

MORTGAGE FOCUS



In this issue:

Do you have a valid will?

Avoid paying too much interest

Do you need life insurance?

Wine & app review

March 2016

Welcome to our March newsletter

Summer is over and now that we're entering the busy autumn selling season, our property markets are picking up and resuming the hectic pace we saw last year!

Last week, the Reserve Bank of Australia (RBA) met for its March meeting and as widely expected by analysts, decided to keep the official cash rate on hold at 2.0%. Whilst the RBA is not ruling out a further cut in rates this year, it looks as though the cash rate will remain at this level for some time.

Property markets are going strong, with auction clearance rates picking up around the country. For the week ending February 29, there were 1,327 auctions recorded in Victoria with a good clearance rate of 75%. In NSW, there were 872 auctions with a clearance rate of 73%, Queensland 175 auctions with a clearance rate of 58%, South Australia saw 118 auctions with a clearance rate of 73%, ACT had 72 auctions with a clearance rate of 70%, Tasmania had just 9 auctions with a clearance rate of 60%, NT had 10 auctions with a clearance rate of 63% and Western Australia held 47 auctions with a clearance rate of 44%.

Whilst last year saw some very rapid rises in home values, this month growth has been slower. Sydney home values increased by just 0.47%, Melbourne 0.30%, Brisbane & Gold Coast 1.30%, Adelaide 1.88% Darwin 0.40% and Hobart 2.85%. Perth and Canberra showed small declines in home values over the last month, with Perth showing a 1.13% decrease and Canberra 0.16%.

Many lenders have been making changes to their interest rates outside of the RBA cash rate movements. Recently we've seen small increases in interest rates on commercial property loans and investment property loans. However, interest rates remain very low overall and buying conditions look particularly good for owner-occupiers – great news if you're a first home buyer or looking for your next home.

Remember, we're here to support you with all your finance needs. If you're thinking about getting into the market this autumn, then give us a call and we'll help you to get pre-approval on a loan so you're in a great position to buy. If you're an investor, don't be put off by any small rises in rates – we're here to help you find the most suitable loan for your needs, so call us today.

We recommend that you seek independent financial and taxation advice before acting on any information in this newsletter. It contains general information only and has been prepared without taking into account your objectives, financial situation or needs. We recommend that you consider whether it is appropriate for your circumstances. Your full financial situation will need to be reviewed prior to acceptance of any offer or product. Interest rates are subject to change without notice. Lenders terms, conditions, fees & charges apply. Information sources: Auction results: www.realestate.com.au. Home values: www.corelogic.com.au

Sincerely, **Mentor Lending**



Do you have a valid will?

Have you given any thought to what will happen to your assets when you pass away? Recent statistics have shown that approximately 45%* of us do not have a valid will. Most people don't know that if you die without one, the government in the state in which you live will determine how your estate is divided up.

Dying 'intestate' – the legal term for dying without a valid will – could mean that you don't get to choose which people inherit your estate, particularly if they are not directly related to you. But most importantly, it could mean that large assets like your home and other property do not go to the people you want to take care of the most after you've gone.

What is a valid will?

A will is a legal document that clearly sets out your wishes for the distribution of your assets after your death. In order for it to be valid, your will needs to comply with certain legal criteria. For example, you must be over the age of 18 and of sound mind to make a will, it must be in writing, it must be signed by you and witnessed by two people who are not beneficiaries of the will and you must have 'testamentary capacity'.

Testamentary capacity means that you must be fully aware of the extent of your debts and assets and the will must take into consideration all the people who would normally be expected to benefit from your estate. Because of these requirements, it is advisable to seek legal advice when preparing your will, as you may require professional guidance on everything that must be included.

For your will to remain valid, it needs to be kept fully up to date with your current circumstances, so you should update your will every five years and every time your family or financial situation changes. For example, your family situation may change if you get divorced, remarry or your children get married, or if you have a new grandchild. Your financial situation may change if you become unemployed or retire, purchase a new property, change your investments, incur additional debts or the value of your estate increases or decreases for any reason.

