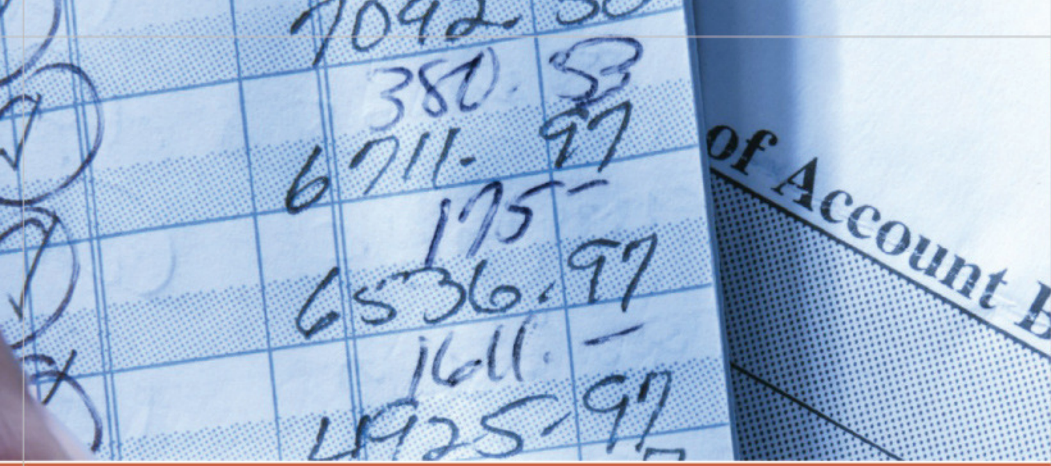
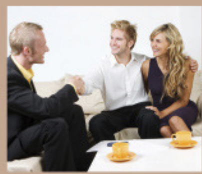


Mortgage news

March 2007



Smart savers

Almost everyone can afford to take ten per cent of their weekly earnings to put aside in a savings account...

According to ANZ's December Economic Outlook, Australian household spending has been accelerating steadily thanks in a large part to an increase in the average disposable income. The retailers are profiting from our increased wealth, but are you?

With fluctuating petrol prices, high housing costs and uncertainty over interest rates, 'budget' is probably a familiar word in most Australian households. But instead of budgeting – just the word gives many of us the shudders – why not try some of these smarter spending strategies to help you reach your financial goals sooner?

Know where your money goes: Everyone should have a plan outlining their financial commitments and detailing their long-term goals. Knowing where your money is committed month on month is an important step to saving in the long run.

The 10% rule: Almost everyone can afford to take ten per cent of their weekly earnings to put aside in a savings account; by taking the money out directly you won't even notice that it's gone. This is a much better saving practice than keeping an excess amount readily available, as it removes the temptation to buy non-essential treats just because you have the cash at hand.

Weekly allowance: Give yourself a weekly allowance making sure you have enough to purchase all your grocery needs, with a little extra for incidental spending and other expenses. Keep this money in a separate account to your savings.

Keep debt in check: Avoiding additional debt from credit cards is essential as these can attract huge interest rates. Use the savings taken from your salary instead to make large purchases; another option to consider is to take out a personal loan, which typically charges interest at a lower rate.

Increase your mortgage repayments: Try upping the contributions you make to your mortgage each month. The more cash you put towards your home, the faster you'll be able to unlock equity to use for other projects or investments.

Being cash conscious doesn't mean you have to feel like you're on a strict budget. But removing the excess from your account and planning how you spend your cash can make a big difference to your financial future.

As summer fades into Autumn, so too does the threat of further rate rises. As interest rates start to look more stable we turn our attention to the opportunities for investors to capitalise on the current rental property market. We consider the merits of capital gains versus cashflow as well as some smart tactics landlords can employ to make sure they find and keep good tenants - a must read if you're interested in property investment.

And if you're keen to see a few more dollars in your bank balance at the end of the month, our tips on saving should also be an inspiration. I hope you enjoy this edition of our newsletter and if there's anything you'd like to discuss please don't hesitate to call.

Sincerely,
Gus

ALL Home Loans

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Capital growth vs rental return: which investment property is suitable for you?

