Winter 2019 Newsletter

MORTGAGE & FINANCE

Mortgage & Finance (HOLDINGS) PTY LTD

- UPDATE -

6 TAX TIPS FOR PROPERTY INVESTORS

Staying on top of your admin and filing documents and receipts throughout the year ensures tax time is stress- and hassle-free.

If you're a property investor, here's how to maximise your return when it comes to tax time.

1 KEEP DOCUMENTS OF EVERYTHING.

You'll need to show proof of rental income and expenses. This includes everything from rental bond returns, insurance payouts and letting and booking fees – anything that generates an income.

The amount you profited from your investment property will be added to your taxable income – so make sure you have all bank statements showing interest too. The more proof you have filed away, the less stressful tax time will be.

2 SET A REALISTIC RENTAL PRICE.

It's easy to be biased and believe your investment property is worth top rental dollar – or taking out a big mortgage and expecting tenants to completely cover the monthly repayments.

However, it's your obligation to set a fair and realistic rental price based on your property's location, size and the current rental market. Intentionally setting an exorbitant rental fee or failing to advertise the property could get you into a lot of trouble with the taxman.

3 THE DEAL WITH 'MATES RATES'.

Sometimes it's easier to keep friends and business separate. Charging your mates a special discounted rental rate can limit the deductions you can claim.

Let's say you lease the property to family members at half the market rate, you must then divide your deduction claims in half. Failing to genuinely lease out and advertise your investment property, and claiming deductions that don't match your rental income will result in hefty penalties, unexpected tax charges and a place on the ATO's 'naughty' list.

4 KNOW WHAT YOU CAN CLAIM ON YOUR HOLIDAY HOME.

A holiday rental property can be a smart investment – and who doesn't love the idea of owning a beach house – Summer Bay anyone? However, just because you pay fortnightly or monthly mortgage repayments, you are only eligible for rental tax deductions for the period when the home is advertised and available for rent, and when it's rented out.

If your holiday house is used for personal or family breaks, or you lend it to friends at no cost, you cannot claim for those periods. Remember, the ATO will need to see proof of income and the associated deductions (e.g. cleaning costs, maintenance and advertising fees) so don't try and cheat the system.

5 CLAIMING INTEREST ON YOUR LOAN.

One of the big perks of investing in property is that you can claim the interest charged on the home loan – or a portion of the interest – as a deduction.

So, to make tax time a whole lot easier, file all loan statements as they clearly show the interest accrued (lenders should also send you an annual statement). But remember, you can only claim interest for periods when the house was leased and you were generating a rental income.

6 MAKE THE MOST OF DEDUCTIONS.

To maximise your tax return, don't forget about all the other expenses you can claim.

The most common being:

- Real estate management fees
- Property advertising fees
- Renters insurance
- Council and water rates
- Inspection travel expenses
- Bookkeeping fees
- Cleaning at the end of a tenancy
- Taxation advice relating to the property
- Gardening and maintenance fees
- Building and asset depreciation

There may be more things you can claim on tax than you realise. From solar garden lights to tennis court nets, freestanding garden sheds, intercom systems, ceiling fans etc.

By knowing your obligations and filing all related loan statements and expenses, you can enjoy a very merry EOFY.

- MEBANK.COM.AU-

WELCOME TO OUR WINTER EDITION

With the election now behind us, and the recent first drop in interest rates occurring as forecasted, there appears to be a sense of optimism and lift in confidence going forward in WA.

We have noticed the number of inquiries increasing, and estate agents have reported higher numbers of people starting to attend home opens since the election.

While the rate drop will be a benefit to existing mortgage holders, that will flow through to the wider community and households. It is the Government who met with the Australian Prudential Regulation Authority to request reduction of the present assessment rates of 7.25% by up to 1%. This is the rate that lenders use to measure the borrowing capacity for all loans we process with banks. If this is passed on and applied by the banks it will permit borrowers to qualify for a greater loan amounts than at present. This will have a positive impact in reducing the present downward pressure on house prices and allow borrowers to either upsell or enter a market they were restricted from in doing so in the past.

For example (when we use one lenders calculator) a single person on an income of $ 80 000 would qualify to borrow up to $ 50 000 more when being assessed at 6.3% compared to 7.25% . An individual on $100 000 would be able to borrow $64000 more. This is about a 9% increase in borrowing capacity. While we still have had increases in the living cost that banks apply, increase this is a positive outcome once applied by all the banks.

The government is pushing to create an environment to lend money to consumers and businesses. This, along with the tax relief measure will free up more disposable income into the economy and support small business. The Government primary concern is the national jobless rate increasing 5% and not forecasting it to fall until mid-2021 to 4.75%. The Perth market has fallen 6.7% for 12 months to March 2019 according to Core Logic's Hedonic home value index, due to weakened conditions in the job market and lack of credit.