What happens to your home loan if you die?

Unfortunately, your debts do not disappear when you pass away. The person who inherits your property will also inherit your mortgage repayments. What's more, in the event of your death, the lender has the right to demand repayment of the loan in full from this beneficiary, which may mean the property will have to be sold off quickly to repay the debt.

In order to ensure that your beneficiaries are not left struggling to pay off your home loan or other debts, we recommend that you consider Life Insurance or perhaps, Mortgage Protection Insurance. (We can provide you with cost-effective insurance options, so talk to us if you need help).

How do you prepare your will?

You can prepare your own will by obtaining a legal will kit from any Australia Post Office. However unless your family and financial situation is very straight forward, we recommend that you seek professional legal advice to ensure your will is legally sound and cannot be contested in court. (If your will is not legally sound, the court can overturn it and divide your assets as they see fit).

If you do not currently have a valid will, we can help by giving you a referral to a reliable legal adviser. As mentioned earlier, we can also help you to arrange suitable insurance options so that your loved ones are not left struggling to repay your home loan or other debts after you go. We're here to help you make the future secure, both

for yourself and your loved ones, so please don't hesitate to give us a call today if you require assistance.

*Source: <http://www.tag.nsw.gov.au/wills-faqs.html>



How to avoid paying too much interest

Many people don't think twice about paying interest on everything they purchase. For a lot of people, it's just the price they have to pay for convenience and getting the things they want in life. And when you're borrowing money to make money, as with your home loan, your interest repayments may be considered a necessary evil if you want to get ahead.

But does paying interest always make sense? If you're not very careful, the interest you pay can end up costing you more than you can afford. Here's three simple ways to help you keep your interest liabilities under control.

1. Don't use a credit card

Many people think they just couldn't live without their credit card. But in terms of interest payments, this is the most expensive form of debt there is. If you really think about it, if your credit card interest is 20% per annum, you're paying 20% more for everything you buy if you take a year to pay it off. Do you really want to be doing that?

We recommend that wherever possible, you make your everyday purchases using cash and only use your credit card in the event of an emergency. This may mean saving up for larger purchases rather than buying them immediately with your credit card. When you do have to make a purchase with your credit card, you should try to pay it off as soon as you can - within the interest free period if at all possible. Some credit cards offer 55 days interest free on purchases, so choose one of these if you can.

2. Pay less interest on your home loan

There are several ways to reduce the amount of interest you pay on your home loan. You can make repayments more often - say weekly or fortnightly instead of monthly, you can use a mortgage offset account, or you can make extra repayments on your home loan to reduce the interest payable. All these measures together can accumulate to cut years off your home loan and save you tens of thousands of dollars on interest over the life of your loan.

Another way to reduce the interest you pay on your home loan is to keep it up to date - so you don't pay the lender more interest than is strictly necessary. We recommend that you contact us for a free home loan health check every year, or at least every two years. That way you can always make sure your home loan has the lowest interest rate available to you.

3. Consolidate your debts

You see advertisements for debt consolidation on TV all the time - they are usually aimed at people who are in trouble with debt. However, there's no need to wait until you're in trouble to consolidate your debts, you can do it now to reduce the amount of interest you have to pay.

Consolidating your debts means rolling all your debts into one, usually using a loan that has a lower interest rate. If you have a home loan, for example, you could refinance in order to use some of the equity in your home to pay off all your other debts and access the lowest interest rate available.

If you don't have a home loan and have quite a few expensive debts like credit cards, car loans, or store credit, it may be possible to roll these into a personal loan that carries a lower interest rate overall. It also allows you to spread your repayments over time, making them more affordable. If you want to eventually end up debt free, consolidating your debts is a good place to start.

As your finance and mortgage broker, we're not just here to help you find the right solution for your home loan. We can help you with all your financing needs including budgeting, debt management and debt consolidation. We consider it a vital part of our service to save you money on interest – so you can use your money to enjoy a better lifestyle or invest it to build wealth for your future.

