

PINNACLE CHOICE

NEWSLETTER ISSUE – NOVEMBER 2019

QUOTE OF THE MONTH

The goal isn't more money, the goal is living your life on your own terms.
- Chris Brogan

AVOID USING AFTERPAY IF YOU WANT A HOME LOAN

Afterpay users have been warned to avoid using the service if they are planning to make a home loan application, in another sign buy now, pay later schemes are on the radar of lenders.

“Afterpay creates questions, such as is this person living beyond their means” - Managing Director of Home Loan Experts, Otto Dargan.

Mr.Dargan also warned that Afterpay raises a “question mark when combined with other factors” for banks because it can give the

impression that the customer does not have “large amounts of cash on standby and they are living paycheque to paycheque.”

A survey by the investment bank found that buy now, pay later users tend to have more types of debt and are more likely to have been declined for credit cards in the past.

It is important that customers know that having a ‘buy now, pay later’ products is part of what you’re assessed on when applying for credit.

* Laura Chung & Colin Kruger - The Sydney Morning Herald 2019

afterpay



AUCTION CLEARANCE RATES OCTOBER 2019

75.5%

Sydney - NSW

71%

Melbourne - VIC

59%

Adelaide - SA

34%

Brisbane - QLD

There was a decrease in auction clearance rates in all cities except Adelaide which saw an increase by 3.6%. Brisbane saw a significant decrease by 10.8%.

*Domain Auction Results 2019

AUSTRALIAN'S RECORD DEBT IS MAKING US WORK LONGER, SPEND LESS

Australian's have the world's second-largest household debts. We know it, we worry about it, and there is increasing evidence it is changing our way of life.

From the ABC's Australia Talks National Survey, 90% of the nearly 55,000 respondents rated household debt as a problem for the nation.

On an individual level, 37% are struggling to pay off their own debts, with almost half of millennials reporting that debt is a problem for them personally.

Housing debt has more than doubled in real terms since HILDA (Household, Income and Labour Dynamics in Australia) was launched in 2001.

It is now averaging around about \$350,000 for those who actually have mortgage debt, compared with around about \$160,000 in debt in 2002, 2001.

But not all of that housing debt has simply been used to buy homes - many people have been cashing in on the rising value of their properties over the past two decades.

When people are increasing their debt from one year to the next, they're essentially accessing the equity in their home. People are evidently using that increased equity to fund consumption.

The Reserve Bank has been learning this the hard way, with three little interest rates cut this year, on top of personal income tax cuts.

* ABC News - Michael Janda for The Money 2019




**Would you like some help to manage your debt?
Contact us for a free consultation.**

NOVEMBER 2019 AUSTRALIA'S PROPERTY MARKET UPDATE

CoreLogic's national home value index recorded the third consecutive month of gains lifting the national value of housing by a cumulative 1.7%. The month on month lift of 0.9% in national housing values was the largest monthly

gain since March 2017. The national index remains 6.8% below the October 2017 peak indicating that buyers still have some time to take advantage of improved housing affordability before the values return to record highs.



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Major Bank Predicts Price Growth By Year-End

NAB's Residential Property Index moved back into positive territory for the first time since mid-2018, rising 26 points in the September quarter to an above-average +18.

NAB's chief economist Alan Oster said "The results suggest the Australian housing market is on the way to recovery".

He projects prices to rise by the end of 2019, with Sydney and Melbourne reporting gains of 1.8% and 0.7%, respectively. "We expect moderate growth across the capital cities of 4.5% in 2020" Mr. Oster said.

* Gerv Tacadena - Your Investment Property 2019

DID YOU KNOW?

24% OF WORKING WOMEN FEEL FINANCIALLY STRESSED COMPARED TO 14% OF WORKING MEN



* AMP Capital 2019

HOW AUSTRALIA CAN ACHIEVE AN A-GRADE RETIREMENT SYSTEM

The 2019 Melbourne Mercer Global Pension Index gave the Australian retirement income system a B+ grade with a score of 75.3 and third place across the 37 different retirement systems that exist around the world.

It is a good result from a global perspective but there is clearly more room for improvement as both The Netherlands and Denmark received an A grade with scores above 80.

There are a couple of ways to achieve the coveted A-grade award.

The biggest improvement in the Australian score requires

greater focus on income streams during retirement. The system needs to recognise and encourage both income products and the availability of lump sum benefits during retirement.

The next improvement is to reduce the taper rate used in the age pension assets test from \$3 per fortnight to \$2.25 per fortnight.

This change would increase the part pension payable to many retirees and thereby improve the adequacy of the total income received during retirement.

Another improvement would be to raise the SG contribution rate from the current 9.5% to 12%.

