



Issue 4 | July 2017

WHAT IS GOING ON WITH HOME LOAN RATES ??

The last 6-12mths has seen dramatic movements in Home Loans rates, up and down, and all made independently of official rate changes by the Reserve Bank. Why ??

It stems from 2 major "prudential limits" imposed on the Banks by their industry regulator, APRA.

#1 - Banks can now only increase their Investment Home Loan book in a financial year by a maximum of 10%

#2 - At any one time, Interest Only Home Loans cannot represent more than 30% of a Bank's Home Loan book

So Why the Changes ??

Federal Governments of both persuasion have long grappled with ways to address the problem of housing affordability exacerbated by a large shift in the balance of residential property ownership - away from owner occupiers and toward investors.

Past Government measures such as the First Home Owner Grant and Stamp Duty Concessions simply saw home prices increase across the board. This largely negated the benefit of the incentives to first home buyers in the first place.

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IMPULSE BUYING

What is it & Why do we do it?

Impulse buying is the unplanned decision to buy a product or service, made just before a planned purchase.

People impulse buy on lunch breaks, getting the groceries, searching online and often shopping with friends.

Others have a weakness for certain items, a fear of missing out or simply find it hard to 'let go' of the idea of a purchase once convinced of the need.

Research shows most people impulse buy extras at the supermarket (38%) as well as clothes (29%).

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THE ATO'S 2017 AUDIT HOT SPOTS

For Individuals

- # unusually high work-related claims (the ATO will even contact employers to verify some work-related claims)
- # travel allowance expense claims
- # rental property deductions:
 - travel costs
 - holding costs
 - holiday homes & whether a property is truly available for rent
- # review of "Lifestyle" assets which do not match reported incomes

For Business

- # Uber operators for "cash jobs", GST and legislative requirements
- # Airbnb operators for "cash jobs" and Capital Gains Tax on sale of property
- # income splitting for small business owners in general



KEY DATES

July 28th: SGC

Superannuation Guarantee Contributions must be paid by the 28th

July 14th: PAYG Summaries

Employers must provide these to all employees by the due date

IMPULSE BUYING

Clever online retailers often know your likes based on your prior searches and purchases & use this to tailor their online ads to you. Similarly in-store retailers place items at the ends of aisles so you will grab them on the way past, without a second thought

Tips to reduce Impulse Buying

#1. If you know when you most often impulse buy, **take steps to to avoid these habits.** It may mean a commitment to not spend money on paydays, during lunch breaks, or limiting online purchases.

#2 If you see something you want, **wait at least 1 day before you buy.** You might find the urge is less the next day. Always write a list of what you need before you go shop, and stick to it.

#3 It's easier to keep track of what extras you are spending on **if you use cash & leave your cards at home.** If you have multiple cards, consider reducing the number.

#4 Grocery shop at smaller complexes to avoid the temptation of browsing and bargain hunting at shopping centres.

#5 If you have a friend who isn't a big shopper, consider taking this person with you to the shops so that they can help you to limit your purchases to only the things you need.

#6 Planning to curb impulse buying **starts with a budget.** Work out what you have left after you've paid your vital expenses like rent, food and bills. Constantly remind yourself why you are trying to change your habits and keep an eye on your bigger savings goals.

#7 Come up with cost free ideas on how to reward yourself.

Contact our office for a budget planner to help you live within your means and save money for those long term goals.



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Gen X's then followed the Baby Boomers into the property market on-mass chasing large capital gains combined with generous negative gearing tax incentives. Banks were understandably happy to lend to these investors who by comparison were viewed as lesser risks when compared to new home buyers who were often untested as borrowers.

The ramifications have been many:

- housing affordability is now at it's lowest on record
- the Tax paid by those in the top 40% of income earners is disproportionately lower than historical levels
- it leaves the housing market much more exposed to "major shock" should we see the start of a downturn (owner occupiers are more likely to stay put than investors are more at risk of panic selling)

How will the Changes Work ??

Not too long ago some Banks were increasing their Investment Home Loan books by >20% pa and unsurprisingly, we have seen the Banks look to replace this potential loss in revenue by:

- aggressively chasing Owner Occupied Home Loans via discounts
- increasing rates on the segments where they are now restricted

What Have we Seen ??

- Owner Occupied Home Loan (with P&I reductions)
 - variable rates dropping by 12 to 30 basis points (bps)
 - fixed rates dropping by up to 60 bps
- Owner Occupied Home Loan (on Interest Only)
 - variable rates increasing by 20-45 (bps)
 - fixed rates increasing by up to 30 bps
- Investment Home Loan (with P&I reductions)
 - variable rates have increasing by 40-60 (bps)
 - fixed rates have increasing by up to 60 bps
- Investment Home Loan (on Interest Only)
 - variable rates have increasing by between 60-80 (bps)
 - fixed rates have increasing by up to 90 bps

It is now more prudent than ever to shop around, or, even better let us do it for you. With an 11 strong Home Loan panel, Accountplan Finance Solutions is ideally placed to assist you in finding the best possible result with your own Home Loan needs.

