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key mortgage solutions
finance for home and business
Australian Credit Licence No 381336

money matters

Accessing your Super via Self Managed Super Funds (SMSFs)

Most people's superannuation dollars are managed by Fund Managers. This is an easy option because you don't have to even think about it. Your employer deducts the money from your pay every month and, along with their contribution, sends it to the fund. Then when you retire you get your money. In the meantime you have not had any input into how your money is managed.

Now there is a second option if you are prepared to do some work. It is setting up a Self Managed Super Fund.

It is a misconception that SMSFs can only be set up by self-employed people. Not so. PAYG employees can have their 9% employer contribution to a super fund rolled over to a properly set up SMSF.

Changes made to the Superannuation Industry Supervision (SIS) Act in 2007 makes it possible for SMSFs to borrow to invest in property. Whilst there are many advantages to doing this, there are also strict rules and conditions governing this process.

Some of the advantages of purchasing property in a SMSFs are:

- Using the funds already in the SMSF as a deposit;
- Being able to pay off the loan balance at reduced rate of tax;
- The net taxable income being taxed at the lower rate of 15% instead of your applicable marginal tax rate;
- Lenders, including major banks, are now prepared to lend to SMSFs. However, a standard mortgage or loan cannot be used for the acquisition of property by a SMSF;
- Ability to purchase residential or commercial; and
- The ability to reduced future Capital Gains Tax to 0%.

However, it is essential that the SMSF is set up under the guidelines of the SIS Act to avoid penalties. For instance the rules specify that:

- The SMSF is set up as a Complying Fund under the Act;
- The Trustee of the SMSF has an investment strategy in place;
- The property asset is held by a separate trust in the SMSF; and
- Only the asset being purchased can be used as security for that purchase, not any other assets in the SMSF. This is to protect the assets of the SMSF in the event of a default.

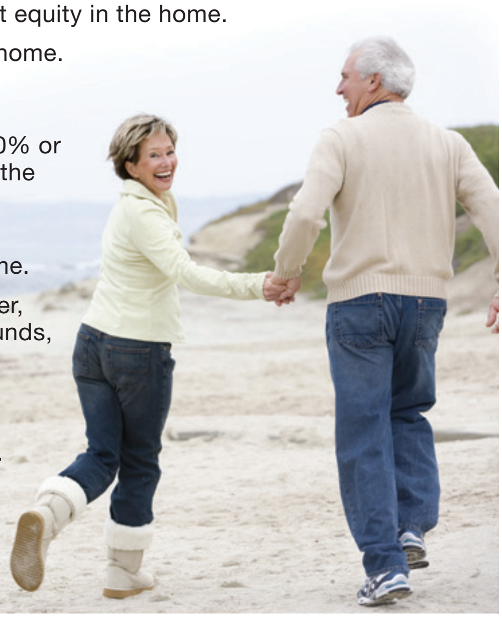
Although the above may sound daunting, the process is quite simple. Please contact me anytime if you wish to explore SMSFs in more detail.

Reverse Mortgages – A Chance for 'Asset Rich, Cash Poor' Retirees to Live a Little!

Australians over the age of 65 have the opportunity to access the equity in their homes for any purpose they wish and do not have to make repayments unless they want to. Some Australian lending institutions have recognized that there are many senior citizens with substantial equity in their properties. However, their incomes are so basic that they cannot afford to repay a loan. Therefore, although they are 'asset rich' they are in fact 'cash poor' and in many instances would not be able to afford basic comforts let alone any luxuries on their incomes.

The eligibility criteria to obtain a Reverse Mortgage are very simple.

- All home owners must be over 60 years of age, some lenders require minimum age of 65.
- Own the home outright or at least have sufficient equity in the home.
- The borrowers have to be the occupants of the home.



General conditions of the Reverse Mortgage.

- Mainstream lenders generally restrict loans to 20% or 25% of the value of the property (depending on the policy of the particular lender – individual circumstances may vary the amount).
- Do not have to have any particular level of income.
- No regular loan repayments to be made. However, if the borrowers wished to do so and have the funds, they can make repayments.
- Funds can be used for many purposes.

The interest on the loan is accrued and capitalized. The loan becomes due at the time the property is sold or when the borrower(s) die. The lenders require the borrowers to obtain legal advice and also to inform members of the immediate family prior to taking out a Reverse Mortgage.

No change – RBA!

The Board decided to leave the cash rate unchanged at 4.25 per cent.

The RBA Governor's report included the following on housing interest rates:

"… Interest Rates for borrowers have generally risen slightly since the Board's previous meeting, but remain close to their medium-term average. Credit growth remains modest. Housing prices have shown some sign of stabilising recently, after having declined for most of 2011, but generally the housing market remains soft".

Your Credit Report – What is it?

Did you know that every time you buy an item on credit that it is listed with a Credit Bureau? Also, that this information is available to other credit providers? When you make a large purchase on credit, eg: a car, your credit provider will look at your credit history before they agree to lend you the money.

The credit report not only lists the fact that you have various loans such as a home loan, car loan, personal loan and credit cards; it even notes whether you have a mobile phone agreement. More importantly, it shows if you have defaulted on any of your loans. Once a default is listed, it stays on your record for several years depending on type of default.

Major lenders take a dim view of poor credit reports and are quick to decline loans, especially home mortgages. There have been instances where a home loan has been declined because the borrowers had defaulted on a credit card, even though it was two or three years ago and the borrowers' circumstances had changed since then.

Therefore, maintaining a good credit report is essential to future financial transactions.

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Some of our lenders include

AMP, ANZ, ING, Suncorp Bank, Australian First Mortgage, bankwest, Westpac, Liberty Financial, Bank of Melbourne, citibank, homeside, Adelaide Bank, nab, Homeloans Ltd, Commonwealth Bank