



NEGOTIATOR eNEWS

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“When all think alike, no one is thinking very much” – Walter Lippmann

Welcome to the April issue of Negotiator eNews – the free newsletter with Tips, Strategies, Articles and News related to Wealth Creation.

Interest Rate News

The Reserve Bank has cut interest rates by 0.25 of a percent taking the official cash rate to a historic low of 3.00%. How much of this will be passed on by the lenders will be decided over the coming days by each individual lender. Many commentators still think we will get further rate drops later in the year - they may be right, they may be wrong. There are just so many different opinions flying around at the moment that you can find 10 different commentators who will have 10 different opinions.

What I do know, is that right now we have historically low interest rates. The likelihood is that some time in the coming few years they will be higher than they are now - when and how much is just guesswork at this point.

I get many questions from clients along the following lines:

Should we consolidate debt and refinance?

Is now a good time to buy an investment property?

Is now a good time to buy our first home or sell our current one and buy another?

Plus many other questions.

I will answer all these questions with one answer - Every person's situation is unique and totally different.

Lenders policy and criteria for borrowing are changing on an almost daily basis. What was doable yesterday is not necessarily the same today, what is doable today may not be the same tomorrow. My job is to keep up with these changes for you.

If you have one of these questions, or any others, I am happy to talk to you about the best options for you. What is right for one does not necessarily suit everyone. While on the surface people's situation can look the same, often their financial positions are very different. Please feel free to contact me if you need to, either by phone or email. I am here to help, so if you need it, just ask.

Take care everyone and have a relaxing and enjoyable Easter break.

Feature Article

To Buy Or To Invest?

While the thoughts of most home buyers are consumed by issues such as location, affordability and interest rates, they could be missing a key question: should their first purchase be as an owner-occupier or an investor?

Buying as an Investor

As an investor:

- you can rent and live where you want rather than buy and live where you can afford.
- you would receive rental income to help service your mortgage.
- you can claim expenses such as mortgage interest charges and fees, letting agency fees, insurance and property repairs to reduce your tax bill.
- you leave yourself free to travel.
- you harness the power of time and control equity through capital growth.

But you have to remember:

- that your rental income will be added to your other taxable earnings.
- that you may face difficult tenants or tenant-free periods but this can be overcome by buying in a great location and having a good property manager.
- that you still have the expense of rent if you don't stay in the family home.

Buying as an Owner-Occupier

As an Owner-Occupier:

- you can pay off your own mortgage instead of someone else's.
- you can qualify for any first home-buyer or residential owner-occupier grants.
- you would avoid the hassle of having to find a property manager and tenants.
- you can have your own space to do with as you please.
- you can enjoy a sense of pride that you own the roof over your head.

But you have to remember:

- that all the costs associated with home ownership are yours alone.

Ask The Negotiator

Email gregg@negotiator.com.au if you have any topics you would like to see covered in future newsletters.

Helpful Product/Tips

Tax Variation

Tax time is fast approaching and for those investors out there who are arranging their tax variation forms, remember you'll need to give the following details to your accountant:

- Personal Information such as your name, date of birth, tax file number, occupation and whether you were paid weekly, fortnightly or monthly.
- Employment Information such as your employer's name and their ABN and the address for payroll, your Payroll Officer's direct number and your estimated gross wage for the year – in this case 2008/2009.
- Investment Properties – providing the address of each property, the name on the titles, your ownership % of the property, the date the property was bought, the construction year of the property, how much rent you expect to receive for the 09/10 year from the properties, the interest payable for the 08/09 year on the properties and the likely costs for Council Rates, Insurance, Property Management Fees and Strata Levies.
- Other information that is required would be the Depreciation Schedule for all properties (if it has been done and not previously provided) and a copy of the very latest payslips that shows the Year to Date amounts on it.

Some Handy Tips For First Home Buyers

There is still an opportunity to own your own home before the the First Home Owners Grant is reassessed by the Government by the end of June, but you need to investigate your options and develop a strategy. Some important things to consider are:

- A history of savings is important. Most banks are now asking for 3% – 5% saved deposit with a history of savings in a bank account that you have, with at least a 3 month recent statement to prove this.
- A clear credit history is very important.
- Be sensible about the amount of money you borrow and leave some room for any emergencies. Knowing your borrowing capacity before you start looking for a house will allow you to know how much you can borrow.
- Get into a routine of setting aside enough money each month to cover your potential mortgage repayment so you know that you're not over committing financially.
- Buying your first home is a fantastic achievement, so make sure you celebrate and have some fun with it. You deserve it.

Joke Of The Month

Just Cut Your Hair First

A young man comes home and says, "Dad, just got my driver's license and would like to use the family car."

Father replies, "OK, son. But first, you have to get good grades in school, keep your room clean, make sure the yard is neat, and cut your hair. Come back in a few months and then we'll see."

Well, several months pass and the young man comes into the house with his report card in his hand. "Dad, I got great marks on my report card. I've been keeping my room as neat as a pin, and the yard is always ship-shape. How about letting me use the car?"

Father replies, "That's all true, but son you didn't cut your hair."

Son says, "But, dad, Jesus had long hair."

Father replies, "Yes, son, you're perfectly right. And he walked everywhere he went."

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