The affordability of Perth has inspired first home buyers who have made up the majority of sales in Feb 2019. There has been increased activity in the sub $ 500 000 market and this indicates first home buyers are on the move. Other positive signs starting to filter through are the increased demand for trades and personnel in the mining sector, proposed government spending on infrastructures and royalty income making a major contribution to the government coffers due to the high iron price being experienced this financial year.

Many of the inner suburbs are either holding or slowly increasing in value while the outer suburbs have suffered over the past few years. Rental vacancy is very low and as economic activity increases, incomes rise, population increases and unemployment falls then we could see a more sustained recovery going forward.

As usual, please feel free to contact us, refer us to your family and friends for any finance related queries or changes to your home loan that you may wish to consider.

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AUSTRALIANS BUILDING SMALLER HOUSES

Australian homes have shrunk to 23-year lows as the "McMansion" fades in popularity and more apartments are built, Australian Bureau of Statistics data reveals.

The average floor size of a new home is now 186.3 square metres, the smallest since 1996, according to CommSec's Home Size Trends Report.

Australians are still building the second-biggest freestanding houses in the world behind the US at an average of 230.8 square metres.

Apartments, which now account for around half of all new dwellings, fell in size by 2.7 per cent to an average of 124.8 square metres in 2017-18.

There are still McMansions being built, but there are fewer of them. The smaller home size reflects the increased building of apartments.

> *Generation Y, Millennials, couples and small families want to live closer to work, cafes, restaurants, shopping and airports, and are giving up living space for better proximity to desirable amenities.*

The average size of freestanding houses peaked in 2011-12 and has stabilised over the past five years. The average house is 8 per cent bigger than 20 years ago and nearly 30 per cent bigger than 30 years ago in 1987-88.

The standard fit-out is also superior, with higher quality kitchens, bathrooms, floor coverings and inclusions such as air-conditioners.

THE AVERAGE HOUSE IS

30% BIGGER THAN 30 YEARS AGO

AUSTRALIANS

2ND BIGGEST FREESTANDING HOUSES IN THE WORLD BEHIND THE US

186.3m² AVERAGE NEW HOME BUILD

- NEWS.COM -

WA FIRST-HOMEBUYERS TO GET EASIER ACCESS TO KEYSTART

First-homebuyers struggling to get a loan will be given easier access to the State Government's low-income lender as part of efforts to boost WA's ailing housing market.

In a key measure, Premier Mark McGowan confirmed the Government would relax the eligibility criteria for borrowing money from Keystart.

The decision comes amid a clamp-down by the major banks on lending in the wake of the Hayne royal commission and with WA's housing industry "on its knees" according to the Master Builders' Association.

> *Keystart is a government-owned agency that lends to lower income earners who might have difficulty getting a home loan approved by a big bank.*

Almost 13,000 loans have been written over the past five years by the lender, which offers a standard variable interest rate based on the rate charged by the four major banks (currently 5.34 per cent). Borrowers only need a two per cent deposit to qualify and are not charged mortgage insurance.

Under changes to be made in the Budget, income thresholds for borrowing from Keystart will be lifted by $15,000 for singles and couples and $20,000 for families.

This will see income limits increased to $105,000 for singles, $130,000 for couples and $155,000 for families buying a home valued at up to $480,000 in Perth.

In regional areas, where income thresholds are higher, limits will rise by the same amount. However, the lower barriers will only be temporary, lasting for six months until December 31 this year.

Treasurer Ben Wyatt has also rejected industry pleas to increase the first home owner grant, which is currently set at $10,000 and limited to new homes, while leaving stamp duty concessions unchanged.

MBA boss John Gelavis, who had been lobbying for industry assistance, said the Keystart changes were a "win-win" that would provide a much-needed boost for home builders and a leg-up for a growing number of borrowers overlooked by the banks. "Right now the housing industry is effectively on its knees – it's the worst it's been," Mr Gelavis said.

Mr McGowan said the banks' move to restrict home lending had made it significantly harder for people to enter the market and "realise their dream" of property ownership. He said that by stepping into the breach, the Government hoped to provide a lifeline for those borrowers who ordinarily would have been unable to get the finance.

The Government also wanted to help the housing construction industry, which was enduring one of its worst periods on record.

"The changes to the Keystart eligibility criteria will help drive new building activity and stimulate the State's economy."

Mr Wyatt said it was "clear that banks have become more cautious with lending", prompting the Government to take action.

- THE WEST AUSTRALIAN -

NEW INCREASED INCOME LIMITS

SINGLES	COUPLES	FAMILIES
$105,000	**$130,000**	**$155,000**

6 TIPS FOR SAVING MONEY

1 MAP YOUR SPENDING
Record daily, weekly and monthly outgoings to determine what level of your income is discretionary and could be saved.

