

THE BLACK ROCK DIGEST



Issue 70 Winter Edition June 2024



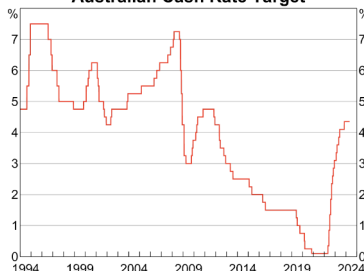
Paul Flakus

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

- So Far in 2024
- Testimonials
- Victorian Budget 2024
- Federal Budget 2024
- Asset & Equipment Finance
- Commercial Real Estate Finance
- Buying Your First Home
- Home Loan Hardship
- How Flakus & Associates Can Help You
- Professional Services

Australian Cash Rate Target



SO FAR IN 2024

Wow! It was a surprise when the Reserve Bank Australia (RBA) maintained the Cash Rate at 4.35%. At its April 2024 meeting, the RBA indicated that inflation was still its main concern. The inflation target band is between 2% and 3%, and is constantly monitored. Remember though, the RBA does not control the lending interest rate set by the banks.

Australian home loans generally have interest rates that the banks can vary when they wish. Changes in our cash rate target have a more immediate and stronger impact on domestic interest rates compared to the US, where most home loans have a fixed interest rate for the life of the loan, often 30 years.

Some financial institutions have reduced their variable interest rates and fixed rates. This could be a precursor to the lenders factoring in a decrease in the cash rate, which would flow onto the residential mortgage rate. We would like to be optimistic.

Banks are constantly reviewing their various loan products, and many offer "simple home loan products" with interest rates tied to security values. For example, if a borrower seeks a loan at 70% of the purchase price or lower, the variable rate would be different to a loan of one that sits in the higher value of 80% to 90%. Less risk???

Whilst media hype is centered around increased home loan rates and "shopping around for the best deal", you are well-advised to discuss the best-suited loan product for your needs with your finance broker. The loan percentage you seek may be the key to acquiring a competitive rate. Give me a call if you would like to discuss how your situation may be worthwhile reviewing. Who doesn't want to save money on their mortgage? Additionally, I will analyze to see if you meet the lender's serviceability criteria.

Contact Paul today on 0417 567 747 to discuss your options.

TESTIMONIALS

It was important for me to find a Finance Broker who was able to get me a loan quickly, as I had to vacate the place I was renting with my two children within 2 months of it being sold. I also needed someone who had experience in getting loans for people who have a lower income and is self-employed. My tax return income was low for the previous 2 years due to COVID-19.

I had gone to many banks, and also had another broker, who had all been unsuccessful in getting me a loan. That's when I was introduced to Paul, who had helped a friend of a friend I know to get a loan when no bank would give her one. Paul is a real life-saver because he got me a loan when all others failed.

Honestly, I felt like Paul was an angel! He was so efficient and quick with everything. He also engaged the people he was working with to push everything through as quickly as possible so that I was able to settle in time to vacate my other home. Otherwise, I would've had to move twice.

Paul, thank you SO MUCH for all your help. My children and I have our own home now. You have given us the security and peace of mind!

Carolina Rosa
Melbourne

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

VICTORIAN BUDGET 2024

In the recent Victorian State Budget, charges in local council rate notices will increase substantially over the next two years. These notices will include cost rises above the 2.75 percent cap set by the State Government.

These extra charges set by the State Government and not Local Councils are due to increased state levies (rise in fire services levy by 22% and rising landfill levy by 30% in the following year).

The Government will progressively abolish stamp duty and replace it with a more efficient commercial and industrial property tax payable annually from 10 years after the property is transacted. This reform is due to commence from 1st July 2024. Loans will be available for the property's final stamp duty, to free up capital and help businesses make the transition.

FEDERAL BUDGET 2024

The Government will extend the instant asset write-off scheme by 12 months until 30th June 2025 to support small businesses by improving cashflow and encourage business investment. Small businesses with annual turnovers of less than \$10 million will be able to immediately deduct the full cost of eligible assets costing less than \$20,000.

