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For the vast majority of borrowers 2009 should continue to be much more comfortable than 2008 because of the substantial reduction to the official cash rate



## Welcome to our April newsletter

Once again, that question rears its head, should I fix or should I stay variable? I thought I had been given a reprieve on this subject for quite a while, unfortunately events of this week have given me cause to get the crystal ball out again and start muttering incantations.

Variable rates are now as low as 4.82% while a 5 year fixed sits at 6.4% to 6.84%. With all the chatter suggesting the variable have further to fall most recent clients decided to go variable for now and wait for the fixed rates to come down before locking in to a low 5 year fixed term.

Well, the fixed rates are rising, some lenders have put theirs up this week by as much as 0.4. Does this mean we've hit the bottom and now is the time to fix? I'm not certain.

Fixed rates are priced differently to variable loans with most of the fixed money being bought on the international money markets then sold on to clients here in Australia with a margin on top for bank profit.

The variable rates are priced more in accordance with the Reserve Bank Cash Rate which currently sits at 3% and cash deposits held by the lenders. Since the global economic crisis, money has been more expensive to come by so it doesn't surprise me that fixed rates are dearer than variables.

It is possible that this spike in fixed rates is simply in response to a higher cost of funds for fixed money on the markets and those costs may reduce as the global economy gradually repairs itself. It could also be profit taking on the part of the banks looking to create a demand for fixed loans. It is also possible that we have hit the bottom and fixed rates will only rise from now on.

If that is the case then maybe there was no appropriate time to lock in a fixed during this cycle. It is a tricky decision, lock in and pay more now to avoid paying more later. It depends on your individual circumstances, but I am always here for a chat.

I will endeavour to start a new page on my website which will have a graph plotting movements in fixed rates over the last few months. That should be up and running shortly, stay tuned.

Sincerely,

**Marc Barlow**

## Smarten up your spending

As your interest repayments drop put your cash savings to good use.



Dramatically lower interest rates have freed up a lot of cash for the average borrower since late 2008 and most of us are now looking at around \$800 a month extra in our household coffers.

While it might be tempting to use that cash to splurge, implementing some good, smart spending strategies now can help you realise your financial goals sooner.

If you'd like to assess your finances and see where you could spend smarter, here are a few ideas to get you going. If you have any questions or need further details feel free to give us a call.

**Know your cash flows:** The only way to really get on top of your finances is to know exactly where your money is going. Sit down and map out where your family wages are spent then take the time to work out what the essentials are and where you could cut back.

**Save:** It's the easiest way to improve your finances! Make it a must rather than a consideration by setting up a monthly direct debit: 10 per cent of your salary is a good start but if you're saving a lot of extra cash in interest repayments as a result of the drop in interest rates bump it up while you can.

**Keep control:** A weekly allowance is an ideal way to give you some spending money while keeping tabs on it. Use your allowance to buy those extras like clothes or DVDs, and if it's a big ticket item you want, keep saving until you can afford it!

**Stop using credit:** Credit cards, no matter how much you think you need them, are more often than not more trouble than good. Cut back on the number of cards you have as well as your limit; moreover only use them when you can transfer the cash immediately.

**Up your mortgage repayments:** One of the best ways to improve your financial position is through increasing your home loan contributions. If you can maintain the repayments you were making before the rate cuts, try dedicating at least one quarter to half of the money you are now saving back to your mortgage. You can potentially save tens of thousands over the life of your loan by paying more than the minimum repayments.

Being cash conscious doesn't need to feel like you're suffocating; just remember to plan your finances, monitor household expenditure, spend carefully and you'll be able to make a huge difference to your financial future!



## Achieve a higher rental return

### Landlords need to be tactful when pushing up the rent.

Owning an investment property can be a balancing act. On the one hand you want to achieve the highest rent on your property as possible. On the other, it's essential to have long-term tenants that pay on time and also look after your property.

As vacancy rates continue to fall and demand for rental accommodation remains high, rents continue to climb – which is good news for landlords as it gives scope to push rents up.

So what then is the secret to winning and maintaining a solid tenant / landlord relationship that allows you to up the rent in line with market conditions, without driving tenants out of the property?

