



# Cornerstone Newsletter

Issue 21

July 2017

## Fixed Interest Rates verses Variable Interest Rates

Tracie Palmer

### *Special Points of Interest:*

*Fixed Rates vs Variable Rates*

*How to purchase an Investment Property*

*Economic update*

Variable rates can move according to market conditions. They can vary up or down as the economy dictates. Variable loans are usually more flexible and allow you to make extra repayments without any kind of penalty. They normally have either an offset facility or a redraw facility. This means that ultimately, you pay less interest while you have extra money in your offset or redraw facility. You can then withdraw the advanced funds from your facility at any time you need it. Fees and charges vary from bank to bank. Most Australians elect to have a variable home loan.



Some examples of **Variable loans** are:

- **Standard Variable**—this is the usual variable rate at a bank and may or may not attract fees;
- **Discount Variable**— these loans are usually called ‘basic loans’ and they generally do not have fees;
- **Line of Credit**—this is where you have a loan with a certain limit agreed to by the bank. Normally, the limit is set at an 80% LVR. You can use the available funds up to the limit agreed. It is like having a bank account with a huge overdraft. Investors or customers who are good at budgeting might find this type of loan to be a better option.

### **Fixed Interest Rate**

A fixed rate means your rate is locked in at a certain interest rate and will not change for the duration of the fixed period. Generally, customers will take a 1, 2, 3 or 5 year fixed rate. Many banks will not allow you to pay extra while your home loan is on a fixed rate. So it is important to talk to your broker about what is possible.

Customers will tend to fix their home loan interest rate for the following reasons:

- If they believe that interest rates are moving upwards.
- If they want the security of knowing they will have the same repayment especially if they know their circumstances might change in that period of time. An example of this would be starting a family and only having one income for a while.
- A first home buyer might want the surety of knowing what their repayment is going to be for the first few years.
- A lot of investors take the mindset of set and forget. They fix their investment loan so they know what to expect for the foreseeable future.

If you would like to have a no-obligation and complimentary review of your home loan, please feel free to call us on Ph.07 32647100.

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## Cornerstone Car & Equipment Finance

In our last quarterly newsletter we mentioned our new additional service which is **Car & Equipment Finance**.

This means that you don’t have to go else where when thinking of purchasing a new Car or Motorbike. You can come directly to us and we’ll do the hard work for you by shopping around for the best deal. Here are the other reasons to use us for your next Car or Motorbike purchase:

- It’s complimentary
- Using us saves you time
- Take advantage of our Expert Analysis
- Experienced personalised service
- We will save you money
- We work for you

- If you are self employed we don’t need your tax returns

So remember if you’re considering purchasing a Car or Motorbike and need finance, why not give us a call on Ph.32647100 and let us help you to make it a reality.



How to Purchase an Investment Property

Inspired Living

*If you're interested in becoming a property investor, it can be hard to know where to start. Here are seven tips to help get the ball rolling:*

1. **Make a plan and stick to it**

The property itself isn't the end goal—you're likely looking to make a profit. Once you know your end goal, create a plan for a realistic time-frame. Remember to review this plan regularly as your situation and the property market changes.

2. **Research the market**

Do your research to see what types of properties are easily attracting tenants and what properties are staying on the market for longer periods of time. This will help you choose the right property to purchase.

3. **Pick your location carefully**

Location is critical to performance. Consider the proximity of the property to the CBD, schools and local shops. It's also a good idea to find out what the public transport options are.

4. **Know your budget**

Always check your financials before deciding to purchase a property. Get pre-approval and make sure you have all extra costs available, including conveyancing, inspections and any taxes.

5. **Think about how you purchase the property**

When setting up the sale contract for your purchase, consider whose name to put the house under. Whether it's in your own name, through your super or a family trust, it's important to understand how this

investment affects any existing assets.

6. **Think about what tenants are looking for**

Look for properties that offer that little something extra, like a second bathroom or a lock-up garage—anything that might appeal to potential tenants looking for a home of their own.

7. **Ask for expert advice**

Your broker can put you in touch with accountants, real estate agents, lawyers and valuers—experts that can help guide you in your decision making.

*If you're interested in purchasing an investment property, give us a call on Ph.0732647100 and we'll be happy to help you make this happen.*



Understanding your Borrowing Capacity

Inspired Living

*Being approved for a home loan is an exciting moment. But it's important to understand your borrowing capacity before you commit to a mortgage. Just because you can borrow a certain amount doesn't mean you should.*

Here's how to assess your financial situation to understand how much you can borrow.