For Superannuation, there are annual caps – or limits – on how much money you can contribute towards super, both in terms of pre-tax ‘concessional’ contributions and after-tax ‘non-concessional’ contributions. Both these caps are going up, so if you have any spare funds, you’ll be able to move more of your money into super’s low-tax environment. The concessional cap is increasing from \$27,500 to \$30,000 a year while the non-concessional cap is increasing from \$110,000 to \$120,000 a year.

Winners of this year’s budget include low and middle income households, pensioners, women, prescriptions users, aged & child care workers, low income renters, students, apprentices, home builders, students, defence, critical mineral projects, and clean energy manufacturers.

Losers include consultants, universities, foreign students, backpackers and dodgy NDIS providers.

The Australian Prudential Regulation Authority (APRA) has announced that the 3% serviceability buffer for home loans will remain, citing “the potential for further interest rate rises, high inflation and risks in the labour market”.

ASSET AND EQUIPMENT FINANCE

The threshold of \$20,000 which came into effect as of 1st July 2023 which applies on an asset per asset basis has now been extended until 30th June 2025 in the recent Federal Government Budget handed down in May 2024. Assets valued at more than \$20,000 (which cannot be immediately deducted) can be placed into the small business simplified depreciation pool and depreciated at 15% in the first income year and 30% each income year thereafter.

The extended amount of \$20,000 will revert back to the \$1,000 limit in July 2025 (unless the government introduces further changes to the scheme). Small businesses with an aggregated turnover of less than \$10 million will have the ability to immediately deduct eligible assets costing less than \$20,000. These assets must be applied or installed and ready to use between 1st July 2024 and 30th June 2025. The instant asset write-off provisions continue to be a valuable incentive for small businesses.

Flakus and Associates is well versed in Equipment Finance having successfully assisted clients over the past 27 years. Call Paul on 0417 567 747 to discuss your equipment needs.

COMMERCIAL REAL ESTATE FINANCE - Private Lenders Funding

Considering purchasing a commercial property? Having difficulty obtaining finance via mainstream lenders? Then **Flakus and Associates** can provide you with a quick and stress-free finance solution.

With mainstream lenders credit policy tightening, Private Lenders have been improving their position by providing finance for a short term solution to the client via finance brokers.

Private Lenders offer more flexibility and better responsiveness that may not be possible with traditional banks. Generally, there are limited documentation requirements and all loans must be in corporate entities.

Most private loans from Private Lenders are funded by wholesale or retail investors. Normally, these loans are “Interest Only” for a short term, and may be ‘Rolled Over’ for a further term of say, 12 months. Loans are generally capped at 65% of valuation and may increase to 75% (as a 2nd mortgage).

Flakus and Associates has been providing Private Loans as a finance option for many clients. Call Paul on 0417 567 747 to discuss.

BUYING YOUR FIRST HOME

Buying your first home is both a daunting and exciting experience. Not only are you entering into a sizeable home loan for perhaps a 30-year or longer loan term, you are also in a race against time as property prices increase and your borrowing capacity contracts due to lenders constantly adjusting their Household Expenses Monthly (HEMS) in line with Consumer Price Index (CPI).

Here are some potential mistakes and costly oversights you should try to avoid.

Opportunity costs : Be finance-ready, i.e. have a Pre-approval in place and know the market you wish to purchase in. Usually, first home buyers take 12 months to locate the perfect property and during that time property prices would increase. Always liaise with your finance broker to update your income and expenses which will assist in your borrowing limit. Buyers who may have had a Pre-approval months earlier must realise lenders are constantly reviewing their assessment criteria, so the Pre-approval may no longer be valid.

Market Value : Do your research and due-diligence in and around the area you wish to purchase. Your finance broker has access to valuable tools to assist and this would give you a guide of the property value you're interest in.

