



NEGOTIATOR eNEWS

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“Do just once what others say you can’t do, and you will never pay attention to their limitations again” – James R. Cook

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 has decided to leave rates on hold for this month. The RBA has taken the view of allowing recent large drops to run through the economy and gauge the effect of this stimulus before deciding what to do with rates in future.

It has also been said that our economy may be in the first signs of recovery or at least stabilizing. If they continued the large drops it would not give them much room to move in the event the economy needed more stimulus, so they are keeping some in reserve and waiting to see if the past rate drops have the desired effect.

The first two months of this year have been the most challenging that I’ve seen in some time – financial storms, rain storms, floods and fire storms. I must say the resilience and support witnessed in the Victorian bush fires has been absolutely amazing and a testimony to the spirit of all Australians. To anyone who has been directly affected, you have our full support and to those that have family and friends affected, our thoughts are with you.

Feature Articles

The Positive and Negative Drives of the Economy Cycle

As I’ve been in the property market for many years now, no one could have predicted the temperamental movement of the market cycle over the last year. It was this time last year that investors were concerned about the highest interest rates Australia had seen in 12 years, then a year later we are experiencing the lowest interest rates Australia has seen in 45 years – talk about extremes There have been some strong positive and negative forces working together at the same time.

Positive

- An undersupply of housing
- Low rental vacancy rates

- High rental yields
- High population growth
- Lowest interest rates in 45 years
- Government inputs such as the huge boost to the First Home Owner's Grant, reductions to Developer's Levies and promoting foreign investment into Australia.

Negative

- Restrictions on lending (tightening of credit policy by the lending institutions)
- High construction costs
- Low consumer confidence
- Increases in unemployment

These positive and negative forces have caused the market to slow but have also created some great opportunities for investors who have the confidence and know how to take action. Some people still worry but it is an opportunistic market for investors who want to gain high potential profits and if you keep your properties between 7 and 10 years, you will get good results but to get the best possible results, is to hold it for the longer term and not sell.

If you ever need me to look over a property that you're not sure about, email me the website link and I'd be happy to take a look at it.

Avoiding Mortgage Mistakes

Choosing the right loan could save many people making critical errors. Check out these common mistakes to avoid this happening to you.

- (1) **Not enough research** – Research the market to know that you are purchasing a good buy. When it comes to buying property, keep a regular eye on the market and read as many articles as you can from as many sources as possible. to make sure you're fully informed to take a step you can afford.
- (2) **Not having a budget** – By having a budget, you can allocate the right amounts of money to certain areas of your life and by monitoring it over a few months you can see where your money goes and what size of mortgage repayments you can really afford.
- (3) **Not being aware of how much you can borrow** – Pre-approval is a great tool for receiving assurance as to what you can borrow, before you go property hunting. It is a terrible feeling to have your heart set on a property and then find out you can't borrow enough money to buy it. Pre-approvals are also a must at auctions. You also need to be fully aware of your credit history as defaults can affect you obtaining finance.
- (4) **Going to one lender** – Buying property is one of the biggest financial decisions you will ever make so why go to one lender when I have a panel of over 20 lending institutions and therefore hundreds of loans to

choose from (depending on your eligibility and your individual financial situation).

- (5) **Relying on the honeymoon rate** – Many people make the mistake of not looking past their honeymoon (introductory) period, which is when the interest rate on their mortgage is lower than it will be for the rest of the loan term. If the post honeymoon period has not been budgeted and prepared for then you are probably going to be in for quite a shock.
- (6) **Not factoring in other costs** - Although it may be tempting to let your judgment be overshadowed by the standalone interest rate you should consider other fees such as application, deferred establishment, rate lock, monthly, break, switch and redraw. They can make a significant difference to the overall 'cost' of a loan.
- (7) **Expecting rates to stay steady** – Every savvy borrower factors in an interest rate rise of a few percent because rates increase and decrease at times over the life of the loan. You don't want to get caught out by not budgeting for those rises.
- (8) **Overstretching your budget** – Don't buy the property of your dreams if you can't afford it. Do some soul searching and figure out what type of property and mortgage you really need for now, and for the next few years. Be fully aware that you're making a financial commitment for a very long time – often, for 30 years. Also be disciplined with purchases you make after committing to the mortgage. Often, 'mortgage stress' is caused by spending on luxury items, vehicles, furniture, and other items that weren't factored into your budget before you committed to a mortgage. Be careful to sensibly manage your post-mortgage budget.
- (9) **Thinking property investment is a short-term strategy** – Property investment is an exciting and life-changing decision that can set you in good stead financially, given the right choices and commitment to its long-term nature. A reliable short-term investment strategy is difficult to achieve for the average person. Sensible borrowers should consider property investment as a long-term strategy especially now house price growth is at a slower pace.

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

Real Estate Website

I like to use the website www.realestate.com.au (which is updated daily), as it displays a huge list of properties that can be bought, as well as rental prices in all areas. It also gives you a list of sold properties in the area, which are important figures when comparing your own property or future properties that

you'd like to purchase. Properties can also be delivered to your email inbox as soon as they are listed. You can sign up to receive email alerts and individual property profiles on new properties that match your search criteria.

Joke Of The Month

'Circumcised'

A teacher noticed that a little boy at the back of the class was squirming around, scratching his crotch, and not paying attention. She went back to find out what was going on.

He was quite embarrassed and whispered that he had just recently been circumcised and he was quite itchy. The teacher told him to go down to the principal's office.

He was told to telephone his mother and ask her what he should do about it. He did and returned to his class.

Suddenly, there was a commotion at the back of the room. She went back to investigate only to find him sitting at his desk with his 'private part' hanging out.

'I thought I told you to call your mum!' she said. 'I did,' he said, 'And she told me that if I could stick it out until lunchtime, she'd come and pick me up from school.'

So the moral of this story is “Don't take everything at face value – read the fine print and everything is open to interpretation”

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