



JULY/AUGUST 2008 | NEWSLETTER



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Director

The economic climate continues to throw up both obstacles and opportunities for home owners and property investors.

Our first article looks at one of these opportunities – the rise in rental returns – and how this translates to making an income out of your investment property.

On the flip side, we look at one of the biggest obstacles home owners have had to face this year – rising interest rates. In our article “Interest Rates: where to next?” we review the predictions for the coming year.

As part of dealing with rising rates we share our tips and strategies for managing your money and protecting yourself from financial strain.

Lastly we look at Line of Credit home loans and how they can be used to help with managing debt or providing easy access to funds for renovation or major purchases.

Enjoy this newsletter and feel free to share it with family and friends.



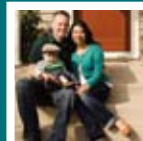
RENTS ON THE RISE



INTEREST RATES: WHERE TO NEXT?



MANAGING YOUR MONEY



LINE OF CREDIT HOME LOAN

Rents on the Rise

Property investment has been given the thumbs up with the news that rental returns are on the rise.

According to the latest research by leading property information provider, RP Data, four of the seven capital cities are showing an increase in gross investment returns (yields) from residential property.

Of the capital cities that haven't yet shown an improvement – Adelaide, Brisbane and Melbourne – it is expected they soon will follow the same trend.

The higher the rental yield, the greater the return you can make on your investment property. To calculate rental yield, divide the purchase price of the property by the annual rental income. For example, if you are getting \$500 a week in rent for a property you bought for \$550,000 the yield would be 4.7 per cent.

There are now around 180 suburbs throughout Australia achieving gross rental yields of six per cent or higher. About a third of these suburbs are in



inner city metro areas, while the rest are in regional towns, with coastal areas performing particularly well.

Within metropolitan areas, the best performers are the outer suburbs with good transport links where housing prices are low in relation to the rents being charged.

With rents increasing at the fastest pace in 18 years and vacancy rates sitting at a 30-year low, experts predict continued improvements in rental yields.



The Mortgage and Finance Association of Australia is the peak industry body for the mortgage and finance industry. Members are bound by a code of ethics to ensure the highest levels of service integrity and professionalism.

“WHAT'S HOT”

Pacific home loans has launched their website.

www.phls.com.au

Visit our website and register your details in “Contact Us” to **win a trip for TWO to Fiji.**

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Interest Rates: Where to Next?

Depending on who you speak to, the coming months will either see a slow-down in the economy or a rise in interest rates.

While there is agreement among economists that Australia is no longer immune from the US financial crisis, the extent of this immunity is the cause of much debate!

The financial turmoil that began in the US late last year with the subprime mortgage crisis is still being felt in the global financial markets. Australia has experienced knock-on effects through sharemarket instability and rising inflation in the economies of our major trading partners.

Despite predictions of recession in the US, the outlook in Australia is considerably more optimistic. It is hoped that in lifting interest rates, our Reserve Bank has dampened inflation enough to temper the less favourable economic conditions elsewhere.

Recent signs of a slowing in the economy include a decrease in consumer spending and dwindling credit use. While these are positive signs, the Reserve Bank still warns that inflation may be driven up by the risk of strong demand and income growth from the booming resources sector and July tax cuts.

The unemployment rate is at the lowest in 30 years, which means that workers are in demand and

have the power to negotiate their wages upward. While this is good news for our hip pocket, it leads to wage inflation and then inevitably impacts on overall inflation.

Higher prices for basic goods and services like fuel, food, education and housing are all factors that drive up inflation. Couple this with a tight labour market and you can see why there is still reason for caution.

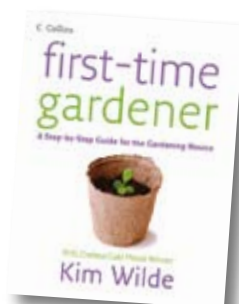
The Reserve Bank has predicted that inflation will remain in the four per cent range until the end of 2010, a full percentage point above the 2-3 per cent target that is seen as safe for the economy's long-term health.

A more positive outlook is predicted by the Organisation of Economic Cooperation and Development (OECD), who believe economic growth will slow below three per cent over the next two years and bring inflation back within the RBA's target a year earlier than expected.

Despite the hotly contested battle as to what pace inflation will move, it seems we can expect interest rates to remain high in the immediate future. For you and I that means tightening our purse strings and making sure our investments are suited to our financial needs.

As your mortgage broker we can help you continue to build your asset base and ride through an economic downturn without getting caught in the storm.