**Consider your existing financial commitments**

In principle, your borrowing capacity depends on a number of factors, including:

- Your income
- Your monthly expenses
- Your existing debts
- How much deposit you have saved
- Current interest rate
- Type of loan—whether it's a principal, or principal and interest loan
- The term of the loan & estimated repayments

As a general rule, it's not a good idea to allocate more than 30% of your monthly household income to re-paying your home loan.

**Put together a budget**

The best way to know what your borrowing limit might be is to create a budget—and stick to it. Once you know what's coming in and going out of your bank account, you'll know how much you can afford to repay—and therefore how much you should borrow.

There are a number of phone apps or websites that can help you put together a budget.

**Think about the future**

When putting together your budget, make sure you leave a bit of wiggle room in case things change. It's important to understand how a change in circumstances will impact your finances. Anything from a hike in interest rates to an addition to your family will affect your ability to honour your financial commitment.

Talking to a mortgage broker can help you understand what you can and should commit to financially, but the final decision is yours to make.

Ripe for the Picking

Fresh Magazine

*Here is some of the season's finest produce—but get in quick, you don't want to miss out!*

**Ginger**—Fresh ginger adds a warm, zesty spiciness to both sweet and savoury dishes and is the hallmark of many Asian cuisines. Chop or grate into stir-fries, curries, juices, sauces and desserts.

**Brushed Potatoes**—Chip them, roast them, bake them, or add them to soups and stews. For great mash, cut 750g peeled potatoes into large chunks. Cook in boiling, salted water for 20mins until tender. Drain well, return to pan and shake over low heat to dry. Mash until smooth, add 40g butter and 1/3 cup hot milk and beat until fluffy.

**Rosemary**—This aromatic herb is a kitchen favourite. It's flavour forges a happy marriage with lamb and it is also a lovely addition to bread, pastries and preserves. You can extend the life of rosemary by storing it in the crisper drawer of your fridge.

**Dutch Carrots**—These carrots are tiny, but big on flavour—and versatile, too. They can be steamed or roasted or used in soups and casseroles. Try the classic side dish of glazed carrots. Just add a little honey and butter to cooked carrots and stir until butter and honey have melted.

**Navel Oranges**

Sweet, juicy navel oranges have a 'belly button' at their base, hence the name. Seedless and easy to peel, they're perfect for a snack.



## Economic update...

Switzer.com.au

## Should you sell everything? Are stocks and property doomed?

Phil Parker created a storm when he handed back his clients' money and went public that he was selling everything. Phil is the chairman and chief investment officer of Altair Asset Management and his big call, which has attracted huge publicity, will either make or break his reputation.

In case you don't understand his thinking, Phil's view is that a property crash, which he expects, will then hurt stocks to such an extent that he thinks the best strategy is to sell all his holdings, give the money back to his clients and 'go surfing'!

If what he thinks comes to pass, he will be seen as a genius or a god of the markets and the journalists will remember his big call. If he's right, when it happens, he will be pursued as the insightful market genius who got it so right!

He will be sought after for speeches, media commentary and, more importantly, high net worth people will think “this guy is my kind of guy, so let him invest for me.”

On the other hand, to be seen as an oracle, his Armageddon has to happen before we see another leg up for stocks. Maybe he has a year but if 12 months go by and say the S&P/ASX 200 index goes above the 6000 level, then he won't be seen as a god but more like Brian, (Monty Python film, *The Life of Brian*): "Now, you listen here: 'e's not the Messiah, 'e's a very naughty boy!"

Fairfax today has surveyed one of the smartest property experts in the country, Bill Moss, who made many millions and even billions for Macquarie Bank in its heyday as their property boss. He thinks Phil has overreacted.

“You could have said that (about China) a long time ago,” Mr Moss told Fairfax’s Simon Johnson.

Anne Anderson, the Head of Fixed Income at UBS, told me on my TV show last night that when she saw Phil's call in the media, she thought it was an overreaction.

I asked her if she thought the myriad of challenges on the horizon from Trump tax troubles to geopolitical madmen to China concerns and to a property slump here in Australia justifies selling everything. She said: “No.”

Mark Moreland, the founder of Teaminvest, also held the same view on my show. Many fund manager mates say that there isn't a real lot of good value now because the great companies look priced pretty high but that's not the reason why we have a property crash and then a stock market crash.

If I thought interest rates were set to rise faster than expected, or we were heading towards recession, then both property and stock prices would slide, spook everyone and Phil would be on the road to being a genius or a god.

Of course, people ignored academic economist Steve Keen before the GFC crash, and in the USA Professor Nouriel Roubini was ringing the warning bells about an imminent crash. When it happened, he became the work expert on stocks.

