



Newsletter Issue 25, October 2018

Buying property with other people: Mine, yours or ours?

Simply Living

When people buy property together, particularly if it's with a partner or spouse, they often register the title in both people's names – especially if they're going to live in the property.

But other arrangements are possible, several friends might opt to own individual shares in a property, for example, or a couple might choose to have only one of their names on an investment property title.

The following information provides you with a good starting point to help you on your way. Also tax legislation and other Australian laws governing property ownership and investment are complex, so seek proper legal and financial advice before entering into any arrangement.

Joint-ownership titles

The two main types of joint-ownership titles in Australia are joint tenancy and tenancy in common. Joint tenants own the whole property together. If one of them dies, ownership passes to the surviving tenant or tenants, you can't sell or transfer your 'share' in a joint tenancy. This is the most common arrangement when a couple owns a family home.

Tenants in common own individual shares in a property, and those shares do not have to be equal. Shares in a common tenancy can be transferred to someone else. When one tenant dies, their shares pass to their heirs if they have a will.

Legal liabilities

Tenancy in common is a useful arrangement when a group of people want to buy property together. Each tenant can own a share proportionate to how much money they've contributed, and can sell or otherwise dispose of their share as they wish (unless the tenants have entered into a prior agreement that prohibits this).

Tenants in common can take out individual loans to finance the purchase of their share of a property, with each tenant repaying their own loan.

However, tenants in common are "jointly and severally" responsible for all the loans – if one tenant falls behind in their payments, the other tenants are responsible for those payments.

You should also be aware that a lender could force the sale of the property to recover money owed by one tenant.

One person's name on the title

When you're buying an investment property with a spouse or partner, there could be tax and other advantages to putting the title in only one person's name.

Capital gains tax is payable when you sell a property that is not your family home, such as an investment property. Tax on capital gains is calculated as part of your annual income in the year the gain is realised.

If the property is in the name of the partner who has low or no income, less tax could be payable than if the income from the capital gain was shared with the partner with a higher income.

Future borrowing

If you already have an investment property, a lender will take into account both the income from the property and the loan you've taken out to buy it when assessing how much they can lend you.

If you own a share in a property as tenant in common, a lender will count the whole debt on the property as your liability – not just your share of it. This could in turn decrease the amount of money they're willing to lend you.

If you would like more information please call me on Ph 3264-7100



Special interest articles

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Refinancing Could Save You Thousands *Simply Living*

Reducing the interest you pay on your mortgage could help you save thousands of dollars in interest over the period of your loan. As there's plenty of competition in the home loan sector, it could be worth looking around for a lower rate.

What is refinancing?

Refinancing is the process of replacing an existing loan with a new one. When it comes to home loans, it means your existing home loan is paid off and replaced with a new one. This is different from a second mortgage, where you draw on the equity you have built up in your home.

How can it help me save?

If you were paying 5.37 per cent interest on a principal and interest home loan of \$600,000 for a 25 year term. Your monthly principal and interest payments per month will total \$3,648.00. If you swapped to a mortgage at a lesser rate of 5.24 per cent, however, you'd pay just \$3,602 a month. Over 25 years, that saving each month would add up to \$13,800 in total savings.

Another savings option when refinancing is to choose a loan with a lower interest rate but continue with the same monthly payments as you were making on the higher rate. This approach will see you pay less interest and pay your mortgage off faster.

Alternatively, refinancing can help save money by consolidating debt from high-interest credit cards or personal loans into a single home loan with a lower rate of interest.

Features to consider

Most mortgages offer a number of features and benefits. If you're considering refinancing, it's a good idea to think about which features are important to you before starting a search for a lower interest rate.

Variable rate or fixed rate. A fixed rate gives you more certainty over the longer term. A variable rate fluctuates with the market, so you'll save when it's down but there's always a risk it will rise. (In January 1990, for example, the Australian home loan interest rate reached an all-time high of 17.5 per cent.)

Offset account. Cash in hand can be offset against your loan balance until you need to spend it, potentially saving interest.

A line of credit. If you have a lot of equity in your home, a lender might be prepared to offer you a relatively inexpensive line of credit secured against the property.

