

To All Our Valued Clients,

It's tax time, already. The first six months of the year have flown by! Have you collected all your receipts for costs incurred whether personal, business or investment? Now is a great time to assess your general income/expenditure and create a budget, if you don't already have one. (If you'd like a budget worksheet, just email us at [pauline@pridemortgageservices.com.au](mailto:pauline@pridemortgageservices.com.au))

The new NSW budget has recently been released, one of the best features is the cutting of stamp duty on recently constructed homes. If you have been thinking of upgrading into a new home or constructing an investment property, now may be the best time to do so, saving yourself up to \$22,490 in stamp duty.

I've also been catching up on some phone calls to make sure I touch base with all our clients. Hopefully I've spoken to you recently. If not, please don't wait for your Mortgage Health Check letter to arrive. If you have any questions or want to have your financial situation assessed, please call me. I'm always happy to have a catch up and make sure your loan product is the best one for your circumstances.

After the success of our investment Seminar in May, we're holding another in August. Hope to see you there. In the meantime, do your best to keep warm!

Until next time ... Pauline

## TOUGH TIME TO GET INTO THE MARKET

In the 2009-10 financial year, we experienced six interest rate rises, taking our official cash rate from the historic lows of 3.00% to our current rate of 4.50%. Although 4.50% is still quite low (in January 1990 the official cash rate was 17.50%, many people were paying around 19%p.a. interest on their home loans) as many as five percent of First Home Buyers who were hoping to purchase this year have been priced out of the market.

This is not a result of rising interest rates alone. The larger cause is the rising cost of property. In 1990 the average wage was \$34,112 p.a. and the average house price (in Sydney) was \$100,000 or just under three times the average wage. (As many of our clients would know, in the late eighties, you could buy a brand new house and land package in the Western suburbs for around \$80,000!) Today, the average wage is \$50,336 p.a. and the average price in Sydney is, wait for it, \$595,745 or just under twelve times the average

salary. Perhaps this has something to do with why it's so hard for young people to get into the housing market these days.

On an international scale, Australia's housing market is considered severely unaffordable. Even at half the price our real estate would be classed as "moderately unaffordable" in relation to the average household income.

With figures like this it is not surprising that more people are getting help from their parents to buy their first home or are putting off buying and continuing to rent for longer. The rental market is very strong at the moment – with more people wanting rental properties than there are properties on the market – and there looks to be no sign of slowing down.

If you're in a position to invest in property, maybe now is a good time to start. See our article about Stamp Duty Cuts for more information.

## ZERO STAMP DUTY ON NEW HOMES, VACANT LAND FOR BUILDING AND OFF-THE-PLAN PURCHASES AFTER JULY 1, 2010

The NSW Government Budget for 2010-2011 contained massive stamp duty cuts for **EVERYONE** constructing homes, not just First Home Buyers.

If you sign contracts (and construction starts) after July 1, 2010 on a new house, off-the-plan dwelling (including apartments, townhouses, units etc) you will have ZERO stamp duty to pay, on properties up to \$600,000 or vacant land up to \$400,000. There are conditions: construction

must start within 26 weeks of the contract of sale of the land and be completed within 18 months and no later than the 31st December, 2012.

If you are currently constructing a new home under the value of \$600,000, or are buying a newly constructed home, you may still be eligible for a 25% reduction in stamp duty.

## TESTIMONIAL

*Thankyou Pauline & Team, Pride Mortgage services helped us promptly and professionally, when it came to refinancing our mortgage. Being small business owners it always feels difficult to sort through banks and financial institutions for low-doc loans etc. With your help it was truly made easy, thankyou.*

*Philip L & Dianne L, Springwood*



## Fixed vs. Variable

With rates rising over the last nine months and banks finally dropping their fixed rates in the last month, many people are wondering if they would save money by locking in their rates. Here is a rundown of the pros and cons of fixed and variable rates.

### FIXED

The obvious advantage of fixed rate is that if the Official Cash Rates jump, you will still only be paying the rate you locked in and your repayments won't change for the term of your lock in rate.

However, this comes with a few disadvantages. Firstly, the banks have a good idea of what rates are going to do in the short term and factor this into their rates. Unless you know more than the banks, they're likely to still make their money on you over the term of the fixed rate. Also, fixed rates will often have fewer features than variable, for example, you may be limited to how much extra you can pay off your mortgage in that time. You may not be able to make redraws on your fixed loans, you may be hit with penalties for trying to get out off that rate early and, unless you're in a professional package, there will be costs associated with changing your loan from variable to fixed.

### VARIABLE

If you have a variable loan, you can often make extra repayments and redraw. Variable loans usually have better portability and you benefit when rates go down.

On the downside, when rates go up you are at the bank's mercy. Your repayments may change month-to-month as the rates fluctuate as this type of loan is very sensitive to local economic conditions.

If you feel you'd like the best of both worlds, there is also the option of splitting. If you are in a good package or can otherwise avoid duplicate account fees and fees to lock in a fixed rate, this may be the way to go. To discuss your options, call us anytime.

## CONSIDERING INVESTING, BUT DON'T KNOW WHERE TO START?

Our investment seminar in May helped many people considering investing understand the process of investing in property as well as showed them what they need to do beforehand. To help more of our clients begin their property portfolio we have decided to hold another seminar in August.

If you missed the first Investment Seminar or have just started thinking about Investing, please email us now to register your interest. We're happy for you to bring friends or family along for a thorough introduction to property investing.

## ALI GROUP – MORTGAGE PROTECTION SPECIALISTS

As authorised representatives of ALI, we can offer you the Loan Protection Plan. This policy is affordable (with prices starting at \$8.83/month), flexible and requires no medical and the policy amount can be changed to suit your needs. There is no lock-in period, you can cancel your policy at any time and, best of all, you have 3 MONTHS FREE COVER, to look around and make sure this is the product for you, but be covered in the meantime. The Loan Protection Plan covers death and terminal illness as

well as partial payouts for a number of serious illnesses. The policy is designed to cover the mortgage in the event that one of the family providers dies or becomes very ill and can no longer make payments, so the family home will be safe.

Could your family afford to continue mortgage payments if you could no longer contribute- through death or serious illness? If you'd like to protect your family from losing the family home, please call us now to discuss the Loan Protection Plan.

### FOLLOW US ON FACEBOOK

By now you probably know that Pride Mortgage Services has a page on Facebook, just getting with the times. If you're on Facebook find us and become a fan. We're working on building up our Facebook fans, so if you're on Facebook, please leave a comment or post on the Pride Mortgage Services page and help us keep in touch with all our clients.



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