



TotalCHOICE home loans

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While our economy and stock market continue to waver, the Australian commitment to home ownership remains steady. A new report – see article below – shows that young Australians are as keen as ever to own their own home, even if it means sacrificing lifestyle comforts to get their foot in the door of the housing market.

First home owners are also making a comeback to the market, as we reveal in our page 3 article “Anyone looking to buy a property?” The article uncovers some interesting statistics and tells

readers how they too can join the ranks of first home buyers.

Our page 4 article looks at how the introduction of the National Consumer Credit Protection Act has promoted the role of mortgage brokers as trusted advisers. Here you will find an answer to the commonly asked question “why not just use a bank for your mortgage?”

Enjoy this newsletter and please feel free to pass it on to family and friends.



YOUNG AUSTRALIANS WANT THEIR OWN HOME



BUILDING WEALTH FOR RETIREMENT



ANYONE LOOKING TO BUY THEIR FIRST PROPERTY?



BANK OR BROKER?

▶ Young Australians want their own home

The dream of home ownership is alive and well, according to a new report that reveals Generation Y are willing to give up luxuries to own their first home.

Over 90 per cent of Generation Y (those born between 1979 and 1990) has indicated that owning a home is a higher priority than buying the latest gadgets or fashion accessories.

Commonly perceived as a materialistic and consumer-orientated generation, their willingness to part with brands and luxuries to buy a home comes as a surprise to many.

The realestate.com.au Housing Affordability Sentiment Index (HASI) tracks the sentiment of Australians concerning housing affordability, and mortgage repayments and how many are willing to sacrifice in order to enter the housing market.

It found the top four sacrifices Generation Y were planning to make (or are already making) to enter the property

market were: eating out less and cutting back on takeaway food (65%), cutting back on general day-to-day spending (64%), missing out on a holiday (47%) and cutting back on alcohol related spending (40%).

The HASI report also highlighted that Australians are prepared to spend less on discretionary purchases like brands and luxuries, entertainment and recreation and the upgrade of their car in order to purchase a home.



Total Choice Home Loans is a Full Member of the MFAA the peak industry association which provides a code of conduct and ongoing professional development for its members.

We are committed to keeping up to date with all the latest finance developments and innovations to ensure you get the best product and service everytime you contact us.



Total Choice Home Loans is a proud sponsor of World Vision, whose aim is to help change the lives of children, families and communities in desperate need.



Building Wealth for Retirement



Investing in property can help build wealth for retirement in a way that superannuation, savings or the stock market cannot.

The number one advantage of investing in residential property is its potential for long-term capital growth. Well-located property has consistently doubled in value every seven to ten years, and historically has provided rental yields of around 5% per annum. This equates to a gross return of around 15 per cent per year on a well-purchased investment property.

By comparison, if you decide to simply build savings in the bank for retirement you may find that any gains you make are eroded by inflation and tax. Investing in shares puts you at the mercy of stock market fluctuations and could end in success or spectacular failure (as has been witnessed in recent times).

Once you have made the step to invest in your first property, the gains you make can be used to secure another high growth property. Similarly the gains from these two

investment properties can then be used to acquire further property – a portfolio of two to three investment properties held for 15-20 years provides the perfect income stream and source of capital growth to enable you to comfortably see out your retirement.

If you are concerned about the costs involved in owning property, keep in mind that the rent from tenants pays the interest on your home loan. Also any costs that are greater than the income generated are tax deductible as expenses.

Self-Managed Super Funds

With the advent of Self-Managed Super Funds (SMSFs), it is possible to enter the property market later and still reap the benefits. In September 2007 the Federal Government changed superannuation legislation so that SMSFs could borrow assets, including investment properties. There are significant tax gains to be made when borrowing through an

SMSF to invest in property, including:

- Rent taxed at a concessional rate of 15%
- Interest costs fully deductible to the SMSF
- Capital gains tax is only 10% - or zero if the property is sold in retirement

You should seek professional advice when setting up your SMSF to ensure it meets the requirements of the Superannuation Act and Australian Taxation Office.

Many of us put off planning for retirement, hoping that it will sort itself out or that our super contributions and super growth will be enough. The sad truth is that superannuation can no longer be relied on as a sole source of funds, and it's now while you are still working and have equity in your home that you are in the best position to optimise your financial security through property investment.

Book Review



Who Wants to Be a Billionaire?

