

FINANCE MATTERS

Winter Issue, 2011

Renovation
It's addictive!

Buying property
with friends

Starting
over

WIN

A trip for 2 to
Daydream Island
Resort & Spa
(see inside for details)



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Property outlook

Impact of Queensland floods

Tragedy aside, as catastrophic as the Queensland floods have been, the long term outcomes for the state and national property market can ultimately yield positive results.

While many investors have remained on the sidelines in recent months, an increasing number are re-entering the market tentatively, recognising the strength of the market with the potential opportunities for growth and the restoration of confidence over the long term.

In the short term, the loss of homes and negative impacts of the Queensland economy have been apparent. However, the level of activity in the rebuilding process is already yielding optimism. An estimated \$AUD10 billion in federal and state funding allocated to reconstructing and restoring the region, along with the important drivers of property prices (a robust resources sector, solid infrastructure, employment and population growth) will play a vital role in this reconstruction.

For all other states, the effects of the floods will be nominal. While there will be interstate population shifts to Queensland due to rebuilding work opportunities, the extent of this is uncertain. It is expected that properties in the region should see some solid growth over the medium term. The rebuilding process will create employment and population growth which will drive the demand for housing. This will ultimately set Australia up for another economic boom.

Major side effects for investors

- Burgeoning rents due to displaced homeowners needing to rent whilst homes are being rebuilt.
- Re-construction of Queensland.
- Insurance premiums to increase substantially as flood probabilities in areas change.

- Tourism markets to experience a temporary hiatus.
- Supply of new homes to be slow as town planners stall approvals.

In the short term, as uncertainty exists and the disaster is still fresh in people's minds, there is unlikely to be any movement in prices. It is expected investor (especially interstate) activity will be subdued over the next 12 months, however, once sentiment shifts there will also be significant movement.

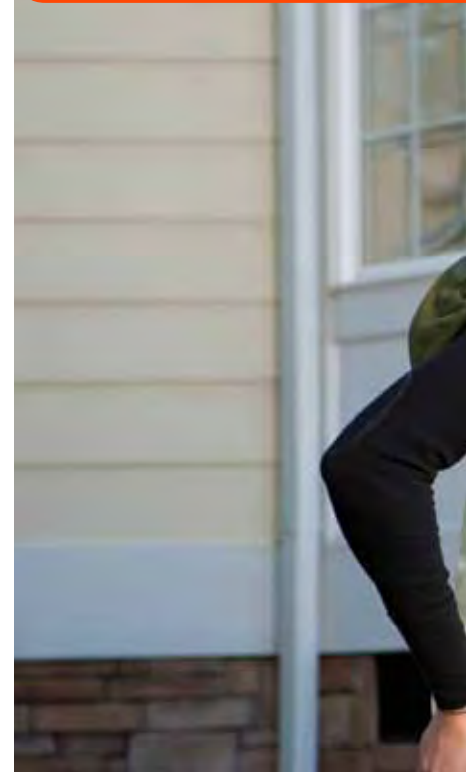
National outlook for 2011

The most significant change we are seeing is a decline in household sizes in Australia. This is an important driver and, as long as the population keeps increasing, the level of demand for housing will be even higher per head of population. This has important implications as to how Australians live. Medium and higher density dwellings are now more popular as this suits smaller households. In the past five years, higher density dwellings have outgrown the traditional house in Australia.

Essentially, Australia's property market is fundamentally sound. It is being driven by a robust economy, strong levels of population growth, a pro-property tax system, and demographic shifts that are broadening the demand for housing and the shortage of new housing. As long as these fundamentals exist, there is no valid argument that can justify a significant correction in Australian housing prices.

The key leading indicators indicate that capital growth is likely to remain very subdued for the time being through Australia. However, conditions are favourable for prospective investors who are focused on rental return yields. The large stock of homes available for sale should afford potential buyers increased scope to negotiate on price to get the best possible deal.

Co-ownership Things to consider



As property prices continue to rise across Australia, it is getting harder and harder for people to enter the property market for the first time.

A rising trend is that of co-ownership. Co-ownership refers to the purchase of property by two or more people, be it de facto, friends or family members.