For assistance or more information about reducing your interest obligations, please give us a call*. We'll be happy to help.

*Your full financial situation will need to be reviewed prior to acceptance of any offer or product.



Do you need life insurance?

Did you know that we also offer cost-effective insurance options in addition to finance? We consider it part of our responsibility to you to do whatever we can to ensure you and your family never suffer any financial hardship, or experience any difficulty in meeting your financial obligations. We genuinely care about the welfare of you and your family and are here to support you with insurance options that will meet your specific needs and keep you covered in any eventuality.

Why do you need life insurance?

Australians seem to live in the belief that we are all bullet-proof, but the truth is we are just as vulnerable to events beyond our control as the next person. Take Karen for example.

Karen was a 38-year old office manager working for a manufacturing company. After her divorce, she was left with a mortgage and a 14 year old son to support. Karen was very worried about what would happen to her son if she should pass away unexpectedly, he always worked hard and did well at school and she wanted to make sure he would be able to go on to university.

Karen took out a life insurance policy for \$500,000 – enough to cover her mortgage and support her son if necessary. She also took out an income protection policy in case she ever became temporarily unable to work.

Less than two years later, Karen went home from work early one afternoon with a bad headache and the feeling she was coming down with the flu. Unfortunately, it was worse than that. Karen lost consciousness later that day and was rushed to hospital. She had suffered a brain haemorrhage and died that evening.

Under her life insurance policy, Karen nominated her son as her sole beneficiary. He received the \$500,000 benefit through a trust fund set up by the trust's solicitors. Whilst the money may not make up for the loss of his mother, Karen's son will be able to live securely and complete his university studies without financial hardship*.

Is your current insurance enough?

Most people have some form of insurance in their super – but is it enough? The good thing about a life insurance policy is that it pays out a lump sum in the event of your death that your beneficiaries can use as they see fit. Other forms of insurance cover for specific events such as loss of employment, illness or permanent disability can

also be arranged to cover your obligations.

Karen's example tells us that planning your insurance requirements carefully can make all the difference, not only to you but to the life and future of your loved ones. If you'd like to find out more or get some advice on which insurance options would be suitable for you and your particular situation, then please give us a call. We're happy to discuss your requirements without any obligation and when you've made your decision, help you to find the most cost-effective insurance solution for you.

*This example is based on a real insurance claim, however names have been changed. Grounds for making a claim and the level of benefit can vary from one insurance policy to another depending on the terms of the policy. We can help you arrange insurance that is right for your needs. The information contained in this article is general in nature and does not take into account your personal circumstances, financial needs or objectives. Before acting on any information, you should seek the appropriate financial advice and read the relevant Product Disclosure Statement or other offer document prior to acquiring any financial product.

Wine review

Innocent Bystander 2014 Mea Culpa Syrah

The Innocent Bystander vignerons and winemakers work out of the Tarraford Vineyard in Victoria's Yarra Valley. This remarkable shiraz is not only the product of a cool-climate vineyard, but also a product of biodynamic farming practices. It delivers a medium bodied wine that is bright, fresh and firm. Whilst it has distinct oak overtones, the palette is all about the fruit and not the oak. Described as surprisingly muscular, this wine is the perfect companion for a first class steak or roast.



Rating : 4 stars
RRP : \$75

App review

TrackMySPEND

Do you ever wonder where your money goes? This simple, easy to use app from ASIC's MoneySmart range helps you watch where you're spending your hard earned cash and make adjustments to your behaviour so you stop wasting money. Take coffee for example. TrackMySPEND allows you to make a simple entry every time you buy one and then gives you a summary of how much you've spent on coffee weekly, monthly or annually if you prefer. It gives you different categories in which to track your spending and even allows you to distinguish between needs and wants. It takes only seconds to make each entry but gives you vital information to help you budget and save.



RRP : FREE
Available on : Android or iPhone



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