



NEGOTIATOR eNEWS

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www.negotiator.com.au

“You cannot create experience. You must undergo it” – Albert Camus

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

Interest Rate News

The reserve bank met again and has put interest rates up another quarter of a percent. Likely we will get one or 2 more rises and HOPEFULLY that will be it.

As always, if you would like to discuss anything please don't hesitate to contact me.

Feature Articles

Using the Equity in your Property as a Deposit

A lot of people are unaware of what they can do with the equity they have built up in their properties. Many investors use the equity in their home and in their investment properties for security to build their property portfolio.

Equity is the difference between the value of a property and the loans held against it. For example, if you have \$100,000 to pay off your home loan, and your home is valued at \$500,000, you have \$400,000 worth of equity. As equity is positive financial credit, you can borrow against this amount to grow your portfolio.

Some people believe that paying off existing debts before making further investments is important. While this does have its advantages, it can also cost you in the long run. By using your borrowing capacity and equity, you can buy property at today's prices and start taking advantage on potential growth. You can borrow 110% to cover all costs and use none of your own savings providing you have the equity to do so. You can take advantage on the tax-deductible interest on your investment property home loans, maximising your tax deductions.

The amount you can borrow will depend on your borrowing capacity and this can vary greatly with different banks and the Negotiator positions you for success. by picking banks that will discount interest rates as your borrowings increase and banks that will have no establishment, no preparation and no valuation fees. Banks will take into account your existing borrowings, income, assets, current property value and new property value.

Over the past ten years, property values around Australia have increased, in many instances, doubling. The great thing about this is that when your property value

increases, so does the equity held in that property. This provides you a growing source of funds that you can use as security for investing. It is like playing real life Monopoly.

Older vs Newer

Both types of properties have their advantages and disadvantages - as the saying goes: "Different Strokes for Different Folks" depending on your psychology, mindset, the facts and figures.

With older properties there is less depreciation than brand new properties. However, you can increase the value of an older property through renovation as well as increase the rental return. You can usually get these older properties in fantastic locations where no more development is occurring.

With newer properties you could pay a premium price but you get better depreciation and your rental return is a lot higher which usually gives you better cash flow. You'll have to do your due diligence when selecting a property to purchase so the property is worth its market value.

The most important thing is to be in the game of investing in property. My portfolio contains a mixture of both older and newer properties and I've used the strategies above to maximize my returns.

Ask The Negotiator

Email gregg@negotiator.com.au to ask a question relating to investing/wealth building and I'll publish the answers in future newsletters.

Helpful Product/Tip

A Loan Tip

If you are on a low income or trying to squeeze out another loan for an investment property and you want loan approval, a good strategy is to pay off your credit cards and close those accounts before you apply for a loan, or plan to eliminate more than one card. What the cards will do is add to your perceived debt, even if your credit balance has been unused. So if you have spent \$200 on your \$10,000 card limit, the lender will use the entire limit when assessing your loan eligibility. Lenders assume your credit cards can be maxed out at any time, whether or not you are intending to spend the money.

What will it take to become a Millionaire?

What might it take to save one million dollars? This financial calculator helps you find out. Enter in your current savings plan and graphically view your financial results for each year until you retire.

<http://www.lpl.com/calculators/Millionaire.html>

Joke Of The Month

A Cajun named, Jean Paul, moved to Texas and bought a donkey from an old farmer named Ben for \$100. The farmer agreed to deliver the donkey the next day.

The next day, Ben drove up and said, "Sorry, but I have some bad news. The donkey died."

"Well, then, just give me the money back," said Jean Paul

"Can't do that. I went and spent it already." Replied Ben

"OK, then. Just unload the donkey," said Jean Paul.

"What ya going to do with him?" asked Ben.

"I'm going to raffle him off," said Jean Paul.

"You can't raffle off a dead donkey!" uttered Ben.

"Sure can. Watch me. I just won't tell that he's dead," said Jean Paul.

A month later Ben met up with the Cajun and asked, "What happened with that dead donkey?"

"I raffled him off. I sold 500-hunderd tickets at two dollars apiece and made a profit of \$898," said Jean Paul.

"Didn't anyone complain?" inquired Ben.

"Just the guy who won. So I gave him his two dollars back," said Jean Paul.

<http://www.ajokeaday.com/>

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