australian mortgage brokers

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Money&Mortar

in this issue

mortgage review

Have you had your mortgage reviewed recently? Call your AMB expert today to make sure everything is in order.

did you know?

An ostrich's eye is bigger than its brain.

Reducing your mortgage safely and simply

The Reserve Bank's May and June rate reduction was a welcome relief for many home owners and investors, but what to do with that extra cash…

The Reserve Bank's reduction of the official cash rate in May and June will mean a nice little reduction in the minimum home loan repayments of some home owners and investors.

But did you know you could see much greater savings by making some simple changes to the way in which you make your repayments.

While it might be tempting to put the extra cash from your rate reduction towards a new wardrobe or car, have you considered keeping your loan repayments at their current level?

It's not hard to see why you benefit. Basically, the longer you take to pay off the principal amount of your loan, the more interest you will end up paying.

By increasing the amount of your monthly home loan repayment – or not reducing it when the Reserve Bank cuts interest rates – you could shave thousands of dollars off the total amount you end up paying.

You would also cut dramatically, the time you need to repay the loan.

This is the safest and most commonly used mortgage reduction strategy in Australia – and it's an extremely effective one. You only need to crunch a few numbers to see why.

For example, if you have taken out a $300,000 home loan, at a variable rate of 7.25 per cent over a 25-year term, your minimum monthly repayment sits at $2,168.42.

If your lender passes on a 0.25 per cent rate cut, this will bring your variable rate down to 7.00 per cent, with a new minimum monthly repayment of $2,120.34.

This represents a saving of $45.08 per month and while that might not have a huge impact on your financial situation, it could mean the world of a difference to your mortgage. *(Continued page 2.)*

cooks corner

Minestrone

Minestrone soup is a hearty and healthy winter warmer.

Cooking Time: 30 minutes

Ingredients:

- 55g (1/3 cup) macaroni
- 1 tbs olive oil
- 1 brown onion, halved, finely chopped
- 1 medium (about 150g) carrot, peeled, finely chopped
- 1 x 425g can chunky crushed tomatoes
- 250ml (1 cup) vegetable stock
- Salt & freshly ground black pepper
- 1 x 400g can cannellini beans, rinsed, drained
- 25g green beans, topped, diagonally cut into 3cm lengths
- 1 tbs finely grated parmesan
- 4 crusty white bread rolls

Method

1. Cook the pasta in a large saucepan of salted boiling water following packet directions until al dente. Drain.
2. Meanwhile, heat oil in a saucepan over medium heat. Add onion and carrot and cook, stirring, for 3 minutes or until onion softens. Add tomato and stock, and bring to the boil. Reduce heat to low and simmer, stirring occasionally, for 6-7 minutes or until carrot is tender. Taste and season with salt and pepper.
3. Add pasta, cannellini and green beans. Cook for 3 minutes or until green beans are bright green and tender crisp. Ladle soup among bowls. Sprinkle with parmesan and serve with rolls.

enjoy!

what's new

Making the most of the low interest rate environment

With mortgage interest rates at such low levels, consolidating high interest debts into your mortgage could improve your cash flow and save you money.

Most households have a car loan, a personal loan and credit cards, all of which carry higher rates of interest than a loan secured against real estate, making it prudent to consolidate these debts into the home loan.

The advantages of consolidation are:

1. The ability to pay off high interest debts at the lower mortgage rate
2. Having one monthly repayment

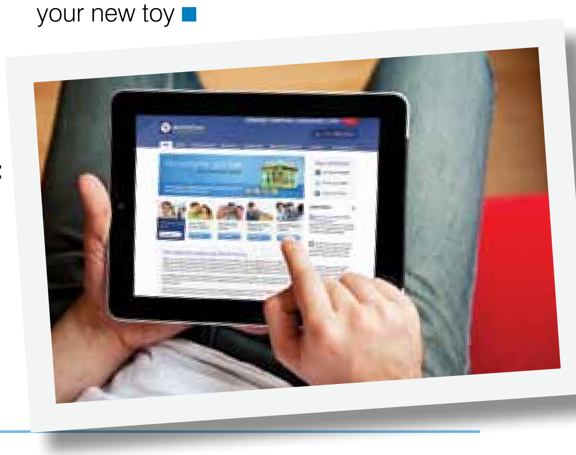
The pitfalls of consolidation alone are:

1. It will increase your mortgage debt and monthly repayments
2. The consolidated debts are being paid off over a longer period than initially anticipated

The correct way to combat extending the term of these debts is to pay the amount you were paying into the mortgage. To avoid extending the term of the consolidated debts pay the maximum you can afford into the mortgage.

Win an IPAD Competition

Congratulations to Tod Martin, of Ocean Shores for referring a customer and for winning the Ipad. We hope you enjoy your new toy ■



(From page 1.)

That additional $45 per month could potentially save you more than $21,370 in interest repayments and wipe 1.4 years off the life of your loan; if you choose to include it in your current repayments rather than spending it.

It really is that simple.

And with a new found taste for saving, have you considered switching your loan repayments from a monthly to a fortnightly schedule?

This is another simple but effective mortgage reduction strategy that carries with it little to no risk at all.

So, how does it work? Well, there are 52 weeks in a year and therefore 26 fortnights – which gives you an extra month's repayment each year.

By paying off your mortgage in fortnightly instalments, you could wipe more than four years off the life of a 25-year loan and save tens of thousands of dollars that otherwise would be spent on interest.

Unlike other mortgage reduction strategies that include the burden of having to actively manage your mortgage on a monthly – or even daily – basis, fortnightly payments can be set up as a direct debit so you can simply 'set and forget'.