2 SET A BUDGET
Know all of your fixed costs and overheads as well as other regular outgoings: this will become your savings roadmap.

3 START SMALL
Little cutbacks in the first month are easy to adapt to and help pave the way for better financial organisation and greater savings next month.

4 HAVE A SLUSH FUND
Put a little aside each month for the odd treat or emergency. If you've not dipped in by the end of month tip it into the savings pool.

5 SMART ACCOUNTS
Quarantine your cash, and look for the best interest rate available. While the returns might not give you a nosebleed, every little amount counts.

6 KEEP GOING
Saving is hard and there are always unforeseen expenses. If you take a hit, get back on your feet and keep going!

- AUSTRALIAN BROKER -

AUSTRALIA RANKED SEVENTH MOST PROPERTY-OBSESSED NATION

Australians are spending more than 2.5 hours a week researching properties, making it the seventh most property-obsessed nation, new research from HSBC has revealed.

HSBC recently commissioned Toluna to undertake an online survey across 10 different jurisdictions to ascertain how much time adults were spending researching property. The locations covered were: United Arab Emirates; United States of America; Taiwan; Malaysia; Mexico; Singapore; UK; Australia; Canada; and France

According to HSBC's research, which surveyed 11,932 adults over 21 years of age, there is a "culture of property obsession" sweeping the globe, with people spending an average of 3.5 hours every week 'window shopping' for homes, reading property magazines and trawling online listings, even when they were not in the market for a new house.

HOW AUSTRALIA FARES

In total, Australian adults spend a total of 2.51 hours a week viewing property, the data showed.

Australians, therefore, spend twice as much time researching property than exercising at the gym (1.08 hours) or speaking to their parents (0.88 hours).

> *Meanwhile, 23 per cent of Australian home owners reported that they check the value of their property every three months.*

According to HSBC, the research demonstrates that the cooling housing market, which has largely impacted major cities, including Melbourne and Sydney markets, has done "little to dent the property fixation" among some Australians.

However, when compared to other markets, Australians spend less time, on average, researching homes than other jurisdictions.

Of the nine jurisdictions that HSBC gathered data on in relation to total aggregate time spent reading or researching about property (United Arab Emirates, United States of America, Taiwan, Mexico, Singapore, UK, Australia, Canada and France), Australia came in seventh place.

The UAE is reportedly the world's "most property-obsessed" location, according to the data, with adults there clocking an average of 6.6 hours of property research per week.

This was followed by those in the USA (4.95 hours a week), Taiwan (4.54 hours a week), Mexico (3.56 hours), Singapore (3.29 hours) and the UK (2.65 hours).

Only adults living in France and Canada spent less time than those in Australia researching property, the research found, spending 2.08 hours and 1.74 hours researching, respectively.

HSBC's head of mortgages, Alice Del Vecchio, said that low interest rates and declining property prices were "encouraging factors for many Australians" looking to enter the property market.

"Shopping for homes, reading property magazines and trawling online listings" were recorded as common forms of property research – even among adults who were not in the market for a new house.

Ms Del Vecchio added: "An industry of property magazines, TV programs and websites is making it harder than ever to have realistic expectations about what you can afford – with many Australians putting off important life stages, like having children, in the quest to afford the perfect property."

- MORTGAGE BUSINESS -

AUSTRALIANS	HOME OWNERS	AUSTRALIANS RANK
2.51 HRS	**23%**	**7TH**
PER WEEK VIEWING PROPERTY	CHECK THE PROPERTY VALUE QUARTERLY	PROPERTY OBESSED IN THE WORLD

3 WAYS TO MAKE YOUR HAPPINESS INTENTIONAL

As kids, most of us were very clear about what did and did not make us happy. Play outside? Yay! Go get ice cream? Of course! A brand new puppy? Yes, please! What happened to us?

As an adult it can feel almost impossible to get back to that time when you prioritised your own satisfaction instead of postponing your happiness until you find a better job, lose 20 pounds or pay off all of your debt. According to renowned priest, professor and writer Henri Nouwen, happiness isn't something that just occurs automatically, regardless of your accomplishments.

"Joy does not simply happen to us," Nouwen once said. "We have to choose joy and keep choosing it every day."

The truth is, you must consciously and intentionally elect to be happy on a daily basis. Otherwise, it's easy to get stuck in a rut for months or even years.

> *Here are a few strategies you can use to stop delaying your happiness and enjoy your life now, not later.*

1 MAKE A LIST OF ALL THE THINGS THAT MAKE YOU SMILE

We can get so stressed out trying to manage our day-to-day lives that we forget what we're even living for. To jog your memory, write out a list of 100 things that make you happy. Yes, 100! By challenging yourself to do this exercise, you will be reminded of what truly lights you up, especially if you've been in a funk for a while. Include all the activities, people, music, places, foods, etc. that make you feel alive. When you get clarity on what you most enjoy in life, you will be inspired to experience it more often.

