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The PROPERTY BOX®

Winter 2015 NEWSLETTER

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Message from the team

Hi Everyone,

No time like the present to review your life insurance, income protection and wills.

KNOW SOMEONE WE CAN HELP? REFER & BE REWARDED!

Call now to discuss!

In the meantime enjoy this edition of our newsletter.

First person to email admin@end2end.com.au clarifying where the picture is from will win 2 tickets to the movies.

SUPER – HAVE YOU GOT ENOUGH?

Have you ever considered how you will fund your retirement? Like many Australians you may contribute regularly to your superannuation fund, but have you actually determined how much you will need to survive once you stop working? Waiting until you retire to do the sums is leaving it too late. There are a few questions you can ask yourself to help decide how much you are going to need to have in your super account.

A general rule of thumb is that when you retire, you will need about 2/3 of your current income to be able to comfortably make ends meet. Will your current super arrangements meet this requirement, or will you need to make extra payments or consider other investment options?

Think about your debts – will these all be discharged by the time you retire, or will you still need to service them? Make sure any future repayments are factored into your calculations. You might want to pay off your home once you are retired, which will mean a large one off payment.

What kind of lifestyle are you going to want when you retire? Where are you planning to live? Are you hoping to travel or buy a boat? Make sure your retirement income is enough to fund your ideal retirement, including any recreational pastimes you are planning to be involved in.

It is a good idea to get financial advice when you are planning for your retirement. Superannuation is only one source of retirement income – there are other options that could help you enjoy your dream retirement.

Sources: Money Smart - https://www.moneysmart.gov.au/superannuation-and-retirement/is-your-super-on-target

Gold Coast Property Update

For the first time in some years the Gold Coast is off to a healthy start with 2015 showing that the recovery is in full swing with demand not seen since the advent of the GFC.

The Northern end of the Gold Coast is back in the sites of investors with market conditions & confident being strong. With a projected population of the Gold Coast to reach 905,681 by the middle of 2036, housing is under demand and with housing approvals of only 2,196 in 2014, undersupply will soon be an issue.

Infrastructure is also in full swing in Coomera as the $500 million Westfield development has been given the green light after 18 years in the pipeline. And with less than 4 years left to go before the 2018 Commonwealth games, the coast is again buzzing with excitement and job opportunities.

Rental properties are also under demand with property managers seeing “extraordinary" leaps in enquiries from families looking for rental property on the Northern end of the coast to cut down commute time to Brisbane. According to a Bulletin News article some properties are receiving up to 120 applications to rent.

Now is a perfect time to be looking at investing on the Gold Coast, contact us today to see what opportunities are currently available.

BRAIN TEASER Sudoku

Sudoku No. 44

		3				7		2
	5						8	
2								
			1		9			
			4		2			
9								3
	8			6				
4						5		

Solution on page 9.

BLAME IT ON THE BRAIN

When it comes to making investment decisions, research shows we are our own worst enemies, with our brains better hardwired for stone-age survival than complex economic decisions in the modern world.

The different parts of the brain

Our brains are divided into several different parts that directly affect our investment decision-making. However rather than dividing these into left and right, neuroscientists suggest a more meaningful division is between old and new parts of the brain.

The **old parts of the brain** (or limbic system) house the reflexive functions of the brain such as our flight or fight instincts. This part of the brain evaluates external sensations and translates them into emotions such as fear and joy.

While these instincts served our ancestors well against predators on the African savannah, when it comes to investing, these types of emotional responses can lead us to make irrational decisions. Common mistakes include overreacting to dangers that do not exist and taking huge risks in the pursuit of a gain.

On the other hand, the **new parts of the brain** (including the prefrontal cortex) house our more reflective functions. This is the rational, unemotional part of the brain that helps us organise past experiences, form theories and plan for the future.

In many cases, this part of the brain can help us overcome some of the irrational emotion-based mistakes formulated in the limbic systems. However it also has its own investment downfalls. One of the most common of these is a tendency to search for patterns even when there are none. This often leads investors to believe they have found a secret investment formula, which is bound not to actually work.

With both parts of our brain consistently leading us astray, how can we make good investment decisions?

Here are some suggestions:

Keep a long-term approach

Paying attention to short-term market fluctuations is bound to trigger an emotional response in your limbic system. This could lead you to make an irrational choice based on fear or greed.

