



key mortgage solutions
finance for home and business

Australian Credit Licence No 381336

money matters



RICHARD

RAY

Using the interest rate windfall wisely

With the current interest rates at a record low, now is a good time to revisit your mortgage and make arrangements to pay it off as much as possible. Every extra dollar, over the required minimum payment, goes into reducing the capital. This in turn reduces future interest payments and helps to reduce the term of the mortgage.

There are various painless ways to achieve this.

- 1. Increasing the frequency of mortgage payments.** This is the easiest and the most painless way to make additional payments into a home mortgage.
- 2. Paying more than the required minimum.** It need not be a whole lot of dollars. For instance, if the fortnightly minimum payment due is \$489.00, just rounding it up to \$500 can make a sizable dent in the capital.
- 3. Making a lump sum payment into the mortgage.** There are many ways that an unexpected windfall can be spent but choosing to put the money into the mortgage can save thousands of dollars in future interest and reduce the term of the loan. An income tax refund, an annual bonus from an employer, extra commissions from sales or an inheritance are lump sum payments that could be used to pay off the home loan sooner.

Putting extra money into the home mortgage by using one or a combination of the above repayment strategies will result in reducing the term of the mortgage and saving thousands of dollars in interest payable.

Time to get fixed?

Lenders are starting to compete more keenly on fixed rates because they frequently hang on to fixed-loan customers for a longer term.

If you're tempted by a fixed-rate mortgage, we first need to determine from the lender if the fixed rate is guaranteed or whether it could change before the date of settlement. Some lenders guarantee the interest rate on their fixed-rate mortgages for 90 days if the borrower pays a "lock-in" fee. These fees are either fixed or a percentage of the loan balance and cost about \$750 on a \$300,000 mortgage.

Remember, too, that fixed-rate mortgages are not as flexible as variable-rate loans, even though many allow extra repayments.

If you have been thinking about fixing your loan or even a 50/50 split between a fixed-rate and variable-rate, please get in touch with us and we will explore the best options for you.



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PERSONAL LOANS



RISK PROTECTION



INSURANCE



INCOME PROTECTION



CASHFLOW

Time to buy a property but you can't decide if you should owner-occupy or rent it? Here's our top tips...

In the current housing climate, a dilemma facing first timers entering the real estate market is whether to buy an owner occupied property or an investment property.

There is no 'one size fits all' answer to this; it all depends on individual circumstances and personal comfort levels. Whether one opts to buy a home to live in or a house to create wealth, neither choice is wrong. Both have benefits.



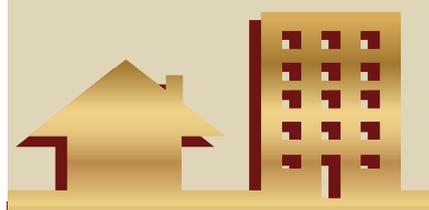
Purchasing an owner-occupied home gives you ...

- **First Homeowner Grant**
Depending on the state or territory you intend to reside in, if you qualify for the FHOG, then buying a home to live in is fully worth considering.
- **Stamp Duty**
Provided the value of the home and or block of land you are buying falls below the value set by schemes offered in the various states exemptions or reductions in the stamp duty payable can amount to thousands of dollars.
- **Tax-Free Capital Gains**
After you have lived in the house for the statutory period, you can then sell the property without having to pay capital gains tax.
- **Instant Capital Gain**
Buying a block of land and building your own home gives you the dual advantage of having total control of the design and aesthetics and also creates instant value.
- **Comfort of Owning Your Own Home**
It is a very fulfilling feeling to know that you are in your own home and not answerable to anyone and have total control.

On the other hand if you opt to buy an investment property first ...

- **FHOG may still be Available Later**
You will not receive the FHOG but you will not lose it either. You can still claim it when you are ready to buy your owner-occupied property provided the scheme is still operational.
- **Income**
Rental income to help pay the mortgage.
- **Tax Deductions**
In the event the cost of holding the property is more than the income, then the ability to claim the loss from taxation.
- **Capital Gains Tax**
However, if you do sell the property then capital gains tax will need to be paid.

The smart thing to do would be consult a professional and work through your personal situation to assess which option is the best for your circumstances.



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For all your Insurance needs contact Allianz direct on 1300 858 642 and quote broker ID 24946 to receive the Broker discounts.



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Some of our lenders include