2 TAKE YOURSELF ON A "HAPPINESS DATE"

Every week, block off a few hours in your calendar to spend all by yourself–no work, no kids, no chores, no friends, no Facebook. Use that time to do something that makes YOU happy, regardless of what other people might think or say. For instance, if you love art museums or long walks in the park listening to birds, go out there and have fun doing it. Take time for you and notice how good it feels to savor the moment.

3 KEEP A DAILY GRATITUDE JOURNAL

According to psychologist and author Robert Emmons, gratitude can increase your life satisfaction, self-esteem and optimism, while being ungrateful is related to anxiety, depression and loneliness. To begin incorporating more gratitude into your life, put it into writing! At the beginning or end of each day, simply jot down a list of three things you're grateful for. Ask yourself: What am I thankful for right now? You can also use a journal to record your gratitude lists so that you can refer back to them.

Remember, you can and should choose to be happy right now, regardless of your circumstances. Happiness is always available to you. And you deserve it.

- SUCCESS MAGAZINE -

APPLY NOW

HOME LOANS

BUSINESS LOANS

CAR AND EQUIPMENT LOANS

INTEREST RATES

1ST HOMEBUYER SPECIAL

3.49%

FIXED FOR 5 YEARS

*CONDITIONS APPLY

COMPARISON RATE TBC%

WARNING: This comparison rate is true only for the examples given and may not include all fees and charges. Different terms, fees or other loan amounts might result in a different comparison.

POSITIVE SIGNS EMERGING IN SUBDUED PERTH PROPERTY MARKET

Perth's housing market decline appears to be slowing, with CoreLogic's latest home value index showing the rate of decline for dwelling values in Perth has held at -0.4 per cent for a second consecutive month.

REIWA President Damian Collins said while prices remained soft, the percentage at which dwelling values were dropping had slowed from -1.46 per in February 2019 to -0.4 per cent in March and April.

"March and April have recorded the lowest level of declines since June 2018, which is an encouraging sign in a challenging market. While we don't expect to see any notable price increases in the immediate future, price values look like they are starting to stabilise," Mr Collins said.

Despite overall dwelling prices being down during the month, reiwa.com sales data shows 25 per cent of suburbs across the metro area recorded an increase in median house sale price in April.

"Gosnells was the top performing suburb in April, with its median sale price increasing 3.4 per cent during the month. Other suburbs to record an improvement were Dudley Park, Scarborough, Marangaroo and Canning Vale," Mr Collins said.

reiwa.com data also shows the volume of properties for sale on the market reduced three per cent during the month.

"While these latest figures indicate we might be seeing the signs of a recovery on the horizon, our local market is still fragile. REIWA remains concerned that any changes to national tax policies, like negative gearing and capital gains tax, will further stifle any green shoots of improvement that may be starting to emerge," Mr Collins said.

"We need our state and federal governments to do everything they can to support the recovery of the WA property market - not hinder it."

RENTAL MARKET

House and unit rent prices are each up $10 per week compared to April 2018.

"Perth's median house and unit prices have strengthened in the last 12 months. reiwa.com data shows the median weekly house rent has increased from $350 to $360 over the last year, while unit rents have lifted from $320 to $330," Mr Collins said.

Perth's overall median rent price continues to hold at $350 per week, however a closer look at the data shows 24 per cent of suburbs recorded a price increase during the month.

> *"The suburbs to record the most notable growth in median rent price in April were Stirling, Mindarie, Rivervale, Hamilton Hill and Quinns Rock," Mr Collins said.*

reiwa.com data shows there were 7,193 properties for rent on reiwa.com at the end of April.

"While rental listings are down 20 per cent compared to April 2018, they have increased seven per cent during the month. This has come at a time when listings for sale have started to decline, despite sales remaining low, which could indicate that vendors are choosing to remove their property from the market and try their hand at renting it out instead," Mr Collins said.

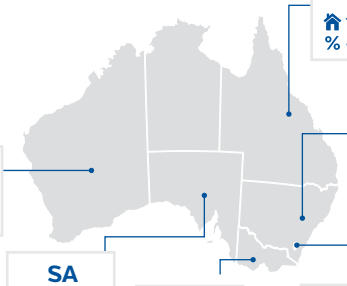
- REIWA.COM -

DWELLING SIZES DECLINE

All new homes built in 2017/18:

SQUARE METRES

% CHANGE IN METRES



QLD 190.5m² % -5.8%

NSW 162.8m² % -10.5%

ACT 151.5m² % -0.8%

WA 211.5m² % 1%

AUSTRALIA 186.3m² % -1.6%

SA 182.3m² % -9.3%

VIC 201.8m² % 1.5%

TAS 173.5m² % -7.1%

- AUSTRALIAN BROKER -