



NEGOTIATOR eNEWS

September 2008

www.negotiator.com.au

**Being challenged in life is inevitable, being defeated is optional –
Roger Crawford**

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

Interest Rate News

Another month, another reserve bank meeting. The Reserve Bank has cut interest rates for the first time in almost seven years. This time they have decided to drop interest rates by 0.25%. Hopefully the lenders will pass this on to all of you with variable loans as quickly as they increased them in the past. It looks as though we may now be entering a falling rate cycle for a little while, lets hope it continues for some time.

Everyone knows the property market goes through cycles - I personally believe that there is more money to be made purchasing in a flat market than there is in a peak market. Being able to identify the market's current position in the property cycle allows you to strategise more effectively. Remember to always position yourself for success. As you all know, I buy and hold for the long term.

Feature Article

Buying Off-The-Plan

Some people may be reluctant to purchase off-the-plan as they like to see the finished product, but there are many good reasons to buy off-the-plan.

Benefits include a lower entry price into the property market and usually only requiring a 10% deposit - for example, if you purchase a \$400,000 property, the developer will require a \$40,000 deposit. This means you could be controlling a \$400,000 asset for \$40,000 for up to a period of 3 years to completion of the building. If this property grows 15% over the 3 years, this is \$60,000 growth before you take the possession of the \$400,000 property which equates to 120% return on your money over the 3 years.

I have personally bought off-the-plan and I have made very good profits from these kinds of deals. You do however, still need to do your homework and I follow these rules when buying off-the-plan:

- Always choose a good growth area – take a look at the infrastructure in that area plus any attractive features such as river views.
- Buy off-the-plan in the earliest stages as that's when developers offer the cheapest prices. If you buy early, you will make the most money in the long run.
- If the developer has recently constructed a similar type of property, inspect the property to see their work and finishes. This will give you an indication of what you may expect from your property.
- Look at the layout on the plans as well as the size and location of windows and entrances as this can have an impact on future tenants.
- If you are buying an apartment, make sure there is an allocated car bay on the title, as lack of a car bay can reduce the value of an apartment significantly.
- An apartment should be greater than 50sqm. I would stay away from studio apartments and serviced apartments.
- Always check the contract thoroughly to ensure you are protected against any price rises during construction – make sure there are no clauses allowing the developer to vary construction costs of the development.
- I prefer buying in the lower to middle end of the market because if you need to sell, the majority of the market can generally afford to buy in this price range and if the residential market softens, the lower end of the rental market rents out sooner.
- Check the selling price of similar properties in the area as this will give you a good indication of the true market value of the property you are purchasing.

Buying off-the-plan lets you secure a property for tomorrow at today's prices!

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

About Defence Housing

Some people have asked me about Defence Housing (DHA), so here is the low-down.

The primary function of DHA is to provide high-quality housing solutions to members of the Australian Defence Force and their families.

Defence Housing Australia (DHA) gives you the opportunity to build wealth through investment in quality properties. DHA sells a limited number of properties to investors each year.

Properties are located throughout Australia, in areas where the Australian Defence Force are located. Properties are of a high standard and feature a comprehensive level of inclusions.

Each property is sold with a DHA lease, which means you agree to lease the property to DHA for a specified term, and pay DHA a fee to manage and maintain the property. In return, you receive:

- long-term lease with a Government Business Enterprise
- rent paid from date of settlement until the end of the lease
- zero vacancy risk for the term of the lease – standard lease terms are 9 or 12 years and include an option for DHA to extend lease, usually for another 3 years.
- property management and maintenance
- restoration provisions at the expiry of most lease terms

If you'd like more information, here is the website to DHA

<http://www.dha.gov.au>

How to Improve your Credit Record

Step 1 – Check your Credit History

Before lenders lend you money for a car or a home, or phone companies enter into a mobile phone contract with you, they look at your credit record to assess whether you have a good record of repaying your debts.

A bad credit file can cost you a lot in the long term. If you haven't paid your bills, or if you've had your power cut off, your car repossessed or skipped payments, exceeded card limits or defaulted, you could be refused a loan or be charged a higher interest rate.

You can obtain a copy of your credit file for free within 10 working days by contacting Veda Advantage at www.mycreditfile.com.au or you can pay a fee to have your credit file delivered more quickly. I strongly suggest that everyone should be aware what's recorded on their credit file.

It contains records of overdue payments of 60 days or more when you have been sent a letter notifying you of the default. It also mentions when the credit provider has unsuccessfully tried to contact you in writing and has reported you as a missing debtor.

Step 2 - Clear up any Disputed Credit Records

If you believe that a bank or phone company has unfairly listed an overdue account on your credit file, you should contact them and ask for an explanation and for the incorrect information to be immediately rectified.

If you are not happy with the explanation you receive, call the Banking and Financial Services Ombudsman www.bfso.org.au or the Telecommunications Industry Ombudsman www.tio.com.au

Remember to follow up thoroughly and rectify any unjustified records straightaway.

Step 3 - Improve your Credit Rating

To change a bad credit record into a good one, use credit as much as you can, meeting all repayments on time, so the good record outweighs the bad. You do not have to spend more, just put all your spending (bills, groceries, petrol etc) on a credit card and pay it off every month.

Joke Of The Month

Native American Indian In Café

An Indian walks into a cafe with a shotgun in one hand and a bucket of buffalo manure in the other. He says to the waiter, "Me want um coffee".

The waiter says, "Sure chief, coming right up".

He gets the Indian a tall mug of coffee, and the Indian drinks it down in one gulp, picks up the bucket of manure, throws it into the air, blasts it with the shotgun, then just walks out.

The next morning the Indian returns. He has his shotgun in one hand and a bucket of buffalo manure in the other. He walks up to the counter and says to the waiter, "Me want um coffee".

The waiter says, "Whoa, Tonto, we're still cleaning up your mess from the last time you were here. What the heck was all that about, anyway"?

The Indian smiles and proudly says, "Me training for upper management position. Come in, drink coffee, shoot shit, leave a mess for others to clean up, and disappear for rest of day.

If you found this newsletter helpful, why not forward this email to a friend or colleague.

Check out previous Negotiator eNews newsletters at: www.negotiator.com.au

Disclaimer

The information, statements and opinions expressed in this email are only intended as a guide. Although we believe that the statements are correct, they should not be taken to represent investment, accounting, taxation or legal advice and you must obtain your own independent advice from an appropriately qualified professional. Neither the publisher nor any people or organisations involved in the preparation of this material give any guarantees about its content or accept any liability for any loss, damage or other consequences that may arise as a result of any person acting on or using the information and opinions contained in this email.