Investing in real estate is undoubtedly one of the most efficient ways for Australians to build their wealth. Property has historically increased in value in most markets in the long-term and gives buyers the added benefit of receiving a direct return from the rental income.

Property that yields high rental returns as well as good capital growth can be hard to find. So many investors therefore usually base their strategy around either long-term capital growth or a cash-positive rental return.

If you're not sure which path you should take, the following tips should help you decide which strategy best suits your goals.

High rental returns
Though they can pop up anywhere, good rental yields typically arise in regional or outer suburban areas. While such properties are less likely to be affected by fluctuations in market prices, steady rental demands increase the likelihood of solid rental returns.

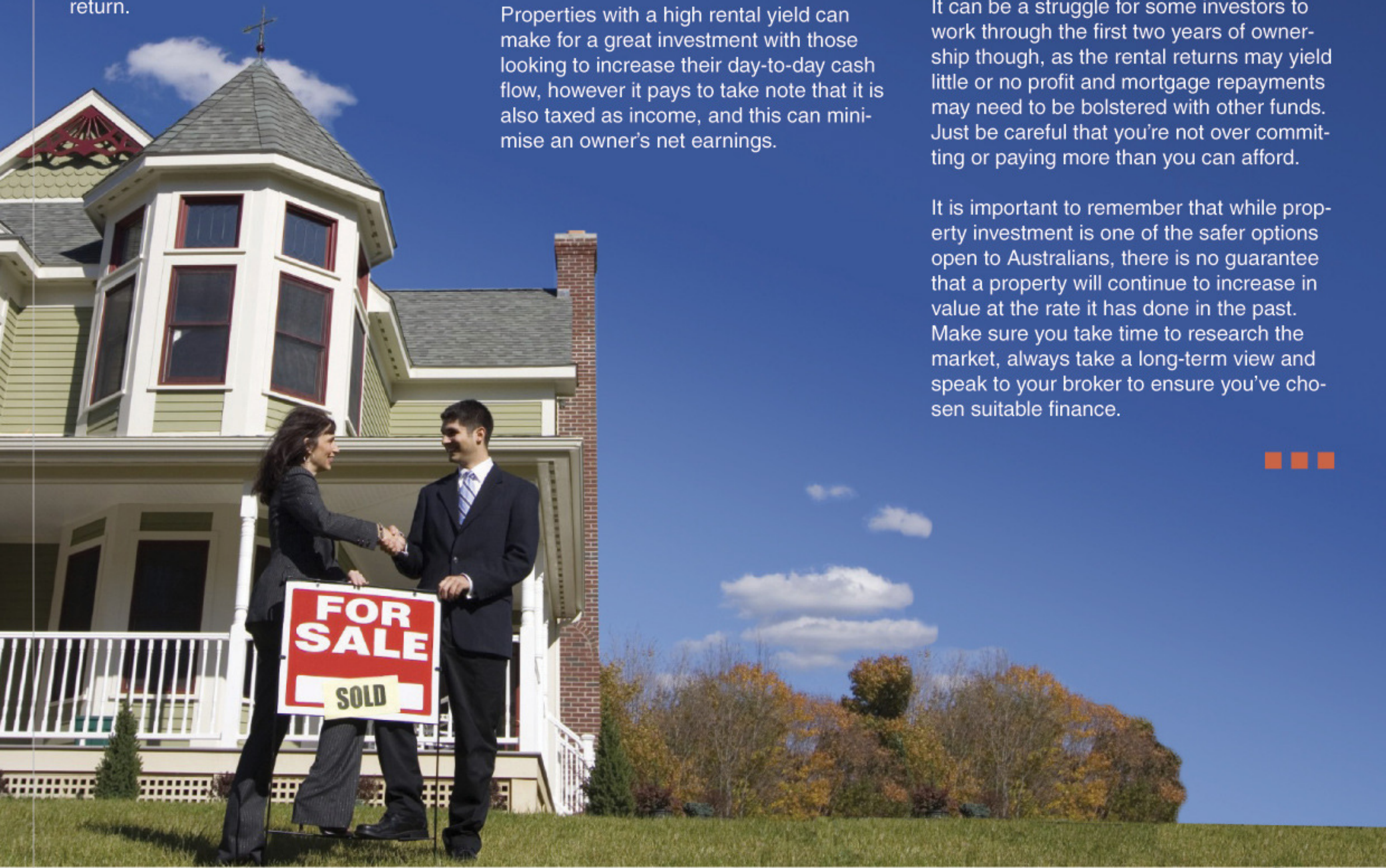
Properties with a high rental yield can make for a great investment with those looking to increase their day-to-day cash flow, however it pays to take note that it is also taxed as income, and this can minimise an owner's net earnings.

