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NEWSLETTER

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Mortgage Cliff – Factual or False

The Australian mortgage market in 2023 was dominated by one major storyline: the mortgage cliff.

With 800,000 borrowers rolling off historically low loans fixed during the pandemic, the ominous term became a household reference to the impending disaster that was about to occur.

Borrowers would face a financial shock when their rates reset to significantly higher levels, with many stuck in 'mortgage prison' – where borrowers are stuck with their lender because of their lowered borrowing capacity.

However, much of this didn't eventuate despite the expected high levels of refinancing activity.

Some experts, including Steve Williams, director of Buyers Agent Perth, believe it was all media hype.

Others, like George Samios from Queensland brokerage Madd Loans, think the true mortgage cliff is yet to come.

Data shows a state-by-state breakdown of the areas in which borrowers are currently most at risk of falling victim to the mortgage cliff.

Was the Mortgage Cliff Just Media Hype?

As many in the media industry can attest, journalists love a headline.

And the mortgage cliff certainly served up a juicy one, painting a picture of 'financial armageddon' for thousands of Australian homeowners. But was it all smoke and mirrors, a carefully constructed narrative for clicks and shares?

Williams said he spoke to people wanting to buy property every day about their fears and worries.

" 'Property prices are going to crash', they say. This year I was often asked what I think would happen to property prices with the mortgage cliff.

"My response was, 'it's all media hype'. And would share my reasoning backed by the figures. For example, of the $10 trillion value of Australian property, there is only $2 trillion in debt."

Why the Mortgage Cliff Didn't Eventuate

Williams' forecast was vindicated in October when the RBA said most borrowers that had rolled off fixed rates had managed to make their repayments and had sufficient income and savings to afford their mortgages moving forward.

"With arrears still below historical averages, it's a good sign that it was a soft landing," Williams said.

He said if the mortgage cliff had eventuated and people were forced to sell, it would have been felt differently in each state.

"For many parts of the country there are shortages of properties on the market, so the increased stock would have likely been absorbed by the huge demand from buyers," Williams said. "Especially considering that new home construction is way short of what we need."

The Impact of Fear

While one could be thankful that the mortgage cliff didn't have the expected impact, Williams said fear affected the market in other ways.

"I recall speaking to this one couple back in April who were considering buying an investment property in Perth but they had fears of the mortgage cliff and the 'blood bath' that it could cause with prices falling," Williams said.

"Guess what has happened since April? Median property prices in Perth alone have grown by approximately 7.8%, according to Corelogic. They lost tens of thousands because of this fear."

Are Some Borrowers Still Hanging on the Edge of a Mortgage Cliff?

While some celebrate dodging the mortgage cliff, others like Madd Loans' George Samios warn his clients that the worst is yet to come.

"Everyone reported that 2023 was the year for the mortgage cliff when it's actually 2024 and 2025 for many," Samios said.

"We have $180 million worth of loans coming off low fixed rates next year and $230 million the year after because those 1.99% rates were four- and five-year fixed rates," Samios said, referencing data from Madd Loans' mortgage books.

With the RBA tipped to lower rates over the second half of 2024 into 2025, Samios' approach may save his clients from the worst of the mortgage cliff.

"I get SMS's from people thanking me saying, thank God you fixed me," Samios said.

However, that isn't to say the RBA won't have more rate hikes to come, with RBA governor Michele Bullock previously warning of another rise in early 2024.

State-by-State Breakdown of the Mortgage Cliff

Echoing Samios' point, just because refinancing may have peaked in July, it doesn't mean borrowers aren't struggling with the effects of the mortgage cliff now.

Recent data takes a closer look at the state-by-state breakdown for households who were next in line to feel the pain of refinancing between October and the end of the year.

Here's a breakdown of the top postcodes per state that will be affected the most by fixed rates ending in that timeframe:

NSW	VIC	QLD	WA	SA	ACT	TAS	NT
2145	3064	4300	6210	5108	2913	7054	
2747	3977	4209	6018	5114	2617	7010	
2570	3029	4305	6055	5051	2905	7011	
2765	3810	4503	6112	5085	2906	7015	0810
2560	3030	4350	6171	5118	2914	7019	0832
2620	3216	4207	6069	5251	2602	7030	0820
2155	3754	4211	6164	5000	2604	7109	0830
2261	3350	4510	6167	5095	2611	7171	
2567	3805	4306	6030	5126	2615	7250	
2650	3978	4551	6065	5159	2904		

Demystifying the Mortgage Cliff

Ultimately, the mortgage cliff may not have been the financial disaster it was painted to be, but the signs were there to suggest an incoming risk to borrowers.

While the mortgage industry has successfully navigated the worst of this risk, the lesson is still to be learned for some borrowers across the country rolling off low rates over the next couple of years.

Want to better understand interest rate options and potential strategies? Accountplan's Mick Doyle has almost 40 years in the Australian finance industry, quality guidance is just a call away on 07 3883 8999.