His calls since then have made him pretty forgettable and Steve's haven't helped his reputation.

The best case for Phil is that there are a lot of potential curve balls out there but there are always curve balls as we climb the wall of worry in a bull market. And the majority tend to miss the best time to get out of stocks and that's why Phil has drawn so much attention.

I think his call is too early but if a correction comes along, where stocks fall by more than 10%, there will be some smart people running pretty fast for the exit doors on stocks.

I'm sticking with stocks for the present. I'm not selling my properties because I bought them at much lower prices than they are now and I can't see a crash coming. A period of lower prices is highly likely in Sydney and Melbourne but not Phil's property disaster.

## Chicken Piccata

Taste.com.au

## Ingredients

- 1/4 cup plain flour
- 4 small chicken breast fillets
- 2 tablespoons extra virgin olive oil
- 40g butter
- 2 eschalots, thinly sliced
- 1 garlic clove, crushed
- 1 teaspoon fresh lemon thyme leaves, plus extra to serve
- 1 cup salt-reduced chicken stock
- 1/4 cup lemon juice
- 300ml tub light thickened cream for cooking
- 1 small lemon, thinly sliced
- 2 tablespoons drained baby capers, rinsed
- 1 tablespoon chopped fresh flat-leaf parsley leaves
- Mashed potato & 200g steamed green beans, to serve



## Method

1. Place flour in a large snap-lock bag. Season with salt & pepper. Place chicken in snap-lock bag. Seal bag. Shake to coat chicken in flour.
2. Heat 1/2 the oil and 1/2 the butter in a large frying pan over medium-high heat. Add chicken to pan, shaking off excess flour. Cook for 4 to 5 minutes each side or until browned. Transfer to a plate.
3. Add remaining oil and remaining butter to frying pan. Add eschalot, garlic & thyme. Cook, stirring, for 2 to 3 minutes or until eschalot has softened. Add chicken stock, lemon juice and cream to pan. Season with salt and pepper. Stir to combine. Bring to a simmer. Return chicken to pan. Reduce heat to low. Simmer, uncovered for 10-12min or until chicken is cooked through and sauce has slightly thickened.
4. Add lemon slices to pan. Remove from heat. Sprinkle with capers, parsley and extra thyme. Serve with mashed potato and steamed green beans.

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## Here at Cornerstone we can help you...

- Get a home loan
- Reassess your current home loan
- Refinance your existing home loan
- Consolidate debt and free up equity
- Find a commercial or business loan
- Car and equipment finance

**CALL US TODAY  
FOR ALL YOUR HOME LOAN NEEDS  
07 3264 7100**

Hi All,

Here we are at the beginning of another financial year! 2017 is just flying past us.

We have been really busy completing many reviews for our customers in the last few months. It has been wonderful to see so many old familiar faces. I love helping you all to achieve your financial goals and dreams.

Welcome to all our new customers. Many new first home buyers, congratulations on one of the biggest financial decisions you will make in your lifetime. It has been so much fun working with you all to find your dream homes and in some cases, starting the process to building your first home.

As we head into a market where interest rates are more likely to increase than decrease, it is very important that everyone takes the time to review their budget. If you are on a variable interest rate at the moment, you might consider paying a bit extra so you are used to any rate increase before it happens.

Fixed rates are still unbelievably low. If you are considering locking your home loan into a low fixed rate, now would be the time to do this. Just give me a call to discuss the pros and cons of doing this.

I have noticed a trend lately that many of my

customers are becoming Self Employed. Well done on taking such a big step. Being your own boss can be very satisfying. Please remember, when it comes to lending money, the banks traditionally like to see two years worth of tax returns and that you have had your ABN for that timeframe too. If you are considering taking the plunge, feel free to call me beforehand to discuss cashflow for your business before you go ahead as two years is a long time to wait for a new home loan.

If you are in a position where you are thinking of selling your home whether you are upgrading or moving location, whatever the reason, please let us know before you list your home so we can give you guidance about your loan.

Sometimes it is easier to payout the existing home loan and start a fresh loan for the new purchase or there might be an option to do a substitution. Everyone's situation is different so please call us to find out what's best for you.

We have a new website! Please jump on and have a look. I would love your feedback. Don't forget that we have our Cornerstone Home Loans Facebook Page. Please take a moment to go in and like our page. I am now regularly posting blogs on this page and would love for you to read each one if you can.

Lastly, thank you again for all the great

referrals over the past few months. We love helping your family and friends save money and create wealth for their future. As always if you need anything, just call us.

Till next time, Tracie & the Team.



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