Diversify

A diversified portfolio works to smooth out investment returns, reducing the likelihood that big investment losses will send your emotions into overdrive and cause you to make irrational decisions.

Ignore the recent past

Your brain is hard-wired to seek out patterns in data, even when none exist. This often leads us to make predictions based on recent past performance.

Seek advice

Seeking advice from a qualified financial adviser can help you avoid making irrational decisions based on emotion.

TO FIX OR NOT TO FIX – THAT IS THE QUESTION?

When choosing a home loan, one of the questions you may ask yourself is "should I fix my interest rate?". Deciding to fix or go with a variable rate can seem like a gamble – especially if you're trying to predict what rates will do. Because it's impossible to predict when and if rates will rise or fall, there are other important things to consider before making your decision.

Fixed rates are set for a specific period of time

A fixed interest rate loan means your rate, and therefore your repayments, won't change for the specified period. After that, your rate will usually revert to a variable one.

Keep in mind that you can't extend the initial fixed rate beyond the period set at the beginning of your loan. But, depending on what the rates are like when your current fixed rate expires, you might decide to fix your loan again at whatever the rates are at that time.

The main advantage is the peace of mind that comes from knowing your repayments aren't going to change for a set period of time. And this can really help with budgeting.

But if you want to pay out your loan before the end of the fixed rate period, there could be costs involved; but more about this shortly.

Variable rates can change, but are more flexible

A variable rate loan means the interest rate can change; and if it does, your repayments might too. A benefit of variable rate loans is that they're usually more flexible, offering the ability to pay off your loan early, redraw additional funds paid in advance, have an offset account, etc; features that aren't typically available with fixed rate loans. These features all depend on your lender and the type of loan you take out.

Rates are unpredictable

People often pick one over the other, based on what they think rates will do in the future. But none can predict with certainty what the future will bring, which is why this decision is often hard to make.

When rates are low, or have been declining for some time, some try to predict when rates will reach their lowest and fix at that point in an attempt to avoid increasing repayments if rates rise.

When rates are high, or have been increasing, many people try to predict if rates will continue to increase and fix in an attempt to try and stop their repayments from increasing further.

But the question is "how high or low will rates go?". Unfortunately there's no way to know for sure. Even economists regularly disagree on what rates will do in the future.

If you decide to fix and rates go up, great! But if you fix and rates go down, then you're probably going to feel like you made the wrong decision.

Remember that a home loan is usually a long term investment. Think about the long term gain from your property investment, like rising property values, compared to the difference between the fixed and variable rates.

If you fix, how long should you fix for?

If you do decide to fix, you might be wondering how long to fix for? You'll probably get to choose between one, two, three, four, five or 10 year fixed rate terms. It's another difficult decision because it's hard to predict what will happen in the next two years, let alone 10. That's why when making your decision, it can help to look at your lifestyle and how it might change in future.

What you can afford and your lifestyle

The most important things to consider in this decision are:

- what you can afford
- how your lifestyle might change in the future.

If you decide to fix your rate you should budget for this amount, and make sure you can afford it. If you decide to go variable, you need to think about what would happen if interest rates increased. Could you afford a rate rise of one or two percent? Or even higher? Would you still be able to afford the repayments?

But what if other things change? Say you get a new job and need to move interstate, come into some extra money and want to pay off your loan, or your relationship with the joint owner doesn't work out? You might end up in a situation where you need to end your loan sooner than you'd planned to. With a fixed rate loan, this is where things get tricky. If you pay out your fixed rate loan early, you might have to pay an economic cost to your lender.

Put simply, economic cost is your lender's estimate of how much they'll lose as a result of changes to your loan – like paying it off early. So even though you fixed your loan to save money, it could cost you if you try to end it early.

Because this is such a difficult decision to make, we recommend you seek independent financial advice in making this decision. A financial planner will help you work through your goals and make the decision that's best for your situation.

Property Supply & Demand 101

How Does Population Growth Affect Property Values?

Australian property values are a 'hot topic' and one of the most common points discussed amongst home buyers. There are a number of factors that dictate to property value, such as location, the condition of a property, economic growth, and supply and demand.

Supply and demand, however, is often misunderstood. This is why we are going to look closely at this factor, as it is directly related to population growth and property values.

What is Supply and Demand?

Simply put, supply is the number of properties that are for sale, and demand is the number of people who are looking to buy a property. If there are more people looking to buy than there are homes for sale, then demand is greater than supply, which pushes home prices up. This is what is referred to as a seller's market. However, if there are more homes for sale than people looking to buy, then supply is greater than demand and property prices tend to go down. This is referred to as a buyer's market.

