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Mortgage news

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Line of credit mortgage - a nice fit for the yo-yo income



If a graph of your annual income looks like the teeth of Jaws, you're obviously in need of flexibility... a line of credit mortgage may just be the option for you.

Line of credit mortgages are generally interest-only loans with no set term for the loan to be repaid. This gives the borrower the freedom to decide when they will make payments on the principal, a useful tool for those with incomes that ebb and flow or for property investors looking to take advantage of investment opportunities.

One of the main concerns for a line of credit mortgage is that the speed in which the loan is repaid is dependent

on the borrower. Borrowers will therefore need to exercise a level of discipline, and there is a very good reason why.

A line of credit allows you to make the bulk of your day-to-day purchases or payments with a credit card. By using the credit card – and the interest free period it entails – you can then channel the majority of your wage into your loan until your credit card payment is due. This effectively reduces the balance of your loan for part of the month, therefore reducing the interest payable. This is known as offset savings. If you are disciplined, you pay the credit card off each month by using funds from the line of credit. If you are not, you can find yourself in a bind.

Line of credit mortgages typically have a higher interest rate than a standard loan so it's important to weigh up the benefits of offset savings compared to a more traditional principal and interest mortgage. While offset savings will contribute to helping you own your own home faster, only additional repayments will you really help drive your mortgage down at a quicker rate.

Welcome to our new-look newsletter.

You've probably toyed with the idea of investing in areas other than property. In this issue we take a look at some of the safer, and riskier, alternative investments on offer. For those who rent their properties we have also done some tenant profiling while also highlighting the benefits of line of credit mortgages - a useful product for borrowers whose income ebbs and flows.

I'd appreciate your feedback on the new newsletter so please feel free to get in touch. Hope you enjoy!

Sincerely

Gus Martonhelyi

ALL Home Loans





Alternative investments: dynamic or high-risk?

Netting good investment returns is not limited to real estate alone. But beware, while non-traditional investments can be fun to get involved in, they still of course involve risk.

There are pros and cons to all investments. When diversifying your portfolio keep in mind that 'attachment', 'feelings' or 'emotions' can be very dangerous things... if you want to invest with a better chance to generate a return, you need to be cold and practical. Here are four alternative investments that are constantly growing in popularity, some of which yield better returns than others.

Sports memorabilia

The rule 'Caveat Emptor' is very relevant when investing in sporting memorabilia, particularly if merchandise is from overseas. Verifying the authenticity of an autograph, for example, is basically impossible unless you're there to witness it yourself. Therefore buy from a reputable source and do your home work – take in a few auctions before you make your bid. Also steer clear of personal favourites unless they're universally popular or you may struggle to find a buyer when it's time to sell!

Carparks

They may not be very glamorous but there's not too many commercial investments that cost less than \$50,000 and don't require ongoing maintenance costs. The Australian

reports that in 2005 Sydneysiders paid up to \$50,000 apiece for 220 car spaces in the Crescent Apartments building in Kings Cross, yielding around 4.5 per cent net per year in rental! But before you take the plunge make sure you can access funding as some lenders tend to keep clear of these kinds of investments.

Art and antiques

Most experts agree that you should buy art and antiques primarily because you like them and only secondarily because they may return a profit. On a positive note, however, art and antiques add to the character of your home and can be enjoyed while they appreciate in value.

There are price guides available covering most antiques and certain artworks which will provide the basis for your research before you buy. If you're considering parting with serious cash ensure that you're buying from a reputable source.

And remember, antiques and art are not always a liquid investment – it may take a long time to get your money back.

Classic Cars

An unpredictable beast at best, picking a winner in the classic car market can make the ASX seem like child's play. A good example of the fickleness of the classic car market is the Austin-Healey 3000: you can now pick up a good

example of this timeless gem for about \$50,000; five years ago they cost \$80,000-\$90,000!

According to expert car buffs, classic cars should be regarded as an investment that's for enjoyment; the fact that it might offer a good return further down the track is a bonus. But if you want to charge in with an eye to the future the classic cars of tomorrow include the Audi TT, Benz AMG and the BMW M3.

Tenant profiling



In a perfect world tenants always pay their rent in advance, stay year after year and never come close to causing any wear and tear. In reality, the perfect tenant is all too difficult to come by.

If you're looking for new tenants or considering buying an investment property, the following profiles will help you determine which type of tenant best fits your needs.

University students

Whether it's your memories of the characters from the 1980's BBC comedy *The Young Ones*, or flashbacks to your university glory days, students have never rated highly among landlords as dream tenants. As tenants without a regular income, there's a greater chance that students will lapse on rent payments. If you do have reservations, try and get a feel for their finances, including a reference from their parents in case they do the bunk.

Also cap the number of student renters allowed in your property – restricting the number of people translates into less damage, parties and clean up costs. On a positive note, student rentals tend to roll over from student to student as one graduates and another commences their three-five year degree, meaning a reduced need to continually find new tenants to lease your property.

Backpackers and international students

Keep your guard up – backpackers and international students probably rate as the least desirable type of tenant. Strapped for cash, it's not at all uncommon for small apartments to sneakily house a cast of occupants. This accelerates wear and tear; if it's an apartment building also expect the neighbours to throw a few complaints your

way regarding noise levels. The upside: they're traditionally a low-maintenance bunch and are less likely to demand five-star furnishings.

Young Professionals

Today's young professionals typically dislike the hassle of moving house and will have been through enough negative flattening experiences to know a good opening when they see one. These types of renters will probably value peripheral things like the quality of furniture and flashy white goods more so than any other renting demographic. So if you have some dusty old sofas and 1980s furnishing best to strip the place bare and rent it as unfurnished.