Capital Growth
Capital growth investors on the other hand are looking for properties that appreciate in value rather than focusing on the rental yield. While usually found anywhere, investors often focus on capital cities or areas of growth and development.

The objective of this strategy is to sell the property for a profit within a certain number of years, leaving a healthy return on the initial investment.

It can be a struggle for some investors to work through the first two years of ownership though, as the rental returns may yield little or no profit and mortgage repayments may need to be bolstered with other funds. Just be careful that you're not over committing or paying more than you can afford.

It is important to remember that while property investment is one of the safer options open to Australians, there is no guarantee that a property will continue to increase in value at the rate it has done in the past. Make sure you take time to research the market, always take a long-term view and speak to your broker to ensure you've chosen suitable finance.



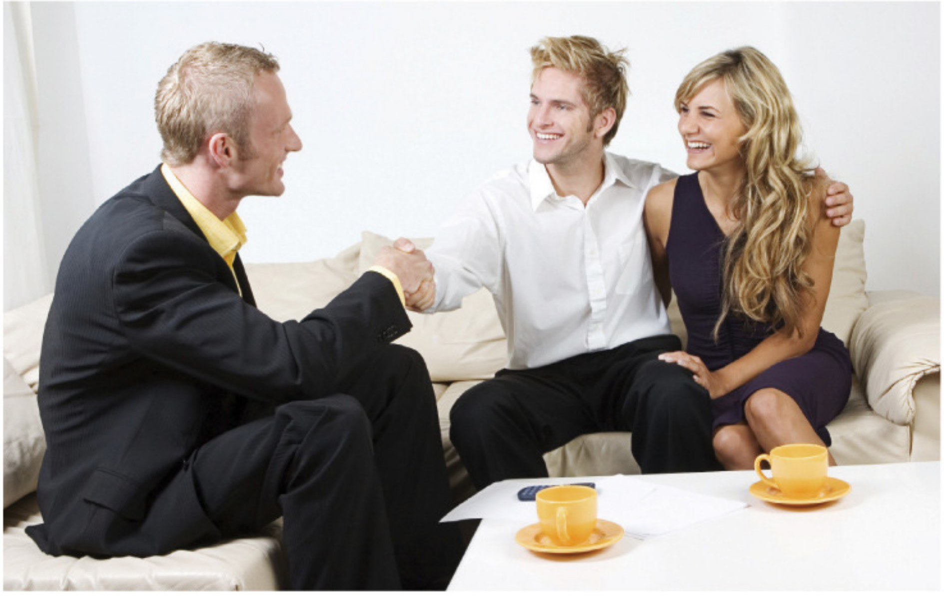
Mortgage health check

With 2007 well and truly underway, now is a good time to investigate how well your mortgage is performing. Any number of alterations to your work habits or lifestyle spending may have affected your financial needs, so it pays to have a quick look at where your money is going, what interest rates are up to, and whether or not you are getting the maximum use out of your loan features.

To find out if your mortgage is working hard enough book an appointment with your broker. In the space of half an hour they can outline whether your loan is up to the task or whether a new loan may better suit your current circumstances.

It might also prove a good time for you to consider locking part of your loan into a fixed-rate combination. Asking a few simple questions could save you plenty of dollars in the long run, so make an appointment with your broker today!

Proactive landlords profit more



As the owner of an investment property it can be a little disconcerting knowing that the potential value of your property can come down to the way it's treated by your tenants.

If you want to protect your investment, getting the right tenants is an obvious place to start. But the following proactive actions could safeguard your property's long-term rental returns without costing big dollars.

Choose a representative: Having a professional liaise between you and your tenants is an effective approach with an investment property. Choose an agent who's enthusiastic about keeping a good relationship with your tenants, and proactive in your property's care and maintenance.