Repayment flexibility. Repaying a loan fortnightly rather than monthly can make it easier to fit in your budgeting plans.

Early pay out. You may want the option of paying a loan out early with minimal penalty.

Weighing up the costs

There can be costs associated with refinancing and it's important to factor these in to your decision-making. For example, if you took out your loan before 30 June 2011, the lender might be able to charge you an exit fee for terminating the loan ahead of schedule. If yours is a fixed-rate mortgage, you might have to pay a break fee.

For a new mortgage, you may have to pay an establishment fee and the ongoing administration fees could be higher than you're currently paying. And if your loan has redraw facilities, there may be a charge each time you take money out of your account.

Do the maths

You can use an online mortgage calculator to work out what repayments will be for different loan amounts at different interest rates. You can also compare fees and charges to ensure they won't offset any savings in interest over the life of a loan. The Australian Security & Investment Commission's *MoneySmart* website has a useful mortgage switching calculator that can help you assess overall costs.

A broker can help

Refinancing can be a serious financial decision with a number of variables to consider. A good broker can help establish the type of loan that may work best for you, how much you can borrow and any extra features you want. They can then gather information from many different lenders and help assess the costs and benefits associated with each loan. As well as doing the legwork for you, they can guide you through the refinancing process and apply their knowledge and understanding of mortgages to help you achieve the best outcome if you decide to go ahead.

If Refinancing is something you have been considering, please give us a call on Ph.32647100 and we'll be happy to work with you to see if refinancing now is the best option for your situation.



Simple ideas to boost your home's value *Simply Living*

Taking care of basic maintenance tasks before you sell your home is a no-brainer, but a quick and not too costly renovation can add a lot of appeal for potential buyers, and may boost the final sale price.

Basics first

Fix those little faults that you no longer notice – leaky taps, rusty gutters, broken window catches. They can make a huge difference to a buyer's perception of value.

Landscape the garden

A well-kept garden can create a low-maintenance feel before buyers even step inside.

Bring the outside in

Opening living areas to the garden can be as simple as adding big bi-fold doors that create an inviting sense of flexibility.

Take the inside out

A barbecue area, deck, pergola or even a plunge pool all invite buyers to imagine their future lifestyle in your home.

Light and bright

Brightening dark areas boosts a home's appeal; you can install skylights quite economically, and swap solid doors in dark areas for glass-panelled ones. Fresh paint makes a home look ready to live in. Think carefully about colours, and maybe seek some interior design advice – although neutral colours present some people with a blank canvas, to others those spaces just seem bland.

A solid footing

New carpets make a home feel new. Again, think carefully about colour. Look under the carpet – those timber floors will be lovely when sanded and sealed.

Green it

Installing solar panels or a solar hot water system can add value for potential buyers, who will see future energy cost savings.

Bathroom fix

A brand-new bathroom can cost a lot. Instead, think of replacing shower curtains with clear glass screens and installing new taps, a water-saving cistern and even a new toilet seat. Replace small tiles with big ones, and clean/renew the grout.

Add storage

Buyers are looking for places to store their stuff – cupboards in the garage and in neutral spaces such as hallways, or a butler's pantry in the kitchen is great too. Some simple and affordable renovation moves can make your home more desirable to buyers, potentially adding to the final sale price.



Avoid Confusion About Home Loan Pre-Approvals

Inspired Living

Confused about home loan pre-approvals? Here's everything you need to know before you start house hunting.

What information do you need? First, your broker will want to build a comprehensive picture of your finances. To do this, you'll need to provide evidence of everything including:

- pay slips and tax returns for your income;
- Title deeds for tangible assets (i.e. physical items such as buildings, machinery and inventory), and portfolio statements for intangible assets (non-physical items such as copyrights and patents);
- Loan statements for existing loans;
- Credit card statements showing your credit limit;
- Other financial obligations

What happens at your first appointment?

At the initial appointment, your broker will confirm your identity and use your information to calculate an approximate borrowing figure. During this appointment, you'll need to fill in a pre-approval application form.

How do you get approval?

