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money matters
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Was it easier to save for a house 25 years ago?

25 years ago, the internet was still a decade away and much of the technology we take for granted today hadn't even been developed. It was a time when we spent less and had lower credit card debt, but job security was threatened by high unemployment. The recession in the early '90s saw interest rates reach record highs and more expensive mortgages meant saving to get on the property ladder was challenging and out of reach for many.

We're spending more but is it costing us less?

As interest rates started to fall, access to more affordable finance and a rising population increased demand for housing. Echoing what many see in the current housing market, not enough new homes were being built so house prices went up. And up!

In 1991, the average price of property in Sydney was $182,000. By 2016 it had jumped to $852,000 and the steep climb appears to be continuing. Other capital cities showed similar levels of growth.

While average incomes have grown at a slower rate, lower interest means even though we owe more today – up to three times as much as a proportion of disposable income – the proportion of interest we're paying is not much higher than it was 25 years ago.

We've become a credit-reliant society

Credit card debt in Australia is high. 25 years ago we collectively owed just over $4 billion on our credit cards. Today that figure is over $32 billion.

But what's behind this massive debt? And is it necessarily a bad thing? Shifts in payment and credit card technology – such as 'tap and go' payments, online shopping, automatic credit card debits, smartphone payments and more – mean we're using credit cards instead of cash to pay for everyday items. The convenience of new technologies is reflected in the drop in value of the average transaction, and how we treat our debt. Keeping your credit in check is still critical when you're saving for a deposit, but today it's easier to be smart about how we use and pay off credit cards.

Saving is the new spending

Thanks to the digital revolution, along with access to credit at lower interest rates, we now spend over 50% more per person on average than we did 25 years ago.

But we're also starting to save again. While savings took a hit in the recession of the early 1990s and the GFC, prompted a return to consumer caution, recent years have seen an increase in savings, however, this is mirrored by an increase in household debt. The ratio of household debt as a proportion of disposable income has more than doubled since 1992, but savings relative to income are only just returning the levels seen in 1992.

Be smart about saving for a deposit

So what does it all mean for you in 2017? Despite the changing economic environment, there are a few simple strategies to help you get on the right path to save for a home that are as relevant today as they were 25 years ago:

- Cut back on non-essential spending and be a little more selective about the luxuries you buy
- Set up a direct debit to a savings account or consider a term deposit where interest rates might be a bit higher and you can't access the money easily
- Understand your savings style and plan around that
- Be realistic about the mortgage you can manage, work out what you can afford and make sure you consider all the costs

Our top tips in negotiating a pre-auction sale: Things to consider before making an offer in advance

High auction volumes and clearance rates across Australia confirm it's a popular way to sell and buy property, but could striking a deal before the auction date be a sure-fire way of landing the home of your dreams? Pre-auction negotiation may not be for everyone and in this article we investigate a few things you should consider before making an offer in advance.

Lining up to bid for a house on auction day can be nerve-wracking. You could be worried you'll end up bidding more than you can afford. Or perhaps you just don't feel confident. That alone could be a good reason to consider making an offer before you've got the auction paddle in your hand.

What are the benefits of making a pre-auction offer?

Avoiding the fray of auction day is just one of the benefits of putting in an offer before the day. Others can include:

- Getting a head start on your competition
- Knowing exactly how much you'll pay and sticking to that budget
- Getting into your new home sooner
- The benefit of a cooling-off period in case you change your mind, which doesn't apply buying at auction

Of course, getting in early doesn't necessarily mean the vendor will accept your offer, but understanding what the vendor is thinking may help give you a future advantage.

When will a vendor consider my offer?

Buyers aren't the only ones who get cold feet. While some vendors won't want to take the risk of losing the sale with a realistic and firm offer on the table, others may hold out, hoping for a higher price at auction.

Doing your homework as best you can to understand the vendor's motivation and the current market is important. Factors that could come into play include:

- The vendor has committed to buying their next home so they're keen to sell.
- The agent hasn't been able to drum up enough interest through their marketing campaign.
- The market is unpredictable so a good result at auction is not guaranteed.
- Your offer (or that of a competing buyer) is just too good to refuse.

A 'too good to refuse' pre-auction offer doesn't necessarily mean a higher than expected bid, but you need to be realistic if you want to be taken seriously.

Look at recent sales of similar properties in the area and work with the vendor's agent to get some idea of a price that's likely to meet or come near to their expectations. It's usually a good idea to leave some room for negotiation within your budget.

How can I negotiate a sale that keeps everyone happy?

Negotiating a pre-auction sale isn't just about knowing what to offer, it's also about when. You don't want to waste the vendor's time or your own, so it's important to cover these basics before you start negotiating:

- Do your research so you can make a realistic offer
- Put your offer in writing
- Secure pre-approval for financing
- Build a relationship with the vendor's agent – don't negotiate directly with the seller
- Be happy to walk away if the deal doesn't work out

Timing can be everything and you need to be prepared so you're ready to go if your offer is accepted.

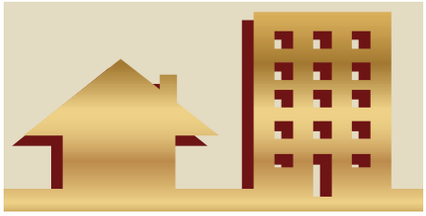
To help get your offer over the line, you might also consider offering the vendor a 'sweetener' such a shorter settlement or waiving the cooling-off period.

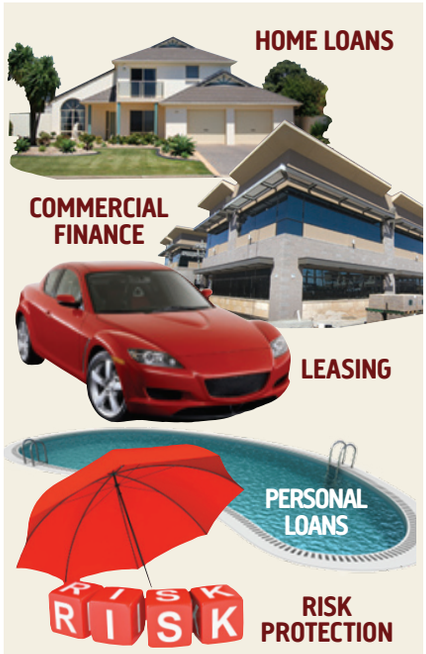
You should always check with your solicitor about the implications of waiving the cooling-off period in your state and always ensure that the necessary property inspections have been completed.

When should I just walk away?

Even if you've approached the negotiation like a pro, there are times when walking away could be the right thing to do. You don't want to feel like you're being put under too much pressure to finalise quickly or the price is being pushed too high by the vendor or another buyer. And if you can't meet the rules of engagement (such as deposit, terms, settlement period) as laid out by the vendors' agent, it could be the time to back out.

Some helpful advice for negotiating a pre-auction sale is to be prepared, while also understanding that being prepared might not always be enough. Keep in mind that even if your offer is not accepted, you can still go to the auction and you could still secure the home for the pre-auction price you offered.





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