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money matters

Property co-ownership on the increase

While some might say that home ownership gets more out of reach for the average Australian, a new trend towards property 'co-ownership' appears also to be on the increase, particularly with younger buyers who are pooling their resources.

What is 'co-ownership'? While purchasing a property with your 'other half' is a form of co-ownership (possibly the most common), this new trend has seen more joint purchases between two or more friends, professional colleagues, house-mates in rental properties, other family members, and in some cases almost complete strangers who have met at open homes!

What are the benefits? Firstly, the group can pool their funds for the deposit. Similarly they can also apply for a 'joint mortgage' which is a home loan given to more than one party based on their joint application, rather than individually. This allows the parties to combine their incomes in order to qualify for a higher loan amount, than would be possible by themselves. All the purchasers names go on the mortgage and the title deed, and the co-borrowers then become jointly responsible for repaying the loan.

Some of the other advantages of co-ownership can include:

– Paying off a mortgage instead of paying rent for owner occupiers, or earning a stream of rental income for investors, plus a possible capital gain on the property at sale time

– Sharing repayments and other property costs, for example, strata fees, rates, and maintenance

– Various State and Federal government grants usually still apply.

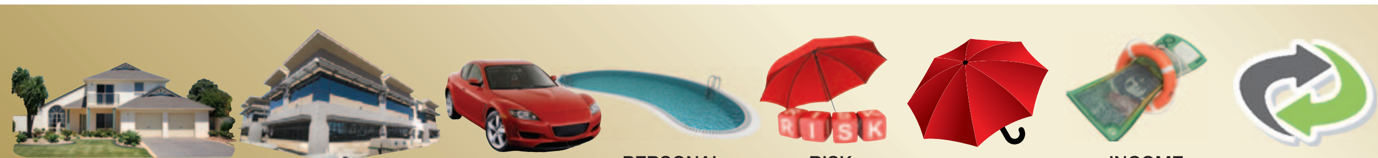
While the sharing of costs and repayments may sound appealing, there are some things that you also need to consider before jumping into co-ownership:

1. The objectives of each party need to be clearly understood by all prior to purchase. For example is the property going to be owner occupied, or an investment?

2. A legal co-ownership agreement is a must. This sets out the roles and responsibilities of each co-owner and deals with the more common issues, such as one or more of the parties wanting to sell, refinance, or be bought out

3. Don't forget insurance is essential - it's important to have your the property appropriately insured for the protection of all parties in case of any unforeseen accidents!

In every instance you should always get tailored advice for your own personal circumstances. Don't hesitate to contact us if you have any questions about co-ownership and your mortgage.



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How planning for a rainy day could prove to be helpful

It seems we are always hearing stories in the news about "job cuts" within some of the largest companies in Australia. And now, new figures from the Australian Bureau of Statistics (ABS) have found that the national unemployment figure has risen by 11 per cent to 6 per cent (seasonally adjusted).

A separate independent survey also revealed that around 48% of Australians would have cashflow problems within three months if they lost their job, given their mortgage payments and current cost of living. This got us thinking: It's never a bad time to protect yourself from unexpected, at least from a financial perspective!

Our top tips:

1 – Make sure your income protection is up to date, which will usually cover a proportion of your expenses in the event of an injury or even loss of employment in some cases

2 – Start an emergency fund - you could look at putting money into a high interest savings account, so that in the event of an emergency this can be drawn upon when needed

3 – Review your budget regularly and make sure that you are not spending on non-essential items. View each expense as if you were on a tight budget, make cutbacks where necessary, and save these funds for a rainy day!

On a positive note: If the unthinkable happens and you do lose your job, it may not always be the terrible thing that it appears to be. In many of the cases we hear about, it can end up being a great opportunity to land a better job or a new career. So it's important to remember that most clouds have a silver lining, but the key is to be prepared.

Consumer Sentiment Survey shows confidence in property market

In January, RP Data analysts conducted their annual survey of more than 1,000 participants to answer a range of questions on what they expect from the property market over the next six to 12 months.

The standout figures of this survey included:
– 76 per cent of respondents think now is a good time to buy property

– 52 per cent of respondents believe now is a good time to sell a property or home, and 50 per cent expected prices to increase over the next six months

– 60 per cent of respondents believe that home rental rates will rise over the next 12 months.

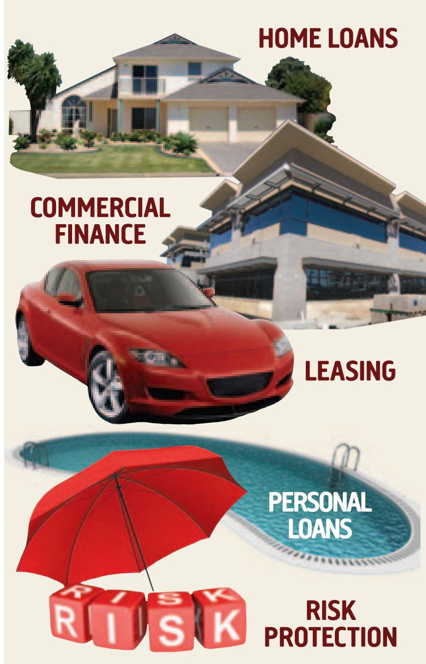
Tim Lawless, National Research Director at RP Data said of the survey results, "Clearly, Australians remain positive about the direction of dwelling values, however most respondents who think values will rise over the coming 6 to twelve months have fairly measured expectations of value growth. We are seeing transaction numbers continuing to rise and auction clearance rates are at near record highs, suggesting that market demand remains high despite any concerns (over the possibility of a market correction)."

Given the gap between buyer and seller sentiment in the survey, it appears there are still more buyers in the market than sellers, and competition for desirable properties should remain reasonably intense, at least for the short term.

RBA UPDATE

TUESDAY 4TH MARCH 2014

For the seventh consecutive month, the Reserve Bank of Australia has left the cash rate steady at 2.50 per cent. While there have been murmurs that the rate will slide back up a little later in the year, now could be a good time to take advantage of the 2.5% cash rate, as it may not last forever!



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