Benefits of co-ownership

- Savings are pooled towards the deposit, allowing you to buy a property sooner.
- Borrowing power for the loan is combined, resulting in buying a better quality property than you are able to afford on your own.
- Running expenses of the property are shared, affording you a little left over in the budget for the occasional treat.

Risks of co-ownership

- All parties are jointly and severally liable for the entire debt, not just your individual share.

Remember to enter



This competition commences at 9am AEDT on Tuesday



- Lenders will take the total debt into account, not just your individual share, when calculating serviceability for additional loans.
- Conflict may arise as individual circumstances change.

The key to successful co-ownership is investing extra time in planning. By using the right legal structure, drawing up a co-ownership agreement to cover changes in circumstances and seeking professional advice to ensure you are adequately protected, co-ownership may be your solution to entering the property market.

Legal structure

The tenants in common structure is ideal for co-ownership. It allows for several owners to purchase unequal shares in the property and for each owner to be able to will their interest in the property to a third party. It is a more flexible form of property ownership than joint tenants where owners do not have individual ownership, but own the entire interest in the property together. Joint tenants possess a right of survivorship, ie the interests of a deceased joint tenant automatically pass to the surviving joint tenant/s.

Co-ownership agreement

The co-ownership agreement is a legal document designed to set out the rights and responsibilities of each owner. It is an added expense at the time of purchase but it is essential to avoid issues in the future if circumstances change.

A co-ownership agreement should cover:

- individual contributions by each owner, including deposit and purchase price,
- owners' borrowings and who is responsible for the repayments,
- who resides in the property and on what basis,
- what to do in the event one owner wishes to sell,
- how to allocate the proceeds of the sale,
- obligations regarding maintenance of the property,
- what to do in the event of a dispute, and
- the insurances each owner needs to maintain.

Advice

As with all financial matters the right advice is crucial. You will need advice, not only on the legal structure of the co-ownership, but also the appropriate financial advice - especially if you intend to purchase the property as an investment.

You will need to establish a joint bank account for expenses and find the right loan to accommodate the co-ownership structure. Depending on your circumstances you may also need advice on the First Home Owner Grant and stamp duty exemptions.

As co-owners are jointly and severally liable for the entire loan, not just their individual share, insurance is another key point to discuss to ensure that all parties are adequately covered.



If you are looking to enter the property market for the first time, please contact the office to see if co-ownership is right for you.

our fabulous competition - a trip for 2 to Daydream Island Resort & Spa



Steps to a successful

renovation

Information sourced from the Housing Industry Association. HIA is Australia's largest residential building organisation. Members include builders, trade contractors, design professionals, kitchen and bathroom specialists, manufacturers and suppliers. HIA is the voice of Australia's home building industry. For more information visit: www.housinglocal.com.au

Australians are renowned for their obsession with property, in particular renovation and DIY. In fact, it is estimated that over \$30 billion will be spent on home renovations in Australia in 2011/12.

A successful renovation can be measured in many different ways, but the most important measure is that the renovation meets your needs, now and in the future. Here are some simple steps to get the most out of your renovation.

Step 1

Determine your future needs

A successful renovation needs to address not only how you want to live now, but also in the future. Take the time to think about how long you intend to stay in the property and what you need from the property during this time period. For example, a home designed for a young family may not meet the needs of a teenage family.

Step 2

List the features you would like to change in your home

If you are renovating with a partner this is critical to ensure you are on the same page. Your discussions should cover the 'must do' repair and replacement items through to the 'nice to haves' like decor and furnishings. It is important to list the things you love about your home that you would like to retain.

Step 3

Document your renovation goals

Using the first two steps you will now be able to document your renovation goals. For maximum results this should be broken down to the specific area of the house affected, the existing problem, the new features you want and how you want to use the renovated space.

Step 4

Find a reputable builder

Talk to your friends who have completed renovations or use a reputable source such as the Housing Industry Association (www.hia.com.au). Select a builder who is well presented, punctual and reliable in the initial quote stages as this is generally a good indicator of how they will operate once the renovation begins.

Step 5

Source the right finance

There are many ways you can elect to finance your renovation. Options range from taking out a personal loan or line of credit, refinancing your existing home loan or utilising the equity you have built up in your home. All these options have advantages and disadvantages and the best method will depend on your personal circumstances and your existing financial arrangements.

