

Brokers Motivated by Love, Not Money

Australian brokers are among the lowest paid in the world, according to a new global research report by the Finance Brokers Association of Australia (FBAA).

The study looked at remuneration structures in Australia, Canada, Holland, New Zealand, South Africa, the UK and the USA. It found that lenders in Australia pay brokers an average remuneration of 0.65% upfront for a home loan settlement, compared to the global average (excluding Australia) of 1.26%.

Some lenders also pay brokers an ongoing (trail) fee for the period that the home loan borrower continues to meet their mortgage repayments. In Australia, the 0.15% trail fee is 5% lower than the global average.

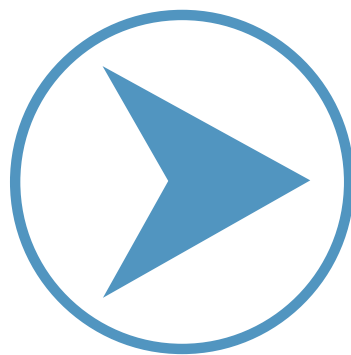
A conflict of interest?

Most mortgage brokers don't charge a fee to their customers because they are paid commission by the lender once the loan settles. This means we often provide our services without any guarantee of payment.

Does this generate a conflict of interest? Would we recommend a loan because we are paid to do so by a lender?

No, is the short answer! The long answer is that we want to keep ourselves in business, which means we operate ethically and legally. After all, mortgage brokers are holders of an Australian Credit Licence and must adhere to the protections set out in the National Credit Act 2010. These state that a broker must never recommend a product that is 'unsuitable' based on 'reasonable enquiries' of your financial situation.

We take pride in a job well done. Our intimate knowledge of our lenders' products is one way we achieve success in matching home loans to individual client needs.



DISCLAIMER: This newsletter is intended to provide general news and information only. Readers should rely on their own enquiries before making any decisions touching their own interests. Please do not rely on any part of this newsletter as a substitute for specific legal or financial advice.



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Want a tip for avoiding tax time paralysis? Find an incentive for filling out your tax return – we'll start you off with 4 Ways to Slash Your Property Income Tax Bill.

Perhaps the stress of tax time is the least of your worries – you could be navigating your way through a painful relationship breakup? How to Keep Your Home After Splitting with Your Partner provides some handy home loan advice.

If you haven't yet bought your own home, who's to say you need to? Buy Your First Home or Invest? Here's How to Decide.

When it comes to home loan lending advice, remember Brokers are Motivated by Love, Not Money!

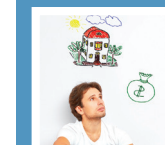
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**4 WAYS TO SLASH
YOUR PROPERTY INCOME
TAX BILL**



**HOW TO KEEP YOUR HOME
AFTER SPLITTING WITH
YOUR PARTNER**



**BUY YOUR FIRST HOME
OR INVEST?
HERE'S HOW TO DECIDE**



**BROKERS MOTIVATED
BY LOVE, NOT MONEY**

4 Ways to Slash your Property Income Tax Bill

Here are four easy ways you might be able to legally reduce your tax bill as a property owner without cheating the system.

1. Own your property for at least 12 months before you sell

You might be keen to sell your investment property straight away, but if you can resist for 12 months you are eligible for a 50% discount on the rate of capital gains tax (CGT).

You are generally required to pay CGT on any property you own but don't live in. For properties that you have lived in for a time but have also rented out as an investment, you are generally required to pay CGT on the period where you were not the occupant.

2. Prepay expenses for an immediate tax deduction

Receive an immediate tax deduction by prepaying rental property expenses up to 12 months ahead. The payment must be for a period that is 12 months or less, ending on or before 30 June. Examples include insurance, body corporate fees, rates and interest. Check out the prepayment rules section of the ATO website for more detail.

Always review your tax position for the financial year before prepaying any rental expenses to ensure it provides, not detracts from the benefits of negatively gearing your property.

3. Don't risk undeclared income

You might think it will reduce your tax bill to not declare some of your income, but there could be serious financial consequences. The data matching technology now used by the ATO has significantly improved their ability to detect undeclared income. Information extracted from your bank accounts, health insurance funds, BAS statements, superannuation accounts and even social media is compared to information provided in your tax return.

4. Use an app for recording expenses

Reduce your tax bill by claiming all allowable deductions on your rental property. Take a photo of your receipts as you go and use an app – such as ATO's free app – to help you sort, tag and manage your expenses ready for your tax return.