Best of all, once the additional payments have been factored into your budget, you will hardly notice any difference ■

Planning your tax return

With the end of the financial year almost upon us, it's time to knuckle down and begin planning your tax return.

All too often, people leave doing their return until the very last minute. Not only can this result in omissions, errors and other problems, it can also mean you miss out on part of your refund.

With just a little organisation and effort, you'll be in a far better position to minimise your tax liability and maximise your deductions – meaning more money in your pocket.

Here a few simple strategies to keep you on the right track at tax time:

• Know what you can claim

Knowing what you can and can't claim is the first step to maximising your tax refund, as well as to minimising any problems due to an inappropriate claim.

This is particularly important when you have an investment property – while there are plenty of tax benefits you need to know what they are and how to use them to your advantage.

Deductible expenses also vary between occupations so it's not surprising that thousands of Australians find themselves in hot water each year.

The Australian Taxation Office (ATO) has full details of allowable deductions online, broken down by individual occupation. (http://tinyurl.com/7byltho)

The user-friendly guide is free to download and should be the first stop for all who are unsure about what they can and can't claim.

• Keep track of all expenses

As a rule of thumb, you should save receipts for every work or education-related expense you incur during the year. You'll be surprised at what you can claim, and will only cut yourself short by throwing away receipts.

You should also keep all important financial statements, including those for bank accounts, credit cards and home loans.

This will also help highlight other areas where expenses can be claimed – especially if you have an investment property.

• Bring in the tax experts

To ensure you claim every deduction available, using a professional tax accountant would be a good investment – especially if you have any sort of investments, property or otherwise.

While a professional tax accountant will charge a fee, you can rest assured that every deductible expense has been included.

Moreover, the chances of being called up before the tax man will be dramatically decreased.

This is also a good opportunity to begin planning your tax return for the following year. Speak to your accountant about any tax incentives you should be aware of and expenses you should take note of over the next 12 months.

Your final question should be, 'What will I do with my tax refund?'

It would be wise to use the majority of the refund to put towards paying off your home loan or any other outstanding debts you might have.

Consider your return as an annual savings payment that can be used to offset any rising debt and drive your mortgage down more quickly, saving you thousands of dollars over the longer term ■

trivia challenge

What well known "fruit" is actually a berry?

The Prize: **$300 Myer Gift Certificate**

Call in with your answer on our Trivia Challenge Answer line: 1300 55 1118 or email us at admin@amortgage.com.au by 31 August, 2012. The names of all those who call in or email the correct answer will be put into the draw for this fabulous prize.

Congratulations to Sarah Price-Smith of Bellbowrie, the winner of last issue's trivia challenge.

Which was the first nation to give women the right to vote?

Answer: New Zealand

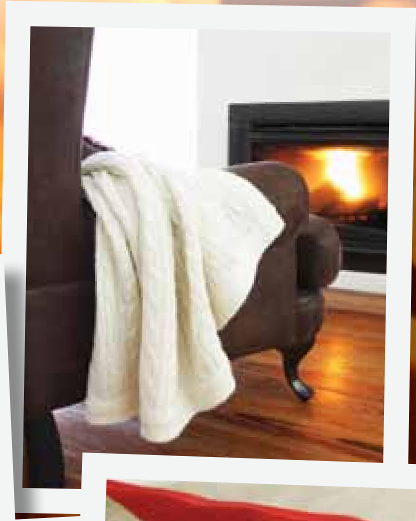
Thanks to You

If you refer friends, family or colleagues to us please let us know so we know who to thank.

Keeping warm on a budget

This winter, beat the cold without sending your electricity bills through the roof






The winter months are not too far off and in many regions the cold weather will soon be settling in. Many Australians then opt to stay indoors in a bid to beat the big chill.

Unfortunately, winter time also has its financial costs, with electricity bills reflecting the growing cost of heating a home.

With the help of a few energy-efficient strategies, you'll not only keep your home warm but also save money.

Shut up! Shutting up the house is the easiest way to trap heat inside. Make sure your doors are closed except when you are coming in or going out.

Close curtains and blinds: Your windows, even when closed, will transmit cold air into the house. To prevent this from happening, keep your curtains and blinds closed if possible. You'll have extra privacy as well as a warmer environment.

Insulate your roof: Without proper roof insulation, much of your effort to keep your property warm will be wasted. Remember, heat rises so you need to keep it in.

Be energy efficient: Ensuring your electrical appliances and light globes (used more frequently in winter) are as efficient as possible will save you money year-round, not just in winter. Check appliances for their efficiency ratings.

Save with double-glazing: Investing in high quality double-glazed glass isn't cheap – but considering how much you'll save on your electricity bill, it could be a worthwhile long-term investment.

Hot water bottles: Forget the electric blanket – you can pick up a good old-fashioned hot water bottle for next to nothing. There's a huge range of colours, shapes and sizes available so you're bound to find one you like.

Cover the floor: Tiles and timber floors look great but can be cold on the feet in winter. Consider investing in a few rugs for greater comfort.

Rug up: It's time to dust off the quilts and pull them out from the back of the linen closet. Doonas or throw rugs can also be picked up from as little as $20.

Home cooking: Winter is the best time to perfect your culinary skills and plate up that hearty, comfort food. Cooking on the stove top won't just fill the house with delicious aromas, it will also warm your kitchen. *(see our delicious recipe for Minestrone on page 2. Ed.)* ■

last word

It's not that I'm so smart, it's just that I stay with problems longer. ~ Albert Einstein

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our experience saves you time and money

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