By following these simple steps you are closer to ensuring that your renovation runs smoothly and results in a home that improves your quality of life now and in the future.



Please contact the office for our range of worksheets to assist with planning your renovation and for a no obligation assessment of the finance options available to you.



Starting over



According to the Australian Bureau of Statistics, around a third of all marriages can be expected to end in divorce. But with a 25% rise in the number of long term de facto relationships over the past 10 years the real impact of relationship breakdowns is much higher than the statistics lead us to believe.

Moving on from any long term relationship, be it marriage or de facto, can attract a heavy emotional toll, but the financial impact can be far reaching and long lasting.

Finances are often left on the backburner as you focus on the emotional health of you and your family. It may also be that this is the first time you have had the sole responsibility for your finances, are overwhelmed and don't know where to start.

The key is to take action early. Here are some steps to get back on track financially after a separation or divorce.

Check your credit rating

A vital first step is taking control of your financial future! Check to see if it contains any errors or if any of your partner's information is listed. If so, have it rectified. There are two main credit reporting agencies, Veda Advantage and Dunn and Bradstreet.

Identify your creditors

Make a list of all your creditors, both secured and unsecured. Your secured creditors are those where an asset is used as security for the loan, eg house or car. Negotiation of both the asset and the underlying loan will be required by both parties.

Separate all joint accounts

A time consuming but crucial step is to unravel all your joint accounts, including credit cards. Even in an amicable separation it is best to separate all accounts to avoid future issues.

Create a budget

An unavoidable result of separation is a change in lifestyle. The first step to adjusting is to make a comprehensive budget separating discretionary and mandatory expenses. To make your new budget work, you may need to make some tough decisions on your discretionary spending.

Decide on your housing options

In nearly all cases the family home is either sold or refinanced. One partner will need to find somewhere new to live and, while renting may be a viable short term option, in the long term most people wish to buy a home. You will need expert advice on how to best refinance your home or how to secure a loan for a new home.

Prepare a financial plan for the future

- Start an emergency fund by opening a high interest saving account for those unexpected emergencies.
- Update your will to reflect the changes that have occurred in your life.
- Manage your debt by talking to an expert about how to reduce your 'bad' debts like credit cards and personal loans as quickly as possible.
- Plan for your retirement.
- Review your insurance needs.



As your mortgage specialist we are here to help you. Please call the office for assistance with budgeting, assessing your home loan options or restructuring your debt. Together we can plan your financial future.

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Coffee *pleasure or poison?*



Christian T Baker is a qualified personal trainer, the owner of multiple health food stores as well as an author and professional speaker www.higherenergyliving.com. He knows what it takes to create high levels of natural energy and to stay healthy whilst living a busy life and continues to share his knowledge with others every single day.

Caffeine is often referred to as the world's most popular drug, and in the typical Australian workplace this is especially true. If you're at work right now, take a moment to look around and see how many coffee cups, energy drinks and chocolate bars you can find. I'm guessing the answer is 'a lot'. So what is caffeine and why do many of us find ourselves wanting it on a daily basis?

Consume the right type of caffeine, in the right amount and at the right time.

Caffeine is a 'psychoactive stimulant drug' and is naturally found in the leaves, seeds and fruits of over 60 plants worldwide. The most common sources in our diet

are coffee, tea leaves, cola and energy drinks. Caffeine can also be produced synthetically and added to food, beverages, supplements and medications.

How much is too much?

One shot of espresso coffee equates to approximately 80mg of caffeine. The average Australian drinks two cups of coffee per day. While this is a healthy quantity and is enough to keep a person energised and feeling alert for the day, the problem is that most people who work in an office tend to consume more caffeine than the average Australian.

This is where we begin to run the risk of burning out, crashing or getting what is commonly called 'the afternoons' - a slump in energy every day around two or three pm. The reason people who consume more caffeine end up being more tired and having less energy than everyone else is due to two very important, very small glands in the body: the adrenal glands.

These little glands are responsible for producing adrenalin. And what gets pumped around the body every time we consume caffeine? You

guessed it - adrenaline! If you push these little glands too far they will eventually run dry, and it is at this point where you will begin to burn out or become fatigued.

