Mortgage news

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Attracting and keeping good tenants

The key to successful long-term property investment lies in finding and keeping good quality tenants. If you've decided to save the expense of a property manager, following a few basic principles should put you on the right track.

Ask a fair rental
If you try and charge too much for rental you'll have less prospective tenants considering your property. So find out what the going rate is by looking at rentals for other properties in your area. Just keep in mind that even if you do manage to get tenants in at above market rates, it may not be long before they realise they're paying over the odds and go elsewhere.

Promotion
If you want to attract the right people, good marketing is essential. This means advertising your property in the places that the desired target audience is likely to be. It's also well worth taking the time to work on the content of your advert. Don't over promise or visitors will be disappointed, but make sure your property sounds attractive. Make sure the advert includes all the key benefits, such as proximity to public transport, parking availability and security, as well as features of the property itself.

Perfect presentation
First impressions are everything. If people inspecting take a dislike to you or your property you'll never see them again. That means a clean, tidy and fully functioning property. Check electrics and plumbing for faults and put all household appliances through their paces before prospective renters arrive for inspection. And after giving the property a once over, make sure that you're also looking the part. A suit may be over the top, but ensure you're well presented – remember, as a landlord you're effectively running your own business, and your tenants are your clients!

Check references
Don't underestimate the importance of checking out a tenant's credentials, because once they're installed into your house it may be hard to get them out. Talk to previous landlords for their endorsement, asking, for example, whether they paid their rent on time, if the property was kept in good order or whether there were any complaints from neighbours.

Show the love
Once your dream tenants have moved in, make sure they never want to leave. That means focusing on making life easy for them as tenants, rather than for you as the landlord. Fix problems as soon as they occur, listen to reasonable requests, and never turn up unannounced. It is important to visit the property, but once every six months should suffice. And as a final touch, drop a card and a bottle of wine round on birthdays!

Rates have been on the move again, but what lies ahead? Our new regular quarterly economic wrap highlights the factors that influence rate movements and ultimately affect your mortgage repayments. And if interest repayments on credit cards and other loans are starting to put the squeeze on your household budget, we also look at some practical steps to managing debt. With interest still in mind, we discuss what homeowners can do to help reduce their monthly repayments on their existing loans, and consider how investors can attract the best tenants to support their property investment.

I hope you enjoy,
Gus Martonhelyi

Pushing for promotion?

With 30-year low unemployment[1] levels, and skill shortages in every industry, companies are looking at how to hang on to their key people. Timing simply couldn't be better for climbing the corporate ladder. Here are five sure fire tips to help push for your next promotion.

- **Make your ambition known to senior management.** Don't just rely on your boss to put in a good word – get the message to the decision-makers. A good managing director notices the employees who want to get ahead, so don't be shy. Make sure that career progression rather than more money is your aim, or you're better off pitching for a pay rise.
- **Know your company's goals.** Most employees focus on the issues that affect them or their department. Stand out from the crowd by taking an interest in the bigger picture. Also discuss broader company objectives with management whenever opportunities arise.
- **Take credit when it's due.** Don't be afraid to talk about your successes or someone else may take the credit. Just ensure you praise colleagues and recognise their contributions – management is based on team work.
- **Take advantage of training.** Sharpen your skills and broaden your knowledge whenever possible. If you don't get your promotion, new skills will make you all the more attractive to another employer.
- **Back your boss.** Take extra responsibility when offered, but not too much. Pave the way for your next step up the ladder.

[1] Sourced: Australian Bureau of Statistics

Need a mortgage health check?

Put your loan through its paces once a year to make sure it still meets your requirements. Here are four issues worth considering.

Could I be paying less interest?
Although the interest rate alone is not the only consideration for choosing a loan, it makes sense to check that you're not paying more for a product than you need to. There is always competition between lenders to offer the lowest rate, so even if you had the cheapest loan a year ago, things may have changed. Before switching to a lower rate just make sure you take break costs into consideration, or you could end up worse off.

Could I be paying off my mortgage faster?
Some mortgage products are designed to help motivated borrowers repay their mortgages quickly.

> " ... even if you had the cheapest loan a year ago, things may have changed. "

What's different in my life?
Has your personal situation changed over the last year? Maybe you've been promoted, had a pay rise, or gone from contract work into a permanent position. Different mortgage products are tailored for different situations, so you may be better suited to a different loan. For example, if you were previously self-employed, but are now a salaried employee, your Low Doc loan could be switched to a lower interest product.

Do I need to unlock equity?
Over the years you'll accumulate considerable equity in your home as you repay your mortgage. But you may be able to tap into the value that's built up in your home without having to sell. Australians can use equity from their homes to fund many requirements – from putting children through university to increasing assets through purchasing an investment property. As long as you are able to service the loan repayments, you may be able to borrow up to 80 percent of the value of your home without having to pay lenders mortgage insurance.

If you're striving to be mortgage free, for example, there may be a more effective product than your existing loan to drive your mortgage down.

