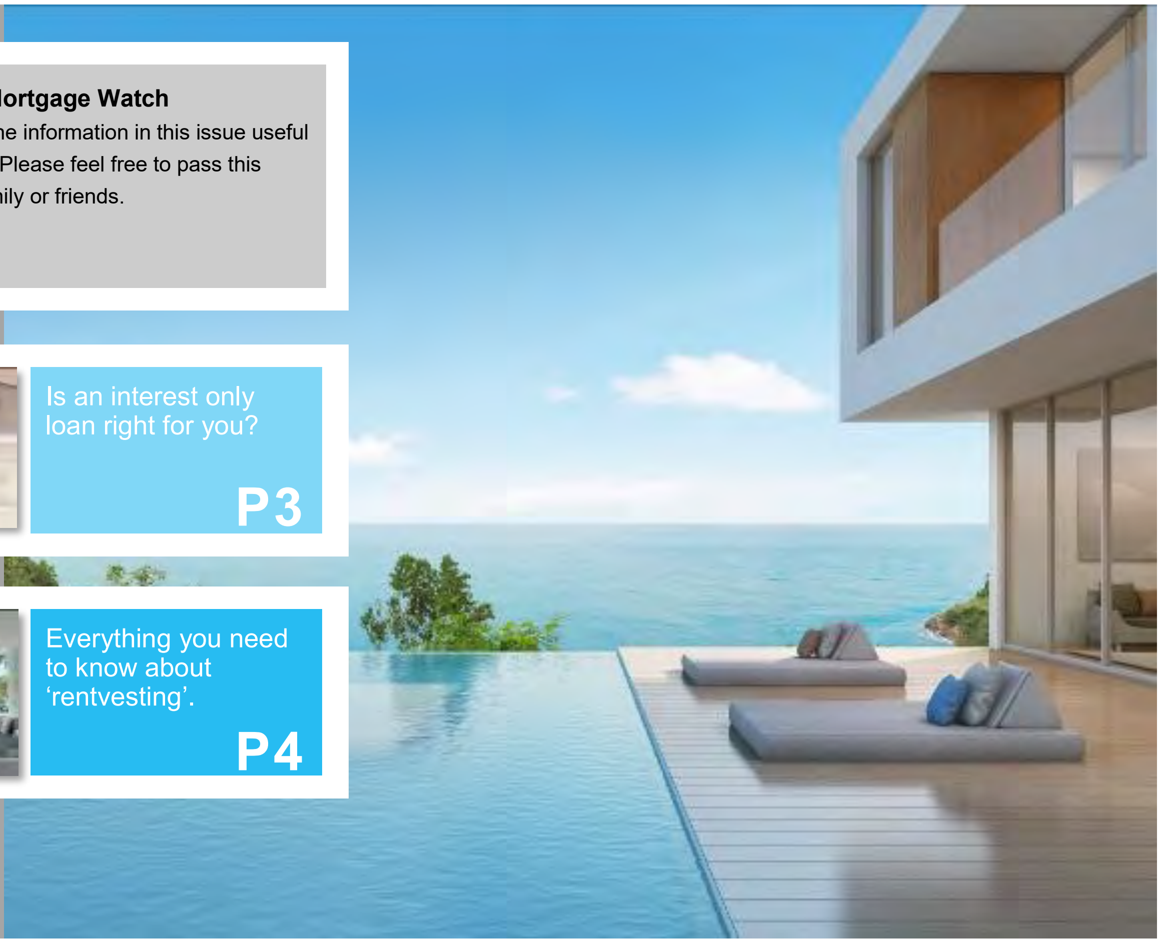

Welcome to Mortgage Watch

I hope you find the information in this issue useful and informative. Please feel free to pass this newsletter to family or friends.

Regards,

Jeremy Zabat

Is an interest only loan right for you?

P3

Everything you need to know about 'rentvesting'.

P4

mortgage watch

A steady start to 2017.

Despite the tumultuous political and economic landscape across the world, the Reserve Bank of Australia (RBA) has elected to leave the cash rate on hold at the record low of 1.50%. Whilst the hold was widely predicted by economists, there is still a strong belief in the market that rates will eventually increase as we approach 2018. Governor Philip Lowe had this to say in his official statement:

"Inflation remains quite low. The December quarter outcome was as expected, with both headline and underlying inflation of around 1½ per cent. The Bank's inflation forecasts are largely unchanged. The continuing subdued growth in labour costs means that inflation is expected to remain low for some time. Headline inflation is expected to pick up over the course of 2017 to be above 2 per cent, with the rise in underlying inflation expected to be a bit more gradual."

"Conditions in the housing market vary considerably around the country. In some markets, conditions have strengthened further and prices are rising briskly. In other markets, prices are declining. In the eastern capital cities, a considerable additional supply of apartments is scheduled to come on stream over the next couple of years. Growth in rents is the slowest for a couple of decades. Borrowing for housing has picked up a little, with stronger demand by investors. With leverage increasing, supervisory measures have strengthened lending standards and some lenders are taking a more cautious attitude to lending in certain segments."

So, what does all this mean for you? Despite the recent cash rate hold, lenders are free to change their rate at their own discretion. Keep a close eye on any rate movement, and consider whether your current loan is the right one for you, right now.

Start the road to riches with these financial goals.

It doesn't have to be the new year to make resolutions. Any time's a good time for introspection and to make little improvements to your life - including some that could change your future for the better such as buying your first home.