Know your rights and responsibilities: Although your agent can guide and instruct you, it's essentially your duty to know what your rights and obligations are to your tenants – so read up on state guidelines to make sure you aren't caught unawares.

Get insured: Many property owners in Australia are significantly under insured when it comes to their home and contents. You need to make sure that your investment has the right cover to protect you and your tenants and to safeguard against any scenario, such as fire, flood or burglary.

Put everything in writing: Transparency is the best way to avoid complications in a contract situation. Keep a copy of all contracts signed by your tenants as well as documenting any requests, reports or requirements noted by your agent – a paper trail can be a great incentive for your tenants to keep the property in good repair.

It's also a good idea to increase rent costs annually by a sensible margin, and this should be outlined in your initial contract. If your tenants expect a rise in costs each year there's less chance of complications when the time comes to ask for it.

Neat, safe and clean: If you don't look after your property, your tenants won't see a need to either. Providing a clean and secure residence will encourage your renters to maintain the property's aesthetic looks and therefore its value.

Spending a little to make sure that you have the right locks, smoke detectors and security screens can save you a lot in the long run. You could also consider hiring a gardener to keep the outside tidy, and you should always make sure that repairs are made straight away to avoid excess damage and unhappy tenants.

Respect privacy: It might be your investment property, but while your tenants are living there it is their home. Your agent should conduct regular inspections, but give plenty of notice before they arrive.

If you want to protect your investment, getting the right tenants is an obvious place to start.

Beating the mid-afternoon slump

Struggling to make it through the last couple of hours of the afternoon? Try these five tips to get you through the entire day with loads of energy to spare!

1. Drink plenty of water. Even if you aren't being physically active your brain needs liquid to work too! Try and keep a bottle of water handy at all times and take a drink every twenty minutes or so.

2. If you're going to be sitting at your desk all day, a huge lunch will only make you feel tired and lethargic. Aim to have smaller meals that are spread evenly throughout the day so you aren't affected by a sharp drop in your blood sugar level.

3. As tempting as it can be to head to the nearest vending machine for an afternoon sugar fix, don't! Instead have an apple, dried fruit or yoghurt to give you long lasting energy.

4. Increasing your complex B vitamin intake through a vitamin supplement can really make a difference to your daily energy levels. So ask your chemist what would be best for you.

5. If you're really struggling, then its time to get some fresh air. Take a walk outside for five minutes, and do some deep breathing to clear your head. Why not volunteer to take the afternoon mail if you need an excuse to escape the office!

Economic round-up

With interest rates on hold for a fourth straight month does this suggest we're near the top of the current rate cycle?

Homeowners have been spared higher mortgage repayments as cooling inflation in the last quarter of 2006 prompted the Reserve Bank of Australia (RBA) to keep rates unaltered for the second time this year.

An annual inflation rate of 3.3 per cent at the end of 2006 was down from 3.9 per cent in the previous quarter, but still sits above the RBA target of two to three per cent.

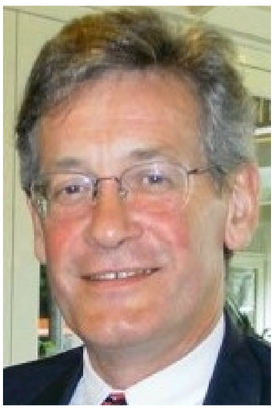
While home owners can rest easy for another month, there is no clear indication what the RBA will decide for April, or where rates will head over the course of 2007.

The RBA raised interest rates three times in seven months to a six year high of 6.25 per cent during 2006. So, can we expect another in 2007? The jury is out.

According to a survey conducted by Bloomberg News Feb 13, seventeen of twenty-six economists expect interest rates won't change this year; two predict an increase rate rise and seven forecast a cut.

Three rate rises between May and November last year prompted many homeowners to seek the safety of fixed-rate loans, with one in five borrowers opting for a fixed-rate in November.

But with rates looking like they could be near or at the top of the current cycle, variable-rate loans could now prove a more attractive option for some borrowers. To explore whether a variable or fixed-rate loan is suitable for you, give your broker a call to discuss your options.



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