**Be fair** – Rather than springing a rent increase without warning, be sure to give adequate notice of your intention to push the rent up. The typical time frame is 60 days, which allows your tenant to seek alternative accommodation; it also gives you time to find new tenants should the sitting tenant decide to move. Ensure that any notice is given in writing and detail the rationale for your decision – which will help pave the way for pushing rents up in the future.

**Know the market rate** – In a rising rental market most tenants will appreciate the need for their rent to be in line with what the market is asking. Research rental rates in your area for like properties and use these as a benchmark to set your rate.

**Keep your property in top condition** – Your tenants are more likely to be open to a rental increase if you've maintained your property and met their demands in terms of repairs or other value add-ons. In addition, keeping your property well maintained will

help stem longer-term issues. Cracked windows, for example, if not fixed quickly can quickly translate into water damage.

**Respect your tenants** – Throughout any process involving interaction with your tenants ensure that you remain professional at all times. Good tenants are sometimes difficult to come by; through showing that you respect their requests and demands, and deal with matters promptly and completely, you'll be in a much better position to deal with any issues or negotiate a rental increase. Also, don't push them too hard for the sake of a few extra dollars – a long-term stable tenant is worth their weight in gold.



## Smarter selling

**Looking to upgrade but having trouble achieving your asking price? Here are four sure-fire tips to spruce up the house without breaking the bank.**

**Ensure the house is spotless** – Invest in a professional cleaner to help bring your carpets up to a near-new state. Also pay attention to the outside yard – that means lawns are freshly mowed, gardens weeded and dead trees or shrubs removed.

**Give it a coat of paint** – There's no better way to give your home a new look and feel than with a fresh coat of paint; it will also help boost your asking price. If your budget or timeframe is tight, focus on either the interior or exterior and be sure to keep the colour neutral – you'll appeal to a wider cross section of buyer. Remember, buy paint in bulk and just stick to one colour; you'll save significantly. Also, rather than get the painters in call on family and friends for a work bee... you'll be surprised by how much you can get done over a weekend.

**Make for a better mood** – First impressions count. On inspection day make sure you open the blinds to let in natural sunlight and use lamps or dimming switches to make for a warmer overall feeling. Also make a few last minute touches before budding buyers arrive, such as fresh flowers in the bathrooms or the aromas of freshly brewed coffee or a homemade cake in the kitchen.

**The little things count** – Don't overlook broken door hinges, hotplates and cupboards or leaky taps. While you may think these are small issues, potential buyers are sure to notice. They're also easy to repair. Spend a weekend fixing anything that's broken – it should be an inexpensive exercise but you'll be surprised how it can improve your chances of selling your home.

## Wine review

### Wirra Wirra Church Block Cabernet Sauvignon Shiraz Merlot 2007 (SA)

The name is a mouthful but this Church Block red is a real stunner. With an intense palate of red berries and plum – plus a sweet-smelling bouquet of berries, mint and spicy oak – this is a delicious wine and the perfect accompaniment to a mouth-watering rare-cooked steak. Great to drink now but sure to improve with further cellaring.



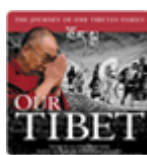
RRP \$23

[www.wirrawirra.com](http://www.wirrawirra.com)

## Book review

### Our Tibet

The heartfelt true story of a Tibetan refugee family on their journey home after a 20 year absence prior to the 2008 uprisings. Launched by Senator Bob Brown at Parliament House Canberra, and shortlisted for the Living Now Awards, this moving account of the human cost of the annexation of Tibet has brought happiness and solace to refugee Tibetan communities in Australia and abroad. [www.ourtibet.com.au](http://www.ourtibet.com.au)



**Co-authors:** Rinpoche Sok Shabdrung Dujom Dojee, Tenpa Dugdak, Tenzin Thongga and Sophie Bouris

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## Contact us



**Marc Barlow, Mortgage Consultant**

You can contact Marc on the following:

**A: 1557 Burwood Hwy, Tecoma, Victoria, 3160**

**P: 03 9754 7755**

**M: 0425 784 352**

**F: 03 9754 2189**

**E: [marc@mortgagebrokermelbourne.net.au](mailto:marc@mortgagebrokermelbourne.net.au)**

**24 hour voicemail: (03) 9754 7755**

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