should be more like watching paint dry or watching grass grow. If you want excitement, take \$800 and go to Las Vegas.”

Paul Samuelson

“An investment in knowledge pays the best interest.”

Benjamin Franklin

“If you want to know what God thinks of money, just look at the people he gave it to.”

Dorothy Parker



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