



Maintain healthy habits this autumn ■ Shacking up successfully ■ Financing a reno ■ Plan ahead for your winter break

PROPERTY A FIRM FAVOURITE



Following a strong run in many locations in 2014¹, sound investment fundamentals and low interest rates continue to make well-selected property an attractive investment selection in 2015.

A record number of investors hit the real estate market last year, creating a buying and selling frenzy across many parts of the country. According to Domain Group's senior economist Andrew Wilson, a colossal 14,500 homes were listed for auction over September to December, compared to 12,584 for the same period in 2013².

Over the course of 2014, capital city house values grew by 7.9%³. Gains were strongest in Sydney, with year on year growth of 12.4%.

With the Reserve Bank of Australia reducing the official cash rate to a historical record low of 2.25% at its February meeting, and a rise in interest rates unlikely in the short to medium term, property is likely to remain a popular investment option⁴.

But it's not just low interest rates that make property a popular investment option. Here are some of the key reasons for property's persistent appeal:

It's simple: Property has proven itself to be a trusted wealth creation tool that is often easier to understand than other complex investment options. And with a long-term investment approach and a good property manager it can largely be

a set-and-forget type asset, that doesn't require daily input on an investor's behalf.

Steady returns: Property offers both the potential for capital growth over time⁵ as well as ongoing passive income in the form of rent – a compelling combination for long-term wealth creation.

Your dollar goes further: Many lenders will finance up to 90 per cent of the value of the property based on the lender's valuation – generally more than is available for other asset classes.

Manufacture capital growth: Smart improvements can quickly push a property's price upwards, enabling investors to speed up returns.

With the heady spring and summer months now behind us and low borrowing costs continuing, autumn could prove a good time to buy for many.

Remember, if you're looking to explore the property market, it pays to have your finances in order so you can be ready to act when the right property pops up. Getting an indication of your borrowing capacity will also help you to narrow your property search appropriately.

¹ www.abc.net.au/news/2014-04-01/capital-city-home-prices-surge-according-to-rp-data-rismark-ind/5358434

² www.smartpropertyinvestment.com.au/news/13845-record-breaking-pre-xmas-rush-for-auctions

³ www.corelogic.com.au/resources/pdf/indices/2015-01-02--corelogic-rpdata-home-value-index.pdf

⁴ www.propertyobserver.com.au/financing/interest-rates/39848-one-more-then-rates-on-hold-westpac-s-bill-evans.html

⁵ www.asx.com.au/documents/resources/russell-asx-2014-long-term-investing-report.pdf (p. 7)



ACCELERATE YOUR
OVERALL RETURNS
BY IMPROVING
A PROPERTY
THROUGH
RENOVATION

Welcome

It's hard to believe 2015 is already in full swing, and the cooler months are slowly approaching. If you're thinking about purchasing a property, find out why property is still such a popular investment option in this issue's cover story.

If you'd like to co-purchase a property with a partner or relative, we've also pulled together some top tips for co-ownership that are well worth a read.

Winter is creeping up on us and we know how nice it is to take a break midyear, so if you're planning a holiday check out our five favourite Australian destinations.

As always, if you'd like any advice relating to your financial arrangements, please don't hesitate to get in touch with me.

Warm Regards

Daniel O'Brien



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Maintain healthy habits this autumn

As the weather starts to cool, it can be tempting to stay indoors and switch the fruit for cake. But don't spoil the good effort you've made over summer – here are some tips to keep your healthy habits going.

Switch your snacks: As the weather turns, the lack of activity combined with your body's lower energy reserves from cold weather, may lead to you snacking more. Rather than trying to skip snacks altogether, substitute healthier options like wholegrain toast and avocado instead of cakes, popcorn instead of fatty chips or try skim milk in your hot chocolate.

Graze: If you've got a long day working in the cold ahead of you, pack healthy foods to enjoy throughout the day, so there will be less chance of caving in to an afternoon pig-out. If you're heading out for the evening, line your stomach with protein and fibre-rich foods like boiled eggs, nuts and yoghurt, to avoid gorging on carb-laden meals.

