

Christmas 2009

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BUDGET BLOW OUT?

Christmas is coming and the New Year sales aren't far away either. If like most people you will probably spend a little too much on gifts and sale items over the Holiday season so be ready to take some action in the New Year.

Try using a Budget Planner in the New Year. A Budget Planner is not designed to make you stop spending, it is a tool for you to record all your spending so YOU can see where your money goes and work out YOUR priorities.

A website we have found very useful is

www.understandingmoney.gov.au

There are a number of calculators and other tools which provide practical help in all financial areas. We are also happy to answer your call or email.



The staff at Ragg Weir would like to wish you and your loved ones a safe and happy festive season.

What are the benefits of using a Professional?

Insurance

Income Protection insurance is readily available through most Super Funds however how would you know whether it was a good policy. Well, it is a major brand Super Fund so what they offer would have to be good, wouldn't it?

WRONG - there are some shockers out there offered by the major Super Funds and the problem is that you won't know until claim time. Ask a professional whose advice is backed up by independent research. Just ask and we will check your policy for you and compare the alternatives.

Centrelink issues- The benefits of retirement planning.

Ben is currently working full time and would like to reduce his working hours, he is 65 and his wife Laura is 60. Ben reduced his hours, left his investments the same and applied for the age pension. Although he did receive a small age pension, if he had rearranged his investments and invested some funds into his wife's name he could have received \$8,000 more per annum from the Age pension, not drawn from his superannuation and had an additional lump sum of \$70,000 for their full retirement.

Aged Care issues

Aged care is an extremely complex area and one which requires some forward planning. Depending on the level of care, there will be different payment requirements.

One of our clients is in an Aged Care facility and in addition to the Daily Care Fee he was paying an Income Tested Fee of over \$12,000 per annum. **By rearranging his affairs over \$8,000 per year has been saved.** For either a fully self funded retiree or a partially funded retiree it is important that consideration be given to the type of investments used.

Saving for short and long term goals

Retirement is something we all need to plan for at some stage but it needs to be balanced out by meeting short term goals such as paying off the mortgage and paying for education. Applying some budgeting strategies should be able to achieve some additional cash flow.

Simple strategies like salary sacrificing pay rises into super will not only save tax but build up your super. Consolidating and restructuring debt could also save you years of interest payments. Reviewing insurance cover and looking at holding it inside super may give you additional cash flow .

A professional will develop a plan to help you achieve your financial goals

Mortgage Broker! We don't need one of them... do we?

- a genuine client response

We had used the mortgage calculators on the bank websites so thought that we knew how much we could borrow and we had 'pre-approval' from the bank via the loan calculators. So we were a little unsure when we visited Cynthia for the first time – we hoped that we were not wasting our time, or hers. We did however learn some valuable lessons.....

One of Cynthia's first questions was about our existing home – what would be happening to it? What if we had to settle on our new home before our old home sold? Did we allow for rental income to be generated from the old home as this would improve our financial position in the eyes of the bank when seeking finance. Were we going to need 'bridging finance' or could we use the equity in our old home to help finance the new home? The latter was the case so it turned out we could extend our existing loan to help buy the new house and it was cheaper than bridging finance.

What about mortgage insurance? The bank website calculators had not provided a lot of information about this and the amount of expense that could be involved. Cynthia explained about lending ratios and suggested strategies to reduce this cost. For example, by selling a small parcel of shares we generated enough deposit money to reduce our lending ratio under 80% - no more mortgage insurance for us.

And the choice of banks. We were both customers with 'Bank A' and thought that their interest rate was competitive, so we would probably transact with them. Cynthia provided comparisons for Bank A, and a number of other banks. These comparisons took into account monthly fees, annual package fees and the like to determine which one really did give the best rate for us. She also identified loan packages that had the facilities that we needed whether it was an interest only component or a redraw facility. In the end we went with Bank B as they had the best deal for us. And we wouldn't have approached Bank B at all.

We also thought that 'pre-approval' from the bank meant the loan was basically ready to go. I don't want to say that 'pre approval wasn't worth the paper the email was printed on', but I think it was close to the truth. You still have to supply a lot of personal financial information so we supplied this to Cynthia who checked it was all correct. Then Cynthia liaised with the bank, chased them for approval, confirmed valuations on the property we bought and verified that the final documents were received and correct.

So, let me think again – did we get value from using a mortgage broker? Even if we didn't get a better deal from the bank (which we did) just having a professional co-ordinate everything for us made the whole thing so much easier.



SOMETHING TO THINK ABOUT!

He that is the opinion that money will do everything may well be suspected of doing everything for money

Benjamin Franklin 1706—1790

A goal without a plan is just a wish.

Antoine de Saint—Exupery 1900—1944

Happiness depends on ourselves.

Aristotle 384 BC—322 BC



COMMONLY USED TERMS

Concessional contributions include contributions made by your employer, salary sacrificed contributions and if you are self employed the contributions for which you claimed a tax deduction. These contributions are tax deductible to the person or organisation who made them and each contribution will be taxed in the super fund at 15%. Previously called deductible contributions.

A non-concessional contribution—previously called undeducted, these are not deductible to the contributor nor is the contribution taxed. The amount was previously unlimited however you are now only able to contribute up to \$150,000 per annum or \$450,000 for three years.

Account based income streams/ allocated pensions

Just as people became familiar with the term allocated pension the name was changed to an 'account based pension'. An account based pension is an income stream drawn from a superannuation fund for which you receive considerable tax concessions. Basically they are the same thing except that there is no longer a cap on the maximum income amount but a minimum income must still be drawn.

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