A 'Basic' loan usually comes at a lower interest rate, but its lack of flexibility may restrict certain mortgage reduction techniques. Equity lines, off-set accounts, and redraw facilities all allow borrowers to pile extra funds into their mortgage on a regular basis, which may result in taking years off your repayments.

Dealing with debt

Understanding the difference between good and bad debt - and sticking to a budget - are the first steps to keeping your household in the black.

Although many Australians despise the thought of being 'in debt', debt should not always be seen as a negative.

Good debt can include anything you need but can't afford to pay for upfront, without wiping out cash reserves or liquidating all your investments, such as a property.

Alternatively, loans taken on items you don't really need (and can't afford) could be categorised as bad debt. Wherever bad debt arises, you'll find that a credit card is never far away.

So if you're concerned about rising debt levels in your household, what can be done to regain control?

Chop up the card - Once safe from temptation you can set about reducing the outstanding amount without adding to the problem. Remember, the minimum repayments on a credit card are designed to keep you paying interest for longer.

Work to a budget - Spot the gaps where the dollars have been leaking by recording what you spend each month. Once you know where your income is going, you can set a budget to keep you on the right track. Note down all regular commitments, including loan repayments. Anything that's left is your disposable income, although it's a good idea to try to channel as much of these funds into additional loan payments.

Change spending habits - Changing your behaviour is the only sure way to safeguard against slipping back into trouble. Stop impulse buying, which means making a list of items you need before going shopping. Also look for money saving opportunities, like taking a packed lunch to work, or cutting out the morning cappuccino. And if in doubt, be honest with yourself and ask 'can I really afford this'?

Consolidate debt - If you have multiple debts, consolidation may be the answer! One monthly repayment can be easier to manage than several. What's more, credit cards are charged at a higher interest than most other loans, so it may be worth paying off the debt with one hit and switching to a cheaper rate. One option worth exploring is to consolidate debts into your mortgage.

Get in shape for summer

Shake off winter lethargy and get in shape this summer. With a goal in mind and a positive attitude, sharpening up your fitness level could be easier than you think.

- **Have a goal.** Keeping up with the kids, shedding a kilo or two or simply feeling fitter – having an objective will keep you motivated. Put a time frame to your plan, but keep it realistic or you'll end up disappointed.

- **Talk to your doctor.** Tell them your goals and your fitness program – they may be able to help refine your plan. Take this chance to also note weight and blood pressure so your progress can be measured.

- **Balance fitness with food.** Take this opportunity to review your diet. A healthy balance of cereals, vegetables, fruit, dairy, proteins and fat is essential to compliment your fitness regime if you want to reach your goals.

- **Keep it fun.** There's no point in committing to a five kilometre daily run if you hate jogging. Jump on a bike, go for a swim, or get involved in a team sport. And if all this sounds too much, a brisk walk for half an hour each day will make a difference.

- **Listen to your body.** If you start to ache, or feel pain… take a break. And if it persists see your doctor – you might have taken on too much.

Economic round-up

There have been two rate rises so far this year, with May and August receiving increases of a quarter of a per cent apiece. So what factors have influenced the Reserve Bank of Australia's (RBA) decision to push rates up, and what is the likelihood of another increase this year?

According to a recent Organisation for Economic Cooperation Development (OECD) report, the Australian economy will grow at a rate of three per cent this year, rising to 3.5 per cent in 2007. This has been helped by high global commodity prices, and a booming China economy benefiting Australia's mining sector.

As a result of a strong economy, Australia is also enjoying a 30-year low unemployment rate at just 4.8 per cent[1] , according to the Australian Bureau of Statistics (ABS). The effects of a workforce shortage and strong economic growth – plus the increasing cost of petrol – have caused inflation to rise to four per cent in the second quarter of 2006, which is above the RBA's target of two-three per cent. Inflation basically refers to the price that you pay for goods, which is measured by increases in the Consumer Price Index (CPI).

So what does all this mean? Most economists are tipping at least one more rate rise this year, but much will depend on how much effect the latest rate rise has on cooling inflation, what happens to petrol prices over the next few months, and if consumer spending continues to climb.

On August 10 2006, UBS chief economist Scott Haslem told the Age that the September quarter CPI index, due late October, will be a key influencing factor whether rates rise.

"While we don't expect a knee-jerk response to today's data from the RBA, it adds to the case for a further move if at the time of the next CPI release we have not seen convincing evidence of both slower global and domestic growth ahead," he said.

While homeowners have no say in what the RBA decides to do with the cash lending rate, they can take steps to mitigate the effect of rate increases.

When planning ahead, consider how a rate rise will impact on your household budget. Also, always stick to a monthly budget, and keep a close eye on credit card spending.

It's also worth taking a look at your mortgage and considering whether there might be a more suitable product for you. Speak to your mortgage broker about what options might be available.

[1] Sourced: Australian Bureau of Statistics

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