Families

Families score highly on areas such as reliability. They are also more likely to stay put for a while as children settle into schools and build friendships with neighbours.

If you want to attract the family demographic you'll need to prepare your property to attract families. This means a properly fenced garden and secure gates so that children will be safe when playing outside. Families can also be accompanied by pets – not high on the wish-list for landlords! If you're prepared to accept pets factor regular carpet steam cleaning into their rental agreement.

Soothe the soul for cheap

With life's stresses becoming more intense, finding effective ways to relax is taking on more importance. But relaxation should not necessarily mean huge expense! Here are four sure-fire cheap techniques to help you unwind.

Meditation – Neuroscientists have found that meditation affects brain activity by shifting waves in the brain's stress-prone areas to the calmer left frontal cortex. This shift reduces the negative effects of stress, mild depression and anxiety. One simple technique you can use in the comfort of your own home is to sit on the floor, straighten your back, put your hands on your lap one on top of the other (palms facing up), close your eyes and begin to breathe deeply and slowly in and out.

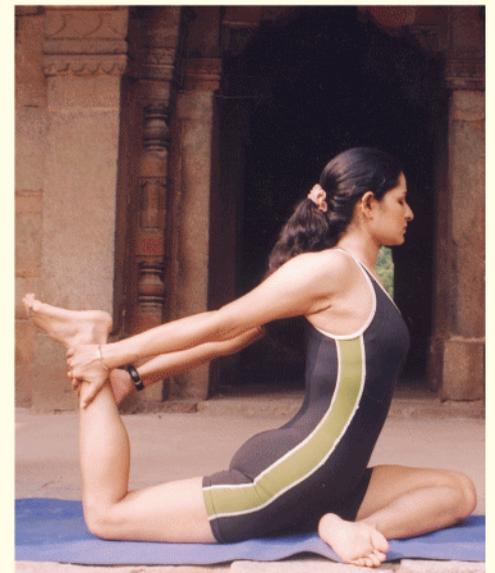
Yoga – Yoga helps achieve an emotion-

al balance through detachment. This in turn builds calmness and a positive outlook, which also benefits your physical health. Yoga has gained immense popularity over the past ten years and yoga studios can be found in even the smallest country towns. Expect to pay \$5+ per yoga session.

Music – An underrated way of winding down, some laid-back chill out music – like Sade – will soothe your state of mind more than you might realise. Such music has been proven to slow down the heartbeat and the rate at which you breathe and think, therefore prompting relaxation.

Massage – For those with partners, massage is the cheapest self-indulgence there is. Massage stimulates the

release of endorphins, the body's natural 'feel good' chemicals, to help induce relaxation and a sense of well-being.



Build right, build confident

It's an unfortunate fact that building disasters do happen. But for those contemplating building or renovations, incorporating some key measures into your plans should ensure a much better result.

Whether you're simply adding another bedroom or building your dream home, you can take comfort that there's a trusted and respected organisation to help. Listing one of its core aims as "making Australian building standards



and regulations more acceptable to the industry and responsive to end user's needs," it makes sense to have the Master Builders Australia as your first port of call when searching for a quality builder.

Through their website www.master-builders.com.au you can verify whether

your prospective builder is a registered master builder. To secure membership, builders must show a genuine interest in the integrity of the industry and prove they have the required skills and expertise to meet quality standards. You can search for a builder in your local area via the website.

Once you've confirmed credibility through registration with Master Builders Australia, your next, and perhaps most important planning step, is to shop around and ask lots of questions.

There are a number of things that need to be considered when sourcing a builder; one key suggestion is to make sure you tell each builder that you are getting other quotes – this will keep them on their toes. Some other important tips include:

- Cheaper isn't necessarily better, so back up quotes by speaking with previous clients or through obtaining testimonials; any builder worth their salt will feel comfortable giving you access to past clients.
- Listen to your gut instincts and let them contribute to your final decision: will your project be a priority and will you feel comfortable having the builder around your home when you're not about?

- Some builders will also be better at certain types of jobs than others. Determine each builder's specialisation and match that to your project.

By using these practical measures in your planning, you'll be taking a big step forward to achieving peace of mind once construction gets underway.

Entertainment on a budget



DVDs versus the cinema – With outlets like Video Ezy offering three DVDs (includes one new release and two older titles) for ten dollars, going to the cinema at around \$40 for a couple is almost now unnecessary. Given the rate at which movies on the big screen make it into the video stores, holding back a month or two and having a quiet night in can add a few more dollars into your budget each month.

Photo exhibitions – Many exhibitions are either free, or next to free, and well worth the effort attending. Some exhibitions are also attached to a charity so any fee paid will typically go to a worthwhile cause. Visit www.photoreview.com.au for exhibition listings.

Community theatre – The fun, unpretentious raw energy of community theatre is a must if you haven't been before. The website www.bcl.com.au has an extensive list of community theatres with an up to date guide of what's on offer.

Need a builder?

- Check that they belong to a relevant state-based Master Builders Association
- Get more than just one quote
- Listen to your gut instincts
- Check your prospective builder has experience doing your type of project



ALL Home Loans

Gus Martonhelyi

All Home Loans (Aust) Pty Ltd
Unit 2, 52 Cuthbert St
Bulleen Vic 3105



03 9852 4444



03 9852 4477



Gus@allhomeloans.com.au



www.allhomeloans.com.au