Once you have chosen the mortgage, your broker will perform a credit check. The result of the credit check helps the lender to determine whether you're a suitable borrower and how much they should lend you.

When do you get approval?

Once the lender approves your application, you'll receive a conditional approval certificate from the lender that is usually valid for 90 days. It's important to remember that this is not approval for the actual loan. Use this figure to work out how much you can spend on a property, taking into account the size of your deposit and other expenses such as conveyancing fees, Stamp Duty etc. Securing pre-approval will allow you to house-hunt with confidence.

What happens next?

When you've found the perfect property and you're ready to make an offer, remember to tick 'subject to finance approval' on your offer before contacting your lender or mortgage broker to finalise the application process.



How to purchase an investment property

Inspired Living

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.

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, local shops and transport options.

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.

5 Plants that naturally repel mosquitoes

Better Homes and Gardens

Now that the weather is starting to warm up, it's time to think about getting your outdoor space ready for entertaining. The only problem is that dining alfresco can reduce many of us to a mozzie-bitten itching mess.

Basil—Whether you're making a pesto or pizza, basil can add a delicious zing to Italian food. Best of all, mosquitoes will be repelled by the scent so you can enjoy your meals bite-free.

Peppermint—Research has shown that peppermint oil repels mosquitos. You can easily grow peppermint in a pot. Keep it happy with lots of sun and regular watering. And when its not keeping mozzies at bay, you can use the leaves to brew up a pot of refreshing peppermint tea.

Lavender—Mosquitoes hate the smell of lavender, so it's a good excuse to grow it in abundance. Either in a pot or flower bed, lavender loves full sun and needs to be watered once or twice a week.

Catnip—Keep a pot of catnip around. Your fur baby will love it, most mosquitoes will not. Catnip loves a lot of sun and well-drained soil, so make sure your pot drains easily.

Lemon Balm—Another fragrant plant, lemon balm will help to keep mozzies at bay. Best contained in a pot, it loves plenty of sun.



Tracie's update...

Spring is in the air! Feels more like summer already!!

You are probably concerned about three of the four major banks lifting their home loan rates at a time where petrol prices, energy prices and water costs are at an all time high.

Over the past three months many of our clients made contact to ask us to do a health check on their loan/s. I was able to source some amazing deals for them which has saved them more than they were expecting. It was smiles all round when they left the office.

One of the questions these clients wanted answered was, 'will we have to move our bank accounts?'. The simple answer is no. Your day to day accounts can stay exactly where they are. If you have not been in touch yet, just pick up phone and give us a call. We will open your file, ask a few simple update questions and get back to you within 48 hours with options for you to consider.

To our investor clients, it might be a good time to consider adding to your portfolio. The last 12 months the Brisbane and outer Brisbane areas have enjoyed a capital growth of between 4 and 12% depending upon the location of your investments. Houses have again out-performed units and apartments. With construction well under way with the Sunshine Coast University on the site of the

former Petrie Paper Mill, Petrie and adjoining suburbs have been highlighted as investor hotspots.

Southern Investors are jumping in now to be ready for the influx of 10,000 staff and students who will be setting up home close to the campus. If all goes to plan, the University will open in 2020. Give us a call if you would like a portfolio check to see if you can add another property.

If you are in the area, do call in and say hi! If the kettle's on we can have a cuppa and a catch up.

Take care and prepare for a long hot summer,
Tracie

Don't forget to "like" us on Facebook and Instagram. I put up new stories each week and interesting updates in the market and finance industry, so please like our pages to keep informed.

Links to the pages are:

Facebook: <https://www.facebook.com/CornerstoneMortgageBrokers/>
Instagram: https://www.instagram.com/cornerstone_home_loans/

Here at Cornerstone we can help you...

- Get a home loan
- Review 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

Office details:
Shop 4/6-12 Bunya Park Drive Eatons Hill Qld 4037

Postal address:
P O Box 547 Albany Creek Qld 4035
Phone: 07 3264 7100
Email: admin@cornerstonehomeloans.com.au

Finance Manager
Tracie Palmer 0438 335 118
Credit representative #387282 Of BLSSA Pty Ltd
Australian Credit Licence #391237

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