NEGOTIATOR eNEWS
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"A teacher is one who makes himself progressively unnecessary " – Thomas Carruthers

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 goes by and it still seems that every minute of the day we are being bombarded by what interest rates may or may not do in the near or distant future.

At this month's meeting the Reserve Bank has decided to leave rates on hold yet again.

But, for how long? No one really knows and even though people have an opinion one way or the other, they are just that, opinions. Only the future can tell who will be right and who will be wrong and the truth probably will lie somewhere in the middle of all those wonderful 'Opinions'.

That said, I think we can safely conclude that at some point in the future interest rates will go up from their current historic lows.

So should you fix or should you not? It really depends on everyone's individual situation But I will give my opinion, and I reiterate it is a PERSONAL OPINION ONLY. But hopefully one reason you all deal with me is that you know I speak what I feel and am not a fence sitter, while your interests are always at the heart of what I do.

SO - my 'opinion'.

In general, fixed mortgages can limit your flexibility. They are very restrictive in many areas, especially if your circumstances change during the fixed period and you need to get out of or refinance the loan. History shows that MOST times when people have fixed, that they would have been better off staying variable. Just ask people who fixed in the last few years at 8 and 9%. I believe that the only real benefit from fixing is to know exactly what you are going to pay every month for the given term and for some this is what they need to know.

A comment I heard the other day made a lot of sense to me and really summed up my views. “If you fix then you are gambling that you know more than the banks because they have already calculated what they believe future moves would be into the loan and a bank does not fix rates to lose money. So who loses? The consumer.”

History backs up that this comment has been right most of the time in the last 50 years or so.

So what should we do? We must prepare. Get rid of small high interest debt like credit cards and personal loans to lower your monthly out going expenses and keep any sort of personal non taxable debt to a minimum, even consider consolidating any current debt into the mortgage if you have enough equity (Only after looking at all the options as this is not always the best option). It is ok to use a credit card but clear it every month. If you can’t, don’t use it.

Consider what your payment would be if rates did raise 2-3% and plan accordingly. I’ve had a lot of questions on this particular subject so let’s look at this current scenario. I have just randomly chosen a bank’s basic variable rate and compared it with their current 5 year fixed rate.

$300,000 loan at 5.11% variable over 30 years gives principal and interest payments of $1631 per month.

The same loan at the current 5 year fixed rate of 7.74% would mean payments of $2147 per month. A difference of $516 per month.

Start putting the extra away NOW and use the money to reduce your debt. This will cut YEARS off the term of your loan and as rates do rise, you will already be comfortable paying the extra. This should work out better than fixing, if history is anything to go by.

Just to let everyone know that I will be going to the USA on Friday September 11th till October 6th but I will be available by email as I will be checking emails regularly. I’ll have my laptop with me and I will be working as well. Just drop me a line at gregg@negotiator.com.au if you need help with anything.

Feature Article

A Snapshot of World Economics

Here is a bit of a summary of good news around the world.

- The US stock market is holding up well, even though unemployment figures and lower retail sales were the reality, on the back of stronger than expected WALMART figures for the quarter.
- There are signs that the glut of residential properties on the market in the US is starting to shift.

- Huge Gorgon Gas Project started in the north of Western Australia on 19/08/09 which will provide thousands of jobs during construction and for the next 30 years (estimated), Western Australia is in line for prosperous times ahead.

- Gigantic gas export deal with China to export over $50billion.

- Gas export deal to India worth $25billion.

- The Aussie dollar is growing from strength to strength indicating another positive aspect (especially for my trip to the US).

- Germany and France are apparently officially out of recession after more than a year.

- Reserve Bank Governor, Glenn Stevens, in a recent speech, said that Australian rates were unusually low and on "Emergency" setting. If there is speculation that rates will rise, it is an indicator that the emergency is abating.

- BIS Shrapnel predicts that 2010 will be a tough year for Australian Housing but 2011 should be a year of strong recovery. People say that 2008/ 2009 was a tough year for housing but there are a lot of real estate agents who made exceptional incomes over this period.

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

Financial Health Check

Here is something I found on a website that lets you check to see how well you are managing your money, giving you a score out of 100, and to see if there is anything you coud do to improve your situation.
http://www.understandingmoney.gov.au/tools/Consumer/healthcheck

Joke Of The Month

Can I borrow that book of yours 'How To Become A Millionaire?'
Sure. Here you are.
Thanks - but half the pages are missing.
What's the matter? Isn't half a million enough for you?

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

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