January / February 2016

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

money matters

Is a holiday house a good investment?

There's nothing better than getting away over the festive season to one of the many picturesque holiday destinations Australia has to offer.

Whether you prefer to head north or south, a change of scenery can get you thinking about investing in a holiday house of your own.

It's important to determine whether you want to utilise the property as a holiday home, as an investment, or a combination of both.

The most ideal situation is to keep the property available for when you want to use it and rent it out to other holiday makers the rest of the time. This ensures regular income to help pay the mortgage but also allows you to enjoy the property and surrounds.

You should take a business-like approach in the search for your holiday home and avoid making any emotional decisions. This is critical if you're relying on the property for income. As with any property purchase, ensure you research prices in the area and realistically assess your existing financial commitments.

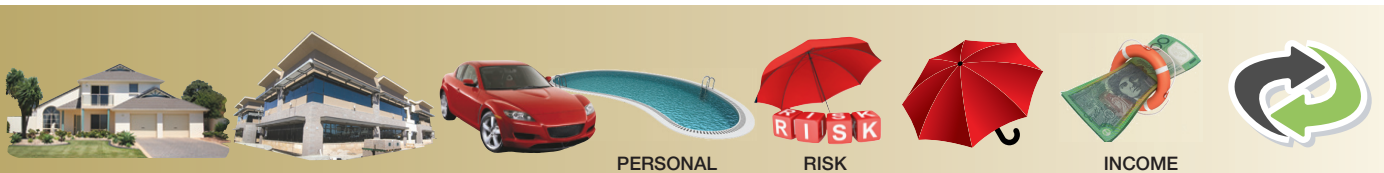
The location of your holiday home is particularly important if it's an investment as this will have an impact on what return you'll get from holiday letting. Look in areas that attract a lot of holiday makers due to local attractions or proximity to metro areas.

Alternatively, there is the option to purchase a unit within a resort development. These properties are leased back to the manager of the resort and offered as holiday accommodation. As the owner, you can usually make use of the property when it suits you.

Be sure to check the fine print with these purchases as you may acquire a share of a managed investment scheme, which can include a stake in the total income of the resort as well as expenses incurred by the development.

If you can't find your dream holiday house, it could be worth buying a block of land. Securing a great block gives you the flexibility to design and build the house you want. If the plan is to live in the home when you retire, this option is definitely worth exploring.

Bear in mind that to attract holiday makers to your holiday home, you'll need to fit the property out with furniture and kitchen essentials. Having items like a barbeque, television and laundry facilities will add to the appeal.



Consolidate your debts to reduce stress

Consolidating multiple debts into a current mortgage could be a worthwhile exercise to get out of the multiple loan repayment maze.

It is not uncommon for one household to have multiple loans by way of mortgages, car loans, personal loans and credit cards. The repayments on these loans and credit cards fall due at various times of the month and in differing amounts.

Bearing in mind that interest rates on car loans, personal loans and credit cards are usually much higher than those of a home loan, it may seem sensible to consolidate all debts. Consolidation also means not having to negotiate the multiple repayments every month.

The advantages of consolidation are:

1. being able to pay off high-interest debts at the lower mortgage rate;
2. having one monthly repayment; and
3. the availability of additional disposable income.

However, consolidating debts is not as cut and dry as it sounds. It is important to bear in mind that:

1. it will increase the home loan debt and monthly repayments; and
2. other debts are being paid off over a longer period of time than originally intended.

Nevertheless, all is not lost. There is a smart money way to counteract this. By paying a portion of the additional disposable income into the mortgage, you can reduce the term of the loan and in turn this reduces the interest paid over the life of the loan. If you are unsure if debt consolidation will suit your personal situation, it may be wise to consult a professional to help you decide.

Financial planning for a better retirement

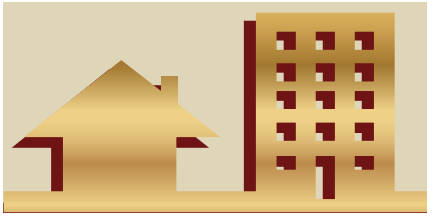
Financial independence in later life does not just come from how much is earned but also from good money management. It is never too early or late to start a good retirement plan.

There is a big difference between "making a good living" and "enjoying a good life." Making a good living refers to a person's earning capacity. Enjoying a good life on the other hand is how the money is spent.

Making conscious and deliberate choices about how the money is spent is the basis for a financially independent life in retirement. The four key elements of sensible money management are:

1. Giving priority to savings. "Pay yourself first" is a common edict. Set aside a sum of money as savings to be used for wealth creation.
2. Living within one's means. That is buying only what one can easily afford.
3. Investing wisely. Money in a bank account earning minimum interest will not help to create wealth. It has to be invested in assets that grow in value over time.
4. Using some of the money to make a difference. Being grateful for what one has and showing that gratitude by helping those who are less fortunate.

Bearing in mind that for a better life it is necessary to be financially independent in retirement it is never too late to put into place a saving and wealth creation plan to achieve one's financial goals.



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

MFAA FULL MEMBER
MFAA APPROVED BROKER

Key Mortgage Solutions

Richard Bland – Principal
E richard.bland@keymortgagesolutions.com.au
M 0422 234 036
P 03 9686 7199 / F 03 9686 3644

Ray Stewart – Finance Executive
Australian Credit Rep No: 364308
E rays@keymortgagesolutions.com.au
M 0413 429 613
P 03 9879 3828 / F 03 9879 4717

Zac Barnard – Finance Broker
Australian Credit Rep No: 448019
E zac@keymortgagesolutions.com.au
M 0416 929 997

W keymortgagesolutions.com.au

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

Our business is built on referrals and we would welcome the opportunity to assist any of your family or friends, also with their finance.