We're a member of the Mortgage & Finance Association of Australia (MFAA), the peak industry body. As a member, we adhere to the industry Code of Practice which requires high standards, fair business practices, ethical behavior and compliance with the letter and spirit of relevant laws and regulations.

How to Keep Your Home after Splitting with Your Partner



Your relationship has broken up but you decide to stay on in the family home. How you handle your mortgage will help smooth the way for you to buy out your ex-partner's share of the property.

It's not as simple as removing your partner from the mortgage agreement

Australian law forbids a person from taking over or removing another person from the mortgage agreement. Instead, you must refinance to a new loan in your name. This means proving to the lender that you have the funds to pay out your ex-partner's equity (measured by the value of the house minus any mortgages owed on it).

The good news is you can use gifted money, sales of assets, short-term cash savings, or a personal loan.

Another option might be to refinance the home loan for more than you currently owe. You can then pay your ex their share of the house from the proceeds of the new home loan.

Seek an upfront valuation

A property valuation is an important part of the bank agreeing to refinance the loan in your name.

If the valuation comes in too low, your request to refinance may be rejected.

As your mortgage broker, we can order upfront valuations with lenders before submitting your home loan application. This gives us a guidance on any further requirements that would be requested by the lender.

These upfront valuations can take the form of a 'desktop valuation', which relies on property software comparative data, or a 'full valuation', where the valuer visits the property.

Don't miss repayments on your loan

If you plan to buy out your ex-partner, it's a good idea to keep paying your share of the home loan and any other household bills. Skipped payments may

end up in your credit file, which will work against you when refinancing the loan.

Some lenders want to see at least six months of an unblemished repayment record before they will refinance your loan. Based on your repayment history, we can advise which lenders are likely to be more sympathetic to your loan application.

Sometimes people decide to own the house jointly with their ex-partner for a period. The problem with this approach is that it may leave you vulnerable. When you buy a property with your spouse, the contract with the bank states that you are both fully liable for the home loan costs each month. This means that if your ex-partner misses a payment, you will be the one held accountable for the missing funds.



Buy Your First Home or Invest? Here's How to Decide

As a first-time property buyer, it can be hard to know which is the best way to enter the property market. Should you buy a property as an investment to rent out, or should you wait until you can afford to buy your own home to live in?

A Google search on the topic is more likely to confuse rather than clarify, with hundreds of blogs, podcasts and articles espousing the pros and cons for each side. To save you hours of frustrating research, we have summarised the top four questions that define this topic. Your answers will help you decide whether you are better off buying a first home or a first-time investment property.

Do you care where you live?

You might be so keen to own your own home that you don't mind compromising your location or lifestyle by buying in a cheaper area. However, if you care where you live, but can't afford that suburb's price tag, it makes sense to continue to rent where you love and invest in a property in an area you can afford.

Are you motivated by tax benefits?

For high-income earners with large amounts of tax, purchasing an investment property can bring substantial savings at year end. Many costs like stamp duty, legal fees, building insurance, home loan interest, property repairs and maintenance

are tax deductible when buying an investment property, but not when you are buying a property to live in. Of course, investors need to factor in the eventual cost of capital gains tax (CGT), a tax levied on the profits you make when you sell your property.

What benefits for first home owners are offered in your state?

If you buy an investment property first, you may risk losing out on government grants and stamp duty exemptions for first home buyers. The conditions vary from state to state, so it's important to check what benefits you are eligible for. Some states may still allow the benefits provided you live in your property for six months before renting it out.

What is your borrowing power?

It can be difficult to borrow enough to buy your own home if you are on your own or have a low income. By purchasing a more affordable investment property and letting the tenant help you with repayments, you can at least get your foot on the property ladder.

As your mortgage broker, we can give you an indication of your borrowing power and we're happy to chat further about the pros and cons of buy vs. invest.



Did you know?

The term 'rentvestor' was coined four years ago to describe someone who is already living as a tenant in a rented property but is also the landlord of a property they own and rent out.

The 2016 LJ Hooker Rentvestor Survey showed that 38% of rentvestors own a property in another state and 20% own a property more than 100 kilometres away from where they live but within the same state.

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- (1) Commercial property is often overlooked as a viable investment compared to residential property. While commercial property is generally regarded as providing greater returns, it is not without its risks. Historically, commercial property is less predictable, prone to vacancy and generally more difficult to sell.
- (2) The rise of the "rentvestor" is characterised by people choosing to invest outside the area they want to live in and rent in their desired location. The reasons for this may be that people cannot afford to buy in the location they want to live but still want to get on the property ladder, or they're keen to invest in areas where there is better growth prospects than where they desire to live.