The James Packer Story By Paul Barry

This is the story of James Packer's desperate battle to win his father's love and respect. It's also a tale of billion-dollar bets gone disastrously wrong. But above all it's the portrait of a troubled relationship between a dominant father and dutiful son. Paul Barry shows how James's father kept his grip on the empire even as he lay close to death. As a child James was derided by Kerry as too soft, too close to his mother, or simply 'a loser'. Since then he has struggled to make his father proud - in the only way the Packers know - by making money. Having seen Kerry lose hundreds of millions in the world's casinos, James chose to bet billions of dollars on buying them instead. Then came the global financial crisis and he almost lost the lot. As markets hit rock bottom in early 2009, Australia's richest man was \$4 billion poorer and no longer on top of the heap. He was smoking again, putting on weight and shutting himself off from friends. Years earlier, far smaller losses in One.Tel had pushed him to the brink of a nervous breakdown and made him seek salvation in Scientology. Can James survive this time? Will he bounce back? Or was his father right?



Anyone looking to buy their first property?



First home buyers are putting aside their nerves and making a comeback to the property market. After lying low for 12 months, the number of new home loan commitments by first home buyers is on the rise, according to the Australian Bureau of Statistics.

Interest rate stability, an increase in rents and a lull in house values has given buyers the confidence they need to enter the market. While first home buyers face a tougher economic environment than last year, a growing number have decided not to let this stand in their way.

You too can fulfill your dreams of home ownership and join the ranks of first home buyers. Here's how.

Build knowledge

The more knowledge you build about something, the less fear you have of it. It's the same for buying your first home: it may seem daunting at first, but the more you educate yourself about the process the less difficult it seems. Use the internet, your mortgage broker, your local real estate and any experience friends and family may have, to find out as much information as you can about the property market – remember a little knowledge goes a long way!

Be resilient

Know what you are getting yourself into and be equipped to handle a change in circumstance. If interest rates rise, for example, be prepared to adapt your lifestyle to suit higher mortgage repayments.

Use professionals

You don't need to go it alone when there are experienced people to turn to for guidance and advice. The QBE LMI ImiBAROMETER Report found that 41 per cent of first home buyers will use a mortgage broker to help them find the best home loan deal. Seeking professional advice can help you feel a lot more relaxed about the whole home buying process – turn to page 4 to find out why it makes sense to use a mortgage broker.

Accept help

Accept that you may need some financial assistance to get your deposit together, which in many cases comes in the form of lender's mortgage insurance (LMI). It is estimated that five out of ten borrowers will require LMI if they are to enter the market – without it you may have to wait for years to save the funds needed to get a 20 per cent deposit and by this time, house prices may have risen beyond your reach.

Did you know?

- First home buyers (FHB) are more confident with high levels of debt than any other borrower
- 21 to 30 years is the traditional age range of a FHB
- \$359,786 is the average FHB loan size
- \$58,047 is the average FHB housing deposit
- 60% of FHBs consider the interest rate to be the most important consideration in choosing a mortgage

Source: Genworth Homebuyer Confidence Index and QBE LMI ImiBAROMETER Report 2011

Bank or Broker?



Clients sometimes ask us why they shouldn't just go direct to a bank. Our answer is that mortgage brokers can do a lot more than process a transaction – we provide advice, financial guidance and valuable assistance with negotiating your way through the mortgage process. We also take the time to listen to your needs and understand your future financial goals.

The recent introduction of the National Consumer Credit Protection Act has strengthened the broker's role as an advisor. Under the Act it is a legal requirement to consider the client's financial position and undertake a detailed analysis of which products best suit the individual needs of the client.

Brokers as an industry are shifting increasingly towards an advice-based service. This means that instead of simply offering a selection of home loans from which you can pick, we are offering advice about the different products so that your decision will be an informed one. There are so many products and loan features to choose from that it helps to have an expert on your side to explain the benefits and drawbacks of each product.

Using a mortgage broker can even make the difference between having your finance declined or approved. This is because we know so much about the

lenders' different products, loan criteria, borrowing calculators and application systems that we can steer you towards a lender that best suits your situation.

Part of our service is to make sure we are in contact with you on a regular basis, keeping you informed and saving you the time and frustration of chasing up the progress of your loan application. Down the track you may have a query about a change in your home loan or banking statement, and you can be certain we are here and happy to take your call.

Our role is to understand what is important to you, as our client, and then do everything we can to ensure we not only meet your needs, wants and values, but exceed them. It's a step above what you could expect if you go direct to a bank!



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With compliments

Profile

Total Choice Home Loans was founded by Jonathan Oxlade (B.Bus Finance) in 2005 who, with many years finance and industry experience is able to assist all types of clients. Our service offering is one of a relationship looking at your overall financial situation not just a one off transaction. In conjunction with Total Choice Wealth and referral to a highly qualified Financial Planner, our business offers clients a full range of financial services and assistance, including Property Investment advice, Wealth protection and Asset protection, Superannuation, Retirement planning.

We aim to offer a long term, value for money, quality service, with hassle free finance solutions while being at all times professional and caring in our dealings with clients and business partners.

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