The most dreaded of these have to be financial resolutions, but they don't have to be a drag. We've had a look at a few changes you could make today that could help make your money work for you, rather than the other way around.

Hoard your pennies

Most of us have had a time in our lives when we've gone in a little too hard with our savings goals. Cutting coffee, not eating meals out, and perhaps working overtime every night. It takes a special kind of person to hack that kind of savings plan.

Take a more gentle approach and you'll find that it's more sustainable, and that you don't crash out in a blaze of overspending glory. MoneySmart's data shows that 43 per cent of Australians don't save at all, so something is always better than nothing.

Make smaller incremental goals and build up to a larger savings target. We're talking 10 per cent of your income a week at first, until you begin to not miss the money - at which point you can build up to a larger percentage.

Set your sights on a goal

Achieving goals feels like a win. Every little win feels good and gives you an excuse to treat your self just a little on the weekend.

So set your sights on something that you want to achieve with your savings, be it a solid investment, your first property or perhaps even some travel.

But don't stop there - make it real by getting advice on how exactly to achieve your goals.

Get advice

From financial advisers, to mortgage brokers, there's a wide range of professionals who can help make your goals a reality.

If property's your goal, the first thing you should do is talk to us - that way you'll get a clear idea of what exactly you can borrow and what you need to aim for.

Risk it to get the biscuit

If you risk nothing you gain nothing. We're not saying buy a lotto ticket, but that action gets results and that you should start saving and setting goals right now.

The quicker you do, the quicker you'll achieve them!

Is an interest only loan right for you?

There are countless different strategies when it comes to repaying your home loan, and one that's becoming increasingly popular is the interest-only loan. In fact the Australian Securities and Investments Commission data reported by MoneySmart suggests that one in four owner-occupier loans in Australia are interest only, as well as two out of three investment loans.

If you're looking at buying a new home and are considering your mortgage, you're going to want to be aware of all your options. So without further ado: what exactly does interest-only mean, and is it the way forward for you?

What's the meaning of this?

With a normal principal and interest loan, you'll make payments off the principal (or the amount borrowed) as well as interest payments. With an interest only loan, as you'd expect, you won’t pay off any of the amount borrowed, instead only making payments on the interest.

There are plenty reasons why interest only is a good idea, but you need to know whether it's right for you before making any decisions.

What are the benefits?

One of the main benefits of paying interest-only on your loan is that your repayments will be smaller at first. For home buyers, this is a brilliant opportunity to use these savings to pay down other higher interest loans before reverting your attention back to your home loan. However, for your average home buyer this should only be a short-term strategy.

On the other hand, the extra interest paid can have tax benefits for those looking to buy an investment property. For investors, interest can be claimed against their income to reduce the taxable amount.

If you're looking to buy your first home as an investment, or branch out and buy another property, it's worth considering the merits of paying interest only.

What are the risks?

The most important thing to remember when choosing interest only is that the principal will not reduce. If your property does not increase in value, neither will your equity, and if your home decreases in value you could be left paying a mortgage that's worth more than your property.

Additionally, you'll pay more interest over the life of the loan, and you'll eventually have to pay the principal off anyway. There are so many options when it comes to selecting the right home loan and it's easy to tie yourself in a knot. Speak to us to see if an interest only loan is right for you.

Everything you need to know about 'rentvesting'

Are you looking to take your first step on the property ladder, but real estate prices are preventing you from buying a home in your dream location? Don't worry, you're not alone!

The property market is booming in Australia, with CoreLogic data from January 2017 showing a 10.7 per cent year-on-year increase in home values across the country's capital cities.

This is great news for property owners, of course, but it may cause affordability problems for some first-time buyers who want to live in pricier suburbs. However, a new trend called 'rentvesting' is providing a solution for many prospective purchasers, particularly young people.

But what is rentvesting? And why is it becoming increasingly popular among millennials? Let's delve a little deeper into this new property market trend.

The best of both worlds

Rentvesting is the term used to describe situations where individuals buy a property in a location that is more affordable for their budget, but rent out the dwelling instead of using it as their main residence.

Buyers then have the freedom to rent somewhere that better fits their lifestyle or career prospects, such as the CBD or other inner-city areas.

In other words, you can get the best of both worlds. You'll be able to buy your first investment property at an affordable price, while still having the flexibility to live wherever you please.

Rentvesting often suits young people, as they typically don't have large enough deposits to purchase homes in more expensive locations, and this approach gives them the opportunity to build wealth from an early age.

Property investment popular among millennials

Rentvesting could be a key factor in why younger generations are currently leading property demand in Australia.

Statistics from ING Direct show that 22 per cent of millennials (18-34-year-olds) claim to own at least one investment property. In comparison, 20 per cent of Generation X (35-49-year-olds) and 19 per cent of Baby Boomers (50-64-year-olds) said the same.

"Property is a great opportunity to build wealth, but it definitely pays to do your research," said Mark Woolnough, head of third party distribution at ING Direct.

"Take your time, speak to the experts such as a mortgage broker or buyers' agent, and focus on the financials of the investment rather than the emotions of a purchase."

Does rentvesting sound like an opportunity you'd like to explore? Perhaps you'd just like to know more about how to get a home loan? Contact us today and find out!

link FinanceGroup

Jeremy Zabat

Phone: (02) 9629 9648
Mobile: 0401 884 964
Email: info@linkfinancegroup.com.au