

THE BLACK ROCK DIGEST

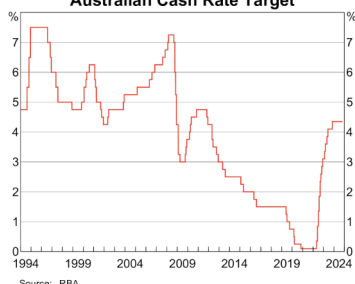


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HIGHLIGHTS

- Season's Greetings
- 2024 in Review
- Victorian Short Stay Levy
- LCT Thresholds
- Early Access to Super
- APRA Serviceability Buffer
- Surge in Reverse Mortgages (Equity Release)
- Victorian Government Raises Probate Fees
- Buying Off the Plan (OTP)
- How Flakus & Associates Can Help You
- Professional Services

Australian Cash Rate Target



2024 IN REVIEW

It was a surprise when the Reserve Bank Australia (RBA) met at its November 2024 meeting and decided to maintain the Cash Rate at 4.35%. Many people breathed a sigh of relief.

The RBA indicated that inflation was still its main concern. The RBA inflation target band is between 2% and 3% and they are constantly monitoring this. New figures show that the cost of goods continues to fall, with inflation falling in July 2024, but still above the target range.

This is evident from the July Australian Bureau of Statistics (ABS) monthly Consumer Price Index (CPI) indicator. The CPI rose 3.5% in the 12 months to July 2024, down from 3.8% in June.

However, when excluding volatile items (such as fuel, fruit and vegetables and holiday travel), the underlying inflation was 3.7% (down from 4.0% in June).

The annual trimmed mean movement was 3.8% in July, down from 4.1% in June.

For the month of July the most significant contributors to the annual rise were housing (4%), food and non-alcoholic beverages (3.8%), alcohol and tobacco (7.2%) and transport (3.4%).

Remember that the Reserve Bank does not control the lending interest rate set by the banks. Financial markets and commentators are still factoring in a decrease in the cash rate in early 2025.

VICTORIAN GOVERNMENT SHORT STAY LEVY

Legislation for Victoria's Nation-First Levy – which some have dubbed the "Airbnb tax", will begin on 1st January 2025.

The Victorian Government's 7.5% short stay levy was announced in September 2023 as part of its Housing Statement which will apply from 1st January 2025.

The planned levy would apply to short stay accommodation platforms' total booking revenue. The government has yet to introduce the legislation into parliament, meaning the exact policy specifications are uncertain at the present time.

The Housing Statement specified that :

- revenue from the short stay levy would be paid to Homes Victoria with 25% of funds to be invested in regional Victoria.
- local council charges on short stay accommodation would be removed.

In short, local councils and Owners Corporations will be given the power to limit or outright forbid short-term rental accommodation like Airbnb and Stayz under a new government bill. Property owners leasing out their own primary residences will be exempt from the levy and restrictions, as well as hotels, motels and caravan parks.

BUSINESS FINANCE

Are you considering a new motor vehicle for business or personal use?

Then, you should be aware of the Federal Governments Luxury Car Tax (LCT), which is applicable for all new motor vehicles purchased.

Below is a summary of the threshold for the LCT. The table lists the LCT thresholds for the financial year the car was imported, acquired or sold. If you import or sell a car with a GST-inclusive value above these LCT thresholds, you must pay LCT, except in certain circumstances. In general, the LCT value of a car includes the value of any parts, accessories or attachments you supplied, or imported, at the same time as the car.

LCT thresholds

Financial Year	Fuel Efficient Vehicles	Other Vehicles
2024-25	\$91,387	\$80,567
2023-24	\$89,332	\$76,950

Contact Paul on 0417 567 747 if you are considering purchasing a new motor vehicle for your business or personal use. We have access to Equipment Funders with finance tailored to suit your needs.

EARLY ACCESS TO SUPER

In the current tough times, some people may be thinking about accessing their Super early. Taxpayers may have been reportedly approached by s-called “promoters” claiming that members of superfunds can withdraw their super or use their Self-Managed Super Funds (SMSF) to pay off debts, buy a car, or pay for a holiday.

The ATO warns taxpayers that this is illegal.

Members need to meet strict guidelines to access their super early and accessing their super outside of these strict conditions is **illegal**.

Huge Warning - If a “promoter” gets a member to provide them with personal information they may also steal their identity.

COMMERCIAL REAL ESTATE FINANCE - PRIVATE LENDERS FUNDING

Considering purchasing a commercial property?

Having difficulty obtaining finance via mainstream lenders?

Flakus and Associates can provide you with a quick and less stressful finance solution.

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

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

Most private loans 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.

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

APRA SERVICEABILITY BUFFER

The Australian Prudential Regulation Authority (APRA) has conducted its final hearings for the inquiry into the financial regulatory framework and home ownership on 24th October 2024. In its remarks, APRA stood by the 3% serviceability buffer, claiming it is crucial for stability. However, It seems many disagree.

“The serviceability buffer currently sits at 3%, and exists to ensure that banks lend to borrowers able to repay their loans in a range of scenarios. The buffer provides an important contingency for a range of economic shocks – not only for rises in interest rates – over the life of the loan. It also factors in unforeseen changes in a borrower’s income or expenses which we have seen play out recently as cost-of-living pressures mount,”

Recently, lenders have reviewed their serviceability models and have increased their Household Monthly Expenses (HEM’s) to reflect increases in the cost of living. The increase has impacted on clients borrowing capacity, decreasing their potential loan amount.