Source: Australian Broker

Changes in Reporting Requirements for Sporting Clubs

Not-for-profits (NFPs), including sporting clubs, societies and associations, with an active Australian business number (ABN) need to lodge an annual *NFP self-review return* to continue accessing income tax exemption.

The *NFP self-review return* will guide you to consider your sporting organisation's purpose and activities against the requirements of an eligible income tax exempt entity.

You need to lodge your first *NFP self-review return* for the 2023–24 income year, between 1 July and 31 October 2024. If your organisation has its own ABN, you'll need to complete your own *NFP self-review return* even if it's affiliated with a broader sporting group.

Get Ready for Annual Reporting

To prepare your sporting club, society or association for lodgment, the person responsible for the organisation will need to:

- check your organisation has an active ABN.
- notify the ATO, or your Tax Agent, if the organisation's address and responsible persons' details need to be updated. This will ensure they have access to the account, receive important tax information and can lodge the NFP self-review return.
- identify your sporting organisation's main purpose and its governing documents (refer below).
- complete an early self-review to check your sporting organisation is eligible to be income tax exempt.
- avoid delays and get in early to set up myGovID and Relationship Authorisation Manager (RAM) so you can complete your NFP self-review return in *Online services for business*.
- subscribe to the ATO's monthly Not-for-profit news for the latest tax and super news, as well as tips and advice, sent directly to your inbox.

If your organisation doesn't lodge the return, they may become ineligible for an income tax exemption and penalties may apply.

How to Identify Your Sporting Organisation's Main Purpose

The main purpose of your organisation must be encouragement of a game, sport or animal racing. Any other purpose of the organisation must be incidental, ancillary or secondary.

Your organisation's governing documents will help identify the purpose for which it was set up. Your organisation's activities in the year of income must then demonstrate that the main purpose is the encouragement of its game, sport or animal racing.

If your organisation conducts significant non-sporting activities in addition to its sporting activities, you'll need to assess if:

- the non-sporting activities are merely incidental or ancillary to the encouragement of the game, sport or animal racing.
- the organisation can justify to its members and the public that its main purpose is the encouragement of a game, sport or animal racing.

For many sporting organisations that mostly conduct activities directly related to their game, sport or animal racing, the main purpose will be clear.

Example: Main Purpose Encouragement of Sport

A club's primary object in its constitution is the promotion of netball. In the year of income, the club entered several teams at all levels in the local competition. Its sources of income were membership subscriptions, game day food and drink sales, corporate sponsorship, 'sports and recreation' grants, raffles and functions to support representative players, and venue hire. Minutes of meetings, business plans and other club material mostly detail sporting matters.

The club's main purpose is the encouragement of sport.

Example: Main Purpose Not Sport

The Sandy Shores Country Club's constitution states that the club's object is to provide social and sporting facilities for its members.

The club's main activity is the operation of its clubhouse as a social, gaming and entertainment facility. A small number of members play in bridge, darts and snooker teams sponsored by the club. The club allocates a proportion of its surpluses to local sports and community associations in order to meet certain requirements under state gaming laws.

The club's main purpose is providing social amenities for members.

Check Sporting organisations and TR 2022/2 Income tax: the games and sports exemption for more information and examples.

See ato.gov.au/NFPtaxexempt for more details on the requirement to lodge a return.

As always, if you are involved in a NFP, **please** give serious consideration to engaging the services of a tax professional to ensure you are on the right track from an ATO perspective. In this regard, the experienced tax team at Accountplan has been advising Not for Profits for just on 40years. Quality advice is just a call away on 07 3883 8999.

Source: ATO

Seniors Card Explained

What is a Seniors Card?

The Seniors Card is a free discount card provided by Australian state and territory governments. It offers savings on goods and services to seniors, including transport concessions and participating business discounts.

How can I get a Seniors Card?

Seniors Cards are available throughout Australia for residents aged 60 and over who are no longer working full time. However, eligibility varies depending in which state or territory you reside, so it's best to check your state's or territory's website.

Where can I use my Seniors Card?

You can use your Seniors Card at thousands of participating businesses throughout your state or territory, and in some cases, interstate. You can ask particular businesses whether they accept Seniors Cards or look up your state's or territory's online directory. Some Australian states and territories also have reciprocal arrangements with New Zealand and the UK.

View the online directory for discounts here

Australian Seniors Cards in QLD

Application for a Queensland Seniors Card can be made two months prior to your 60th birthday. Your eligibility will be determined when you apply. An alternative to the Seniors Card in Queensland is the Senior Business Discount Card. All you need do is go to the Queensland Government Community Services website, fill and submit your completed form online.

Find out more here

Want to better understand your entitlements? Call for an obligation free consultation with Accountplan's experienced Financial Planning team on 07 3883 8999.

Source: Your Life Choices

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