Book Review




By Kim Wilde
RRP \$29.95

Publisher: HarperCollins

First-time Gardener

Beautifully illustrated throughout this one-stop guide will teach you the very basics of what gardening is about. It explains why gardening can be so rewarding and why planning is the key. Essential garden techniques and tools are covered as well as a great guide to plant terms – demystifying words such as perennial, biennial, bulbs, rhizomes and many more. The book assumes no prior knowledge and takes you through the basics of planning a garden, choosing plants and turning your ideas into reality – including how to make the most of climbers, containers, and hanging baskets. But it will also help you assess what you've already got in your garden. Not all gardens should be created from scratch, as per the TV makeovers. In fact, if you can wait a while to see what happens in your new garden over the seasons, then you may find you've inherited some exotic and wonderful plants.



Did you know?

There are many ways to stretch your daily dollar. Try these budget-saving ideas.

- Take your own lunch to work
- Buy a travel pass or join a car pool
- Buy your groceries in bulk and choose generic brand names or items on special
- Grow your own fruit and vegetables
- Do an energy audit of your home to identify areas you can save power
- Bundle your landline, mobile phone and internet plan with the one provider
- Cut back on eating out and buying takeaway
- Do your homework before filling up the car and find out what is the cheapest day and cheapest service station in your area.

Managing your Money

It's often said the secret of managing money is to live as economically the day after payday as you did the day before.

A little common sense and restraint can go a long way towards creating a healthy financial situation. The solution lies in gaining control of your spending and finding an enjoyable lifestyle suited to your income rather than your dreams!

Make a budget

Budgeting is one of the most effective tools for keeping your finances under control.

Take advantage of the free budget planners on the internet and you'll soon see where you're spending your money, where you can cut back and how you can pay your debt off quicker.

Budgeting allows you to set yourself goals for how much you want save and by when. The more realistic and measurable your goals, the more chance you'll stick to them!

Spend less

To improve your net worth, you need money left over from your pay packet to save, invest or reduce debt. Find ways to keep money in your wallet by going back to the budget and trimming your spending (see 'Did You Know' box).

Pay off debts

There is no point saving money in the bank while you have credit



cards accruing interest. If you have money to spare, make more than your minimum credit card payment, prioritising the ones with the highest interest rates first.

Also consider rolling your credit card and personal debts into your home loan. By consolidating debt you reduce your short term interest payments, instead paying the debt off over a much longer term.

Go interest-only

Switch all or part of your loan to interest-only. If you're struggling to meet repayments it is an effective strategy for cutting outgoings in the short term.

Extend term of loan

Extending your loan term by reducing your repayments will also help with immediate cash flow problems. Again, it's an emergency measure because it equates to extra interest down the track.

Talk to your broker

If you are taking on a new loan, we can help you shop around for the best deal with features that are going to suit your needs.

It also helps to talk to us when times are tough, as we can work together to find a way through your financial difficulty.



Line of Credit Home Loan

Looking for a way to pay off high interest debts, fund your home improvements or make a major purchase?

A line of credit (also known as a Home Equity Line of Credit) is a flexible transactional mortgage that allows you to access the equity in your property for a variety of financial needs.

Unlike a standard loan where you start paying interest and payments at a fixed rate until repaid, a line of credit acts like a revolving credit card. In other words, you don't pay interest on the full loan; you only pay for what you have used and when the debt is repaid you still have access to the credit.

How does it work?

You have a predetermined credit limit that can be redrawn at any time. The funds can be accessed as and when you want through a variety of methods including credit card, cheque or EFTPOS.

Interest is much lower than that of credit cards and it is only charged on the amount drawn down. Some lines of credit have only the interest as the

minimum payment, which can be helpful when finances are tight. Repayments can be made in full or on a monthly basis and extra repayments can be made at any time.

How to use it well

Have your salary deposited into your line of credit account at the start of the month so it reduces the total balance of your mortgage for a short time. Put your monthly expenses on credit card and take advantage of the card's interest free period. Pay the credit card off in full at the end of the month or interest free period from the line of credit. Your salary is lowering your mortgage interest charged by sitting in the line of credit for the month.

How not to use it

Like any credit card account, line of credit loans require discipline to stay within your financial limits. Without careful financial management you could end up increasing your mortgage rather than reducing it, simply by drawing on more funds than you can afford.

To find out more about the pros and cons of this type of loan, give us call and we would be happy to discuss it in more detail.



Profile

With over a decade of mortgage brokering experience and with over 35 lenders, we will find you the most suitable and cost effective loans. We strive to become the personal banker for life for all our customers by making the application process as hassle free as possible. We are also about facilitating your financial goals and plans for the future. We provide an efficient and honest service to all our customers.

We have a reputation for tailoring loans to all types of borrowers including newly arrived migrants, customers with no savings, Lo doc loans for self employed customers etc.

Depending on your particular situation we can usually arrange ongoing interest rate discounts between 0.5% to 0.8% off the standard variable rate.

Pacific Home Loans is a Full Member of the Mortgage and Finance Association of Australia (MFAA) and a Member of Credit Ombudsman Service Limited (COSL).

Our main strength and the reason for its continued success is loyalty to you, the client and the capacity to handle all your needs.

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