Budget : A common mistake is the purchaser's total focus on the purchase price and overlooking additional on-costs. Ensure that you have sufficient funds available to :

- Cover the deposit
- Cover your legal costs,

- Pay Government fees (if applicable)
- Pay disbursements on settlement, (usually adjustments for water, rates and any Owners Corporation fees).

Bad Credit report : A detailed credit report can be arranged to ensure that there are no bad credit issues. This can be a deal breaker for your finance application. Also, credit card limits may affect your borrowing capacity and a financier may place a condition of approval that credit cards limits be reduced or cancelled. Be ready.

The Right Lender : There are the “big four” banks, followed by second and third tier lenders. Finally, the non-conforming lenders. It's a common misconception that borrowing from the “big four” is safer. Banks don't shut their doors. It's only on rare occasions that a lender will stop operating because it has been acquired by a larger competitor. Also, smaller co-operatives are amalgamating to remain competitive. Most of the second and third tier lenders offer competitive pricing and higher quality service. Your finance broker will provide you with various lenders' product options that best suit your requirements.

Fear of Missing Out (FMFO) : Avoid mistakes and don't be gullible. With property prices rising, many potential purchasers fear missing out. Therefore, rushing in and cutting corners can often lead to costly expenses after settlement. Examples include :

- Don't skip building and pest reports (i.e. finding termites after the sale and settlement)
- Don't skip and review of Owners

Corporation reports (examples such as cladding issues)

- Obtain property reports (this provides a comprehensive guide to the property being purchased and other vital information)
- Exceeding your purchase price limit as you get caught up in the euphoria of the transaction.
- Talk to neighbours. They may know the history of the house, examples include, was it a rental property or was it used for illegal activities such as a “grow house” (crystal meth lab). More often than not, the chemicals are absorbed into the walls and ceilings and are extremely difficult to remove. If suspicious, obtain a Harmful Chemical Inspection report. Think of your health and safety.
- Was it the scene of a murder?

Recent REIA (Real Estate Institute of Australia) data reveals that 36% of buyers do not receive adequate responses from their agents about their enquiries. Most inquiries are requests include price guides, inspection times, rates and fees. Buyers should be willing to walk away from a property if they feel there is a lack of transparency.

An agent should build trust and rapport with a prospective buyer. The biggest challenge with price guides occur after the selling campaign. If the property sells above expectations, buyers believe they were misled. However, buyers need to understand that the agents set the price guide based on recent similar properties. The impact of buyer competition is rarely determined by market conditions alone.

HOME LOAN HARDSHIP

During the pandemic, lenders assisted home loan borrowers with a home hardship period of up to 6 months. This “holiday period” is longer available but you may still be eligible for mortgage relief. Here are some points worth noting:

- Most lenders offer a repayment pause for up to 3 months. Falling more than 90 days into arrears (even if the lender agrees to it) could actually cause more issues. At the end of 90 days, the lender could request that the arrears be repaid over a shorter period.
- Beyond 90 days in arrears, it becomes harder to “capitalize” the amount over the remaining term of your loan. You will need to submit a full capitalization application and meet the lenders credit assessment. A full capitalization assessment is very detailed with copious amounts of documentation.
- On a positive note, hardship arrangements should not impact your credit score.
- The new look home loan hardship or holiday period is intended for borrowers going through a temporary period of hardship and require a short breather.

It is important for the borrower to contact their lender in the early stages of any loan arrears, or talk to their finance broker to discuss options.

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

“A wise man should have money in his head, not his heart.”

Jonathan Swift

“The test of our progress is not whether we add more to the abundance of those who have much; it is whether we provide enough for those who have little.”

Franklin D Roosevelt

“I would rather carry around a plastic bag with five thousand Euros inside, than carry a Louis Vuitton/Gucci/Prada bag with only one hundred Euros inside!”

C. Joybell C.

“When I was young, I thought that money was the most important thing in life; Now that I am old, I know it is.”

Oscar Wilde

“Where large sums of money are concerned, trust nobody.”

Agatha Christie



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