The fourth action is to introduce a requirement that that benefit projections be provided by superannuation funds.

This would improve members' awareness and understanding of their future retirement benefits and thereby allow better informed decisions.

These changes could improve the Australian score by 3.7 increase to a 79.0.

* David Knox - FirstLinks 2019



South Australia - 2019 November Market Report

There's been a lot of buzz lately about Adelaide as its affordability attracts buyers and propels demand.

"A low rental vacancy rate, sitting at 1.1% coupled with strong yields, is making Adelaide a go-to for investors." Katherine Skinner, director of National Property Buyers SA.

Skinner said "The local population grew by 0.8% (14,585 people) in 2018, showing the growing popularity of Adelaide and that less of our locals are heading interstate".

A good reason why population growth is back on track is that SA is

POPULATION GREW BY 14,585 PEOPLE IN 2018. SOUTH AUSTRALIA = STRONG GROWTH

picking up economically; industries like defence and education are flourishing and more community and civil engineering projects are being approved.

The inner and middle ring suburbs of Adelaide in particular are among the biggest drivers of growth in the median house prices as buyers battle it out to buy family homes within the inner ring of Adelaide.

"Lending capacity increases are sure to continue this trend of investor confidence in the Adelaide market, where you can get some serious bang for your buck and strong yields" Skinner explains.

* Jacqueline So - Your Property Investment Magazine 2019



Why Should You Consider Refinancing?

Lower interest rates have the potential to impact positively on your monthly mortgage payments, saving thousands per year.

This could allow you to build equity and perhaps even pay off your home loan quicker.

Nancy Youseff, Classic Finance founder explores the benefits and potential letdowns of refinancing.

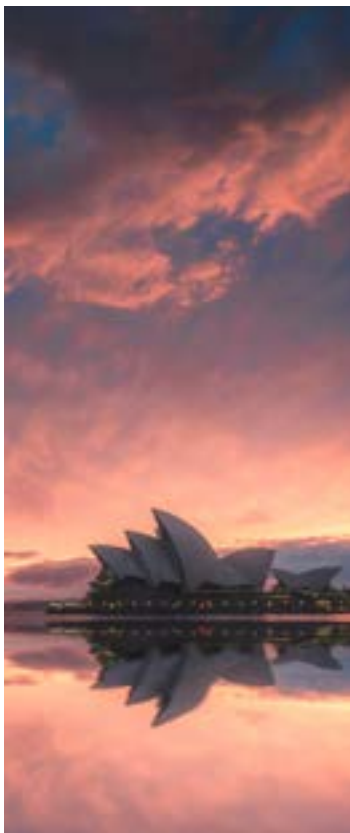
One popular reason to refinance is to be able to save by accessing lower interest rates. Reducing the interest rate helps you save money and also increase the rate which you build equity in your home. Even a saving of just 0.25% can shave hundreds, perhaps even thousands, of dollars off your loan.

Another common reason for refinancing is to consolidate debt and change mortgage plans. Replacing high-interest debt with a low interest mortgage is an excellent financial move. Consolidate all of your high interest debts into one monthly repayment.

If you are able to pay an additional amount on top of your monthly mortgage amount, that will help you pay the loan off as swiftly.

Refinancing can be an excellent way to save on mortgage interest, but you need to be aware of the potential costs involved.

It is a good idea to speak with an experienced mortgage broker to discuss your options and work out the best plan for your financial situation going forward.
Graham Megginson - Your Investment Property 2019



HIA SUPPORTS "NEXT STEPS" IN LOAN DEPOSIT SCHEME

The Housing Industry Association (HIA) has announced its support of legislation that greenlights the federal government's First Home Loan Deposit Scheme.

A Senate committee has recommended that the First Home Loan Deposit Scheme be passed.

Under the scheme, the federal government will act as the guarantor for up to 10,000 first-home buyers a year who have already saved up at least 5% of a deposit.

Graham Wolfe, managing director of the HIA, said the recommendation "will facilitate the next step in making the First Home Loan Deposit Scheme a reality".



Mr. Wolfe said that the HIA has long argued that there needs to be a national approach to helping first home buyers enter the market and to address the time that saving a deposit now takes.

He stated that "First home buyers are concerned about the time it takes to save a 20% deposit and the added upfront cost of mortgage insurance

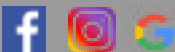
when seeking a loan with less than 20 per cent deposit".

"Along with stamp duty and securing finance, the time it takes to save a home deposit remains one of the main barriers to people's home ownership aspiration.

HIA will continue to work with Government to see the scheme rolled out from 01 January 2020.

* Duffe Osental - Your Investment Property 2019

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