

### 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



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# mortgage watch

## Cash rate remains at historic low.

The Reserve Bank of Australia (RBA) has announced that it will leave the cash rate on hold at 1.50% for another month. Governor Philip Lowe had this to say in his official statement:

“Conditions in the housing market vary considerably around the country. Prices have been rising briskly in some markets, although there are some signs that these conditions are starting to ease. 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. Rent increases are the slowest for two decades. Growth in housing debt has outpaced the slow growth in household incomes. The recent supervisory measures should help address the risks associated with high and rising levels of indebtedness. Lenders have also announced increases in mortgage rates, particularly those paid by investors and on interest-only loans.”

So, what does all this mean for you? Despite the recent cash rate hold there have been a number of lenders, including the Big 4, who have recently changed their interest rates 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.



## Adding stability to your financial plans with property investment

As you start planning for your retirement, you want to make investment choices that are stable and reliable. You never want to go to sleep at night worrying that your nest egg might vanish because of a poor investment decision. You want to be confident that your wealth will be safe and you can live a happy life post-career.

This is exactly why investing in property is such a healthy life choice. When you buy real estate, you can sleep easy knowing it will appreciate in value and your wealth will grow steadily over time. This is such a good financial move that it's often worth taking out loans just to finance it.

### Knowing the benefits of property investment

Some people are intimidated by the prospect of investing in property because of the hefty deposits and long-term mortgage repayments required, but it's often well worth it. One of the key benefits of real estate is the lower volatility - when you buy a house, it's almost certain to appreciate in value over the long run.

The other benefit of owning an investment property is the chance to generate extra income. With shares of stock, you only make money when you sell them, but with a home, you can rent it out and collect monthly payments. There can also be tax benefits to renting out an investment property.

### Understanding the tax implications involved

If you own a rental property, you may well be able to write off maintenance and other costs as business expenses when doing your taxes. This is only if it's for rental, though. The Australian Taxation Office (ATO) cautions that if you simply own a place as your private holiday home or hobby farm, you generally can't claim any deductions.

Because of this key distinction, the ATO emphasises that it's imperative to keep detailed records on all real estate transactions. This will help you verify what's a business expense and what isn't. For help with this process, you can consult with home loan brokers who know all the ins and outs of property investment.

### Let us help you figure things out

Property investment can be a great opportunity, but it's also complex. We know your local market and can help you make sound decisions - putting you in a much better position to succeed.

## Is a split-rate home loan the best option for you?

Once you decide you need a home loan to fully finance your first real estate purchase, it's easy to get overwhelmed by all the options you see in front of you. How much of the price of your home will you pay out of pocket, and how much will you need in the form of loans? And as for your loans, what sort of interest rates are you expecting to pay?

The questions can be complicated, especially if you've never done this before. But with a little creativity, you can find the best possible borrowing strategy for your financial situation.

That strategy may well involve a "split" loan that includes both fixed and variable interest rates.

### How a split loan works

As you're carrying out a home loan comparison, you'll likely be weighing the pros and cons of fixed and variable interest rates. According to the Australian Securities and Investments Commission, an increasingly popular option these days is a split loan, which lets you pay a fixed rate on one portion of the amount you owe, then a variable rate on the rest.

ASIC provided a case study of one couple who split their \$500,000 loan into \$350,000 on a fixed rate of 7 per cent and the remaining \$150,000 on a variable rate of 7.4 per cent. Because interest rates kept going up, they had saved \$220 per month by locking in that fixed rate for as long as they could afford.

### Weighing your long-term financial needs

So how will you split up the rates on your mortgage repayments? How much of a fixed rate can you swing, and how much will you let slide into variable territory?

It probably depends on your financial needs. The benefit of a fixed rate is it offers certainty. If you've got to deal with big expenditures in your future, like paying tuition at a university, you might benefit from a more stable loan.

On the other hand, variable rates can be more flexible. If you've got unstable sources of income and you want the freedom to make additional repayments as you see fit, you might want more of your rate to be malleable.

Figuring out the details of your home loan can be complicated, which is why it's often wise to turn to the professionals. Give us a call today!



## Renovating your home can add value and quality of life

It's not uncommon for people to buy a piece of real estate knowing all along that it's a bit of a "fixer-upper." When you purchase a place that's in need of some repairs, it usually means you're getting a bargain, and you can always go back and invest more money later into improving it. When you do, the value of the home naturally increases.

Of course, when you perform renovations, you're doing more than just adding value in terms of dollars and cents. You're also boosting your quality of life. Each day that you live in a new and improved place should be a happier day. That's the beauty of investing in a renovation project - you're making significant gains both financially and emotionally.

### Australians are pursuing better lifestyles

Once you've bought a home and begun making mortgage repayments on it, you want to make yourself comfortable - and often, that means making some improvements to the place.

This has become a fairly popular option for Australians. According to the Australian Bureau of Statistics, there was \$26.7 million spent on building activity during the fourth quarter of 2016, and of that sum, \$2.2 million was allocated for alterations and additions to existing residential buildings.

It's not hard to see why. Renovations can not only add to the value of your property, they can also improve your lifestyle from day to day.

### Getting a good deal on renovation projects

The beauty of renovating your home is you don't have to spend a lot of money to make a significant upgrade. Consumer Affairs Victoria noted that a number of the most common improvements people make to their homes can be completed for under \$5,000. These upgrades include newly tiled floors, painted walls, improved electrical work and new external fixtures such as awnings and balustrades.

Of course, even \$5,000 isn't exactly cheap, and you may still need help financing a renovation project. This is why it pays to speak to us.

### We'll get you started

We have access to a wide range of lenders who can help you with getting the financing help you need. You may want to take out new loans, or alternatively, you could be able to borrow extra funds on your existing home loan. Talk to us and get the scoop. We'll be happy to assist you.



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