Move your workout indoors: Braving the outdoors can be tough during the cooler months but it doesn't mean you have to skip exercise altogether. Join a gym, take up an indoor exercise class like yoga, or make a habit of doing simple exercises like squats or sit-ups when you're at home in front of the TV.



WARMING AND NUTRITIOUS FOOD IDEAS

Vegetable soup: Make a batch of this classic soup to get through the cooler months, customising it with flavours such as basil and chilli. Add chicken to keep you feeling full for longer.

Peppermint tea: This warming drink is a sweet substitute for a late-night hot chocolate, and is proven to aid digestion and reduce cold and flu symptoms.

Baked eggs: Packed with protein and nutrients, baking eggs Middle Eastern style creates a delicious warming treat.



BEFORE DIVING INTO ANYTHING, DISCUSS YOUR WANTS, NEEDS, FEARS AND BUDGETS



SHACKING UP SUCCESSFULLY

With the romance of Valentine's Day still in the air, many may be feeling the romantic urge to take the plunge and shack up with a loved one. Certainly, romantic reasons aside, co-purchasing a property can be a great way to improve your buying power and reduce the burden of debt repayments. It also enables you to split other costs such as rates, water and utilities.

Whether it's young love or simply your first transaction together, when it comes to purchasing with a partner, it pays to proceed with caution and avoid letting your heart play tricks with your head! With that in mind, we've compiled a range of tips for successful co-ownership, that won't leave you heartbroken – or broke.

Communicate: You might prefer to avoid tough conversations but successful relationships and successful property transactions are built on communication and honesty. Before diving into anything, discuss your wants, needs, fears and budgets and try to keep emotions at bay.

Put it in writing: It might seem hard to believe now, but relationships can

suffer and circumstances can change. No matter how much you love or trust your purchasing partner, preparing a formal co-ownership agreement and correct legal documentation is essential. A co-ownership agreement should include each owner's rights, obligations and contributions as well as a plan should one or both of the co-owners wish to exit the investment.

Structure your ownership correctly:

There are two main options for joint ownership. As 'Tenants in Common', each party owns an agreed share of the property and should one party die, they can bestow their interest to beneficiaries of their choosing. This differs to 'Joint Tenants', where if one party dies, their share is transmitted automatically to the remaining owner.

Seek professional advice: To ensure you set about your co-ownership agreement correctly and select the best loan arrangements to suit and protect your best interests, be sure to engage the assistance of professionals, including legal advice – and a mortgage broker, of course.

FINANCING A RENO

Have the wave of home improvement shows on television inspired you to carry out some renovation? Whether it's big or small, an investment project or home extension you've been dreaming about for years, the big question is – how are you going to pay for it?

Here are some options to consider:

Extend your mortgage: If you're planning an extensive renovation, one of the most common ways to finance your project is to increase your current mortgage. This can be advantageous as you spread the cost out over a long period.

Personal loan: A simple and cost-effective option for financing smaller-scale renovations. The interest rates on personal loans are generally higher than home loans, but they typically have a fixed interest rate that stays the same for the full term of the loan. This can be useful for budgeting, but the catch is you can't usually make additional repayments to get ahead and reduce costs.

Credit card: A convenient and flexible option if you already have a card with a high enough credit limit. However, it might be costly if you don't pay the debt within the interest free period.

Home equity loan or line of credit:

These products enable you to use your home as an asset for additional borrowing. This allows you to borrow money at a lower interest rate compared to a personal loan or credit card and can usually be drawn up to the approved limit at any time.

To find out more about the renovation financing options, be sure to get in touch.

AVOID A BUDGET BLOW-OUT

Know your budget: Setting a budget is essential for successful renovation. Research your costs thoroughly and review your budget weekly to ensure you stay on track.

Consider DIY: A great way to save money on your renovation is DIY on easy things like painting, landscaping and other non-structural jobs.

Be creative: Small changes like changing wall colours, updating light fittings and smart decorating can have just as big an impact as larger scale alterations.



Plan ahead for your winter break

As the weather gets colder and the days get shorter, most of us start dreaming of a holiday. If you're lucky enough to be able to take a winter holiday this year, here are some ideal destinations for you to banish the winter blues.

