



NEGOTIATOR eNEWS

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No-one can make you inferior without your consent – Unknown

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

Interest Rate News

Good news this month – another interest rate drop of 0.75%.

The Australian Federal Government has announced that it will guarantee deposits up to \$1 million, at no charge, for a period of three years commencing from Sunday 12 October 2008. This includes all retail and wholesale deposits and applies to deposits in any currency. The guarantee applies to deposits held by banks for all types of customers, including individuals (and joint accounts), partnerships, businesses, trusts and government entities.

What this means is that if any financial institution was to fail, then its customers would be able to access any monies held in deposit by that financial institution. Everyone should take comfort in the fact that financial institutions in Australia are highly regulated, and the deposits of consumers are now 100% guaranteed by the Government. In addition, the regulator, (APRA) regularly reviews and stress tests the financial position of banks.

Due to the global financial situation, banks are being much tighter and stricter with credit policy when it comes to lending.

However, with two recent interest rate cuts and continuing uncertainty in the share market, now is a good time to look for opportunities in the property market.

Which ever way you look at the Australian residential property market, the long-term fundamentals are still there. With strong immigration levels and a rising birth rate as major contributors, Australia's population continues to rise and there are not enough homes to go around.

Rental vacancy rates are at, or around the lowest on record, so for investors looking for good returns with long term capital growth potential, property continues to offer great opportunities. Add to this the governments increase to the First Home Owners grant and we see potential for more activity in the housing market over the coming months.

Feature Articles

What Happens To Property After The Stock Market Crash?

The fall out from the stock market crashes around the world affects everyone in the short term. People ask me 'what happens to the property markets?'

It is interesting to note that Australia's biggest property boom occurred in the late 80's following the stock market crash of 1987. In fact, every time there has been a stock market crash in the last 50 years, Australian residential properties increased in value, but there was always a lag before this happened.

It is important to remember that house prices are not as volatile as the share prices. The property market is the only investment market where the majority of players are not investors. This means that as a home owner or a property investor, we are underpinned by the fact that 70% of properties are owned by owner/occupiers. And they don't sell their houses just because share prices are falling or because of the problems overseas.

In saying this, it is likely that for a short time after a stockmarket crash, demand for homes and investments will drop. People just don't like making important buying decisions at times of uncertainty.

As a home owner or property investor you should be in the market for the long term - property is a long term play and Australia's economic and property market fundamentals are still sound. This means that any slow downs in the property market will offer great opportunities for those with a long term view to buy their new home or investment property.

After a crash – there are always aftershocks as new information surfaces. Once the fall out is over, investors will put their money into the property market as they will see it as safer and less volatile than the share market. This means that our property markets will continue to perform well in the long term.

As a property investor or home owner - take a long term view, and remember the big picture. Australia's fundamentals are sound and the price of well located property has doubled every 7-10 years since 1920.

General Tips For Investment Property Owners

When a tenancy agreement expires, it is a good opportunity to increase the rent and improve your cash flow. Rents have been going up as a result of strong demand for rental properties, due to vacancy rates being at an all time low.

To determine the market rental for your property, you need to factor in the rate of inflation, and you need to find out the rent being charged for comparable properties that have recently been rented.

The best way to determine the market rental is to rely on the advice of your property manager, who can tell you the market rental for your property. Professional property managers can refer to their rent roll, data from sources such as the real estate institute, and monitor local advertising..

Routine inspections should be carried out every three months. Regular inspections should be completed by the property manager so that the owner can be kept up to date on the condition of the property.

Don't be put off by the economic cycle. If you find the right property, buy it because it always holds for the long term.

If you live interstate, and are arranging to inspect your investment property, speak to your accountant, as you may be able to claim travel/accommodation expenses as a deduction.

Remember to revalue your properties every couple of years, so that you can use your additional equity as security for a future property purchase.

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

Personal Insurance

- Make it a priority in your budget.
- When thinking about insurance cover, think about your family not being financially protected when you die.
- Cover the worst case scenario – it's never planned but people do die unexpectedly.
- Answer the applications truthfully. Lying to the underwriter may jeopardise your payout when you need it most.
- Cover the mortgage and a little bit more. The basic cover you should have is the mortgage but also think about schooling, child care, lost income and household costs.
- Protect your income especially if you couldn't work for a few months. Would you have enough of a buffer to cover your mortgage repayments? Also, a bonus is that income protection cover is tax-deductible.

- To help with your cash flow, arrange for your super fund to pay for your life insurance coverage.
- Check the terms and conditions.

Joke Of The Month

One day an employee sends a letter to the boss asking for an increase in salary.

Dear Bo\$\$,

In thi\$ life, we all need \$ome thing\$ mo\$t de\$perately. I think you \$hould be under\$anding of the need\$ of u\$ worker\$ who have given \$o much \$upport including \$weat and \$ervice to your company.

I am \$ure you will gue\$\$ what I mean and re\$pond \$oon.

Your\$ \$incerely,
Norman

The next day, the employee received this letter in reply.

Dear **NO**rman,

I **kNO**w you have been working very hard. **NO**wadays, **NO**thing much has changed. You must have **NO**ticed that our company is **NO**t doing **NO**ticeably well as yet.

NOw the newspapers are saying the world's leading eco**NO**mists are **NO**t sure if the United States may go into a**NO**ther recession. After the **NO**vember presidential elections things may turn bad.

I have **NO**thing more to add **NO**w. You **kNO**w what I mean.

Yours sincerely
The Boss

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