What Happens to the Housing Market When Population Growth Occurs?

When migration levels increase and more people come to an area, either from other states or regional areas, or from other countries, then typically the demand for housing increases. This, in turn, tends to push property prices up in both capital value and in rental value. This occurs because more people need accommodation and they're willing to pay more for it.

When population growth is strong and long-lasting this encourages development to occur and new housing is built to cope with the increase in demand.

COOKBOOK CORNER

Beef, mushroom and caramelised onion pie

- 60ml (¼ cup) olive oil
- 700g lean beef mince
- 2 large brown onions, halved, thinly sliced
- 2 teaspoons brown sugar
- 2 teaspoons balsamic vinegar
- 200g pkt sliced Swiss brown mushrooms
- 1 large zucchini, cut into 1cm pieces
- 2 tablespoons plain flour
- 375ml (1 ½ cups) salt-reduced beef stock
- 2 teaspoons Worcestershire sauce
- 1 sheet puff pastry, partially thawed
- 1 egg, lightly whisked

Method

Step 1 Preheat oven to 220C/200C fan forced. Heat 2 tsp of the oil in a non-stick frying pan over medium-high heat. Add mince. Cook, stirring, for 3-4 minutes or until browned. Transfer to bowl.

Step 2 Heat 2 tbs of remaining oil in pan over medium heat. Add onion. Season. Cook, stirring occasionally, for 6 minutes or until soft. Add sugar and vinegar. Cook, stirring, for 5 minutes or until caramelised. Transfer to a bowl.

Step 3 Heat remaining oil in pan over medium-high heat. Add mushroom and zucchini. Cook, stirring occasionally, for 3 minutes or until soft. Return mince and onion mixture to pan. Sprinkle with flour. Cook, stirring, for 1 minute. Slowly add stock, stirring constantly until smooth. Stir in Worcestershire sauce. Bring to boil. Simmer for 2 minutes or until thickened slightly. Transfer to a 2L (8 cup) baking dish. Top with pastry. Brush with egg. Cut a small slit in centre of pastry. Bake for 25 minutes or until puffed and golden.

IMPORTANT DATES

SCHOOL TERM DATES

AUSTRALIAN CAPITAL TERRITORY

	Term Dates	Holidays
Term 2	28 April - 3 July	4 July to 19 July
Term 3	20 July - 25 September	26 September to 11 October

VICTORIA

	Term Dates	Holidays
Term 2	3 April - 26 June	27 June to 12 July
Term 3	13 July - 18 September	19 September to 4 October

WESTERN AUSTRALIA

	Term Dates	Holidays
Term 2	20 April - 3 July	4 July to 19 July
Term 3	20 July - 25 September	26 September to 11 October

NEW SOUTH WALES

	Term Dates	Holidays
Term 2	21 April - 26 June	27 June to 13 July
Term 3	14 July - 18 September	19 September to 5 October

QUEENSLAND

	Term Dates	Holidays
Term 2	20 April - 26 June	27 June to 12 July
Term 3	13 July - 18 September	19 September to 5 October

TASMANIA

	Term Dates	Holidays
Term 2	20 April - 3 July	4 July to 20 July
Term 3	21 July - 25 September	26 September to 11 October

SOUTH AUSTRALIA

	Term Dates	Holidays
Term 2	27 April - 3 July	4 July to 19 July
Term 3	20 July - 25 September	26 September to 11 October

NORTHERN TERRITORY

	Term Dates	Holidays
Term 2	13 April - 19 June	20 June to 19 July
Term 3	21 July - 25 September	26 September to 4 October

UPCOMING NATIONAL PUBLIC HOLIDAYS

Queen's Birthday (excl. WA).. Monday 8 June 2015

Labour Day (excl. NT, Tas, Vic, WA).. Monday 5 October 2015

SOLUTION: Sudoku No. 44

8	1	3	5	9	6	7	4	2
6	5	7	2	4	3	9	8	1
2	9	4	7	1	8	3	5	6
7	6	8	1	3	9	4	2	5
5	4	2	6	8	7	1	3	9
1	3	9	4	5	2	8	6	7
9	7	5	8	2	4	6	1	3
3	8	1	9	6	5	2	7	4
4	2	6	3	7	1	5	9	8

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