To make things worse, it's not only caffeine that can strain your adrenal glands. Several other factors such as lack of sleep, high sugar intake and high levels of stress can leave you without anything left in the tank.

So, how do we protect ourselves from abusing our adrenal glands and burning out?

The simple way of putting it is:

- Consume the right type of caffeine, in the right amount and at the right time.
- Try real brewed espresso - it contains natural caffeine, minerals and antioxidants.
- Don't add extra sugar - it excretes too much adrenaline.
- Try to limit your caffeine intake to the morning - this will get you going, help you focus, and it will definitely not interfere with your sleep at night.

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- 60 minute massage at the Rejuvenation Spa per adult per stay
- A Stingray Splash experience at Daydream's Living Reef outdoor aquarium
- A helicopter flight to Whitehaven Beach with a one hour stopover & gourmet picnic basket
- A \$300 food and beverage voucher to be used at any one of Daydream Island's restaurants or bars
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* Terms and conditions apply



By the way... please feel comfortable about entering the competition because we do not and will not rent or sell any of your details to any third party. Promise!

Competition Entry - Your details

Your name: _____

Your address: _____

Phone: _____

Email: _____

- Please contact me to discuss my situation.
 Please contact me for a no obligation consultation.

The greatest compliment any business can receive is a referral from an existing client. We don't take your referrals for granted and if you would like to pass this competition entry form (or a copy of it!) to someone you know, please write your name and contact email address in the "Referred by" area, and when we receive their entry we will provide YOU with another entry into the competition.

Referred by: _____

Email: _____

Increase your chance to win! Tick the topics you are interested in below if you would like some information emailed to you (make sure you leave your email address so we can send these articles).

- Buying an investment as your first property.
 Things to consider when switching loan products.
 Strategies to reduce loan repayments.
 Investing in property to boost your retirement.

Post this entry form to the address located overleaf or contact the office for your unique website link to enter online and gain another entry into our fantastic competition.

This competition commences at 9am AEDT on Tuesday 1 March 2011 and closes at 5pm AEST on Friday 22 July 2011. Authorised under NSW Permit LTPS/10/12092; ACT TP 10/05482.3; VIC Permit No: 10/4446; SA licence No: T10/3013. Please contact the office if you would like a copy of the terms and conditions of this competition.

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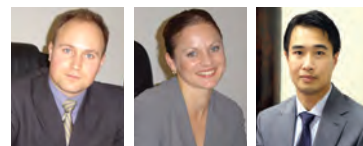


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Welcome to the winter issue of our quarterly magazine. As the days grow shorter and colder, winter is a great time to catch up with your reading. We hope you enjoy the following articles:



Property outlook

We take a look at the impact of the recent Queensland floods on the local and national property markets. The Australia wide outlook for 2011 is subdued capital growth, but positive for investors focused on good purchasing opportunities and strong rental return yields.



Renovation - it's addictive!

With over \$30 billion estimated to be spent on renovations in 2011/12 we look at some practical steps to help you plan a successful and stress free renovation. We also have some excellent checklists available for you - just call or email the office and we'll send them to you.



Starting over

With relationship breakdowns and divorce impacting more and more people, we provide thoughts on how to get back on track financially. We help many people in these circumstances so we hope this article is useful to you or anyone you know who maybe experiencing financial hardship after a separation.



Coffee – pleasure or poison?

Did you know that the energy hit we all enjoy from caffeine can be a double edged sword? It could be the very thing making you tired. Read on...

Daydreaming about taking your next holiday? After a long winter, what better way for two to warm up than 7 nights at Daydream Island Resort and Spa? To enter our competition, simply use the details on the front cover of the magazine or simply send us your email address for an instant entry. Good luck, we hope you win!

We are always available to assist with your finance and property needs. We would be delighted to hear from you, so feel free to call.

Kind regards

Anton Vdovin

Most Recent Testimonial

I would like to thank Anton for his great work and value provided. I can recommend Proper Finance very highly as I have yet to find a mortgage broker in the market with the depth of experience and the ability to consult, understand and deliver a creative finance solution for a complex scenario as a seasoned investor.
Chak, Melbourne, March 2011

For more testimonials go www.properfinance.com.au/testimonials.htm