The Whitsundays, Queensland –

With a range of islands to choose from for all lifestyles and budgets, the Whitsundays is an ideal family holiday destination. There's also a fantastic range of activities to choose from, like snorkelling and scuba diving through to day trips to the pristine beaches of the surrounding islands.

Thredbo, New South Wales –

A thriving ski resort town with a lively atmosphere, Thredbo provides plenty of fun for adults and children alike. There are plenty of beginner slopes for young skiers to try out, and plenty of après-ski bar and restaurant options for parents and singles.

Fraser Island, Queensland – Packed full of natural wonders, this World Heritage-listed island is an ideal winter getaway. Average temperatures are in the balmy mid-20s through winter, making for a perfect environment to get out and explore the lakes, rainforests and beaches the island has to offer.

Kakadu, Northern Territory – Winter is the perfect time to visit this most iconic of Australian landscapes, as the temperature is much more bearable than in Summer, although still warm. Following the wet season, Kakadu's waterfalls and gorges should be ripe for a bit of exploring – and crocodile spotting.

Broome, Western Australia –

The scenic Broome comes alive in winter, with plenty of activities and accommodation options for all. The temperature is warm enough to enjoy the area's beautiful beaches, take a camel ride along the sand or watch a movie at Broome's outdoor cinema, the oldest of its kind in the world.

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MID 20s
**FRASER ISLAND'S
BALMY AVERAGE
WINTER
TEMPERATURES**



A SOFTER OUTLOOK FOR 2015

Australia posted only moderate economic growth in 2014. A sustained weakness in terms of trade, a reduction in income growth and ongoing political issues took a toll on consumer sentiment. However, there seemed no limit to investors' appetite for real estate, with the property market going from strength to strength. So what can we expect in 2015?

Interest rates

The Reserve Bank of Australia (RBA) kicked off 2015 by reducing the official cash rate to 2.25 per cent – the first change in monetary policy since August 2013¹ and one of the most intensely anticipated decisions for some time. Speculation continues as to exactly when interest rates will begin to track upwards again, but in any event it seems unlikely that we'll see a dramatic lift upwards in borrowing costs any time soon, with economic conditions expected to remain soft.

▲
8.4%

**HOUSE VALUE GAINS
COMPARED WITH A
5.1% INCREASE IN
UNIT VALUES
OVER THE 2014
CALENDAR YEAR**

In his statement on 3 February 2015, RBA Governor Glenn Stevens said that in Australia, the available information suggests that growth is continuing at a below-trend pace, with domestic demand growth overall quite weak¹.

"Overall, the Bank's assessment is that output growth will probably remain a little below trend for somewhat longer, and the rate of unemployment peak a little higher, than earlier expected. The economy is likely to be operating with a degree of spare capacity for some time yet," Mr Stevens said.

Broad consensus is that economic growth will remain soft in 2015. Investment bank Goldman Sachs' chief economist Tim Toohey has forecast gross domestic growth for 2015 of just 2%, while Westpac has predicted growth of 2.5%².

Property

According to the latest CoreLogic RP Data Home Value Index³, the annual rate of



home value growth in Australia peaked at 11.5% across the combined capitals over the 12 months to April 2014, prior to the rate slowing to 7.9% in December 2014. Houses performed better than units over the calendar year, with house values gaining 8.4% compared with a 5.1% increase in unit values.

"Based on the median price across the combined capital cities, houses are attracting a \$100,000 premium over apartments," said CoreLogic RP Data research analyst Cameron Kusher. CoreLogic RP Data expects dwelling values will continue to increase in 2015, at least across the combined capital cities. However, the rate of capital gain is likely to continue to soften.

¹ www.rba.gov.au/media-releases/2015/mr-15-01.html

² www.propertyobserver.com.au/financing/interest-rates/39848-one-more-then-rates-on-hold-westpac-s-bill-evans.html

³ www.corelogic.com.au/resources/pdf/indices/2015-01-02--corelogic-rpdata-home-value-index.pdf

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