Whilst media hype is centred around low home loan rates and “shopping around for the best deal”, borrowers are advised to discuss the best suited loan product for their needs. The loan percentage may be the key to acquiring a competitive rate.

A recent mortgage industry study revealed that finance/mortgage brokers now account for just under 80% of all home loans submitted to lenders. Two major banks have expressed that they would focus on their own lending channels (i.e branches and mobile lenders) to improve shareholder returns. Also, they invest more into simple home loan platforms which would deliver faster decisions for customers.

As your finance broker, Paul will analyse your ability to meet the various lender’s serviceability criteria. Give Paul a call today to discuss how your situation may be worthwhile reviewing.

SURGE IN REVERSE MORTGAGES (EQUITY RELEASE)

Over the past year, more and more senior and elderly people are seeking to access this type of funding.

Flakus & Associates has assisted many senior Australians to obtain access to the untapped equity in their home as many are seeking to retain their normal living standards and remain in their family home.

Many seniors do not have sufficient funds in their super for ongoing living costs during retirement. Most see their funds as something they want to leave to their children in their will, and if they must, use it to fund their Aged Care.

There are 2 options available.

1. Home Equity Access Scheme

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 an owner-occupied property, or an investment property, which will be used as security.

Interest is compounded each fortnight on the loan’s balance. You or your partner who are of pension age or older Has the ability to draw down an income stream of up to one and a half times the maximum Age Pension plus supplements. An initial lump sum payment is applicable and this depends on your circumstances.

Please refer to the Federal Government website www.servicesaustralia.gov.au for more information.

2. Seniors Reverse Mortgage

Here, borrowing is calculated as a percentage of the applicant’s age to the value of the property, which is used as security. Minimum age is 60 years old. Borrowing capacity is dependent on age, and there is the ability to increase annually on the senior’s birthday. Funds can be a lump sum, with monthly advances. You must be able to meet Aged Care entry costs. You do not to be receiving pension to qualify.

For further details on either or both of these options, do not hesitate to contact Paul today.

VICTORIAN GOVERNMENT INCREASES PROBATE FEES

What next you ask!

The Supreme Court of Victoria announced on 4th November 2024 that New Probate Office Fees are proposed to commence on 18th November 2024 for 2024/2025 financial year, effective from 18th November 2024 :-

GROSS VALUE OF VICTORIAN VALUE	FEE
\$0 - \$249,999.99	\$0
\$250,000 - \$499,999.99	\$514.40
\$500,000 - \$999,999.99	\$1,028.80
\$1,000,000 - \$1,999,999.99	\$2,400.50
\$2,000,000 - \$2,999,999.99	\$4,801.00
\$3,000,000 - \$4,999,999.99	\$7,185.20
\$5,000,000 - \$6,999,999.99	\$12,002.60
\$7,000,000 +	\$16,803.60

Note :

The gross value of the estate is found by summing the value of all Victorian bases estate assets, such as bank accounts, real estate, shares, accommodation bonds. In most cases, Super and Life insurance are not included in the gross value calculation.

BUYING OFF THE PLAN

Buying Off-The-Plan has many traps!

While they are all “shiny and new”, purchasing Off-the-Plan (OTP) can be attractive, but it also comes with many risks.

Tips to consider before proceeding

1. Paying a Premium :- The purchase price is attributed to the market at the time of the sale. The developer estimates the “selling price”, not when you purchase, but say, two years when the building is completed. You pay a premium for this period. Should you decide to sell prior to completion, you may be subject to a lower selling price.

2. Oversupply :- Location has been the “golden rule” when purchasing real estate. However, with OPF developments there is likely to be an oversupply, and the value of your property may decline due to competition. Also, the value of your property may be lower once completion is near, which could effect your final borrowing amount.

3. Strata and Building Risk :- Consider purchasing into a Strata that’s at least five years old. This will indicate whether the Strata is a good building or not. Ask for Owners Corporation financials and peruse notes for the past three years to see if there are any issues with the building such as maintenance, or past or present litigation. If purchasing a new development, research the reputation of the developer, and whether they have completed their projects on time and their quality of development. Many developers are entering into difficulties, and may not be able to complete their developments.

4. Legal representative :- Always engage a property lawyer/ conveyancer who has experience with OTP contracts prior to signing a sales contract.

5. Sunset Clause :- This entitles both parties to walk away from the contract IF settlement has not taken place by the end date included in the clause.

6. Deposit :- Ensure you understand the deposits required, and what the financial implications are.

7. Insurance and warranty :- Strata Insurance should be obtained on or prior to settlement. Ensure that you complete a Building Inspection of your apartment before taking possession.

CHECK EVERYTHING.

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

“The money you have gives you freedom; the money you pursue enslaves you.”

Jean-Jazques Rousseau

“Spend your money on the things money can buy. Spend your time on the things money can't buy.”

Haruki Murakami

“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

“Lack of money is the root of all evil.”

George Bernard Shaw

“It's easy to say you don't care about money when you have plenty of it.”

Ransom Riggs

“To acquire money requires valour, to keep money requires prudence, and to spend money well is an art.”

Berthold Auerbach



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