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Welcome to our latest newsletter. In this issue we take a quick look at the pros and cons of outsourcing your renovations. While DIY can be rewarding you need to weigh up your options. You may then be surprised by our housing affordability compared to other countries.

An unfortunate fact of life is that accidents happen. Our article on trauma insurance reminds us all that while we can't prevent accidents we can reduce their financial impact. Finally we ask if you are paying for unused features on your credit cards?

We hope you find the newsletter of interest. Please pass your copy on to family or friends. We look forward to helping you, and those you recommend our services to. Please call with any questions.

Regards,
Brett Lucas

Renovate or emotionally detonate?

You really like where you live but not the house you live in. Renovating your house then becomes a viable alternative to the costs of selling, buying and moving somewhere else.

There are three main ways people renovate. They self-manage the project, meaning they find the different trades, get them to quote, co-ordinate them so the different trades turn up when and where wanted, pay them and so on. The second way is to go the all encompassing route and have one builder do everything all in one package. The third way is to hire an architect or a building professional to manage the whole thing for you.

Each method brings with it different costs and different forms of frustration, but, in theory at least the more you do yourself, the less the cost should



be. As to the quality of the renovation, that can be another question entirely. So which way do you go?

That depends on your time, your building knowledge, research, expertise and your stress levels.

If you're like most of us and working fulltime, have the family, the pets, the garden, the meals, the house and finally yourself to worry about, then the professional licensed builder or hiring the building professional may be best. You'll usually pay a bit more, but you're paying for quality and peace of mind.

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Home affordability and you

How do you think Australian cities rate when it comes to home affordability around the world? The answers are in the 3rd Annual Demographia International Housing Affordability Survey 2007. It's just been released, and it makes for fascinating reading.

The survey looks at the median or middle of the range house price in various places and divides that by the median or middle of the range annual income in those same places. They look at how many years of income is needed to buy that house in each place. In other words if the median house price in a place was \$500,000 and the median salary \$100,000 it would mean 5 years salary would be needed to buy that home. They use this measure as a standard way of looking at how affordable houses really are.

Some 159 urban housing markets were looked at in Australia, Canada, Ireland, New Zealand, the United Kingdom and the United States during the 2006 calendar year.

If you thought houses in Australia were relatively expensive ... you were right!

Of the twenty five most unaffordable markets in the entire survey sample, Sydney ranked 7th worst, Perth ranked 11th, Hobart 20th and Melbourne 23rd. Why Hobart? The average incomes earned there were relatively lower.

If you thought houses in Australia were relatively expensive, and that we



had to work hard and long to buy them, you were right!

Out of all of the countries surveyed Australia did not fare well. We were found to be the least affordable country of all to buy a home in.

The survey showed that nationally on average it took us 6.6 year's salary to buy that median or middle of the price range home. This was more than double what the report considered the "affordable" standard of 3 times the salary. The average for New Zealand was just a little better at 6 times while our friends in Canada had the most affordable real estate with 3 times annual salary needed to make their purchase.

No doubt you've also heard a lot about what the resources boom has done to house prices in the West. According to the survey, the cost, including mortgage interest of the median or middle priced house in Perth has risen more than \$575,000 compared to the same figure in 1996. This is equal to 11 years of gross income for the median income household.

So, given we love where we live, it's even more important to make sure you get the very best information and help when it comes to your mortgage and buying your home. That's where we come in, remember as your mortgage broker we're just a telephone call away.



Avoiding trauma makes sense

There have been lots of new products in the insurance world in the last ten years or so. One that is important but often quite misunderstood is called trauma cover.

Life cover is helpful, if you or your partner die. The person left can have the mortgage paid off so that there is one less thing to be worried about at such a critical time. Life cover however pays only on the death of the insured person and a claim within the terms of the life policy. So, what happens if the person covered has a serious car accident or is severely disabled but does not die? Life cover doesn't pay out yet the person probably cannot work as a result and the mortgage still needs to be paid.

That's where trauma cover comes into its own. Trauma insurance (sometimes referred to as critical illness insurance) provides a cash lump sum in the event of contracting a specified disease or trauma. Examples might be stroke, heart attack, cancer, Multiple

Sclerosis, Dementia, Parkinson's disease or serious head injuries (where these occur after entry into the policy).

Generally, trauma cover is designed to assist with the payment of specialist medical bills and the increased hospital and other costs that can follow an event of this kind. This money might mean the difference between private care versus relying on the public health system and the waiting lists that may come with it.

Similarly, if the house needs to be modified for the person to be cared for more comfortably, the money may possibly be used for that purpose as well as used to pay out debt. Subject to capacity, it's up to the recipient of the funds to make those choices.



Depending on the terms of the policy and the circumstances, this form of insurance may also be helpful if a spouse needs to leave work to become a full-time carer for the person who has suffered the trauma. Their lost income to the household may be offset by the payout received.

There are companies offering this cover, but as with all insurance you need to shop around, read everything very carefully and seek competent professional advice. For example, there may be medical examinations involved in arranging the cover.

By the way, some policies cover fewer types of trauma so please don't buy on price. Make sure the policy meets your individual needs.

Did You Know?



Highest Income State

The Australian Bureau of Statistics has released their findings on where people with the highest average wage and salary incomes live. The survey covered the year to 30 June 2004.

Of the top ten areas with the highest average incomes from wage and salaries nationally, seven were in metropolitan NSW, one was in metropolitan Victoria and two were in metropolitan WA.

People living in the ACT had the highest average wage and salary income of all the states and territories at \$44,664, followed by wage and salary earners in New South Wales (\$41,407) and the Northern Territory (NT) (\$40,027).

Book Review

The Leadership Manual



Everybody wants quick, practical information that will help them become successful. Learning quick management tools is easy. Leadership is more of a challenge. It's as much about who you are as a set of skills. The Leadership Manual is the first practical reference guide for busy professionals, managers and entrepreneurs addressing both sides of the leadership challenge – your authentic self and your skills.

Authors Nigel Gazzard, Hilarie Owen & Vicky Hodgeson surveyed 500 leaders identifying key challenges, problems and issues they face. They provide fast, practical information, ideas and steps to encourage your full leadership potential in every situation.

Available at all Dymocks for \$52.95. Pearson Professional Education Publishers.





Have you got the right credit card?

Australians have very much taken to using credit cards. According to the Reserve Bank, at the end of January 2007 Australians owed about \$38.4 billion on credit cards. With 20.7 million of us, every man, woman and child owes around \$1,855 on a credit card.

The intriguing and important question is do you have the right card to suit your needs and your budget?

Firstly, what interest rate does your card carry? At the moment the interest rate on Australian credit cards ranges roughly between 9% and 19%.

Generally, the accounts with the highest interest rates should offer you the most services. In other words, reward schemes, interest free periods, and initially cheap interest rates on any balances you transfer in from other accounts.

We can discuss each of the main issues in turn.

Reward schemes seem on the face of it, like a good idea. Frequent flyer points, shopping, holidays, the list goes on. I guess the only questions are do I ever use them, what are the limitations on use, and what are these rewards really costing me?

Interest free periods basically mean that if your transactions using the card comply with the terms and you pay the balance of the card off in full during the interest free period, you don't pay any interest. Now, it's not always this simple. According to the same Reserve Bank statistics 75% of cards have a balance that is never paid off. Does your card have an interest free period? If you never use it, why pay for it?

Annual fees range from around the \$20 mark to roughly \$350. There are some cards which do not charge this fee at all. What is your annual fee, and what do you get in return?

So, maybe it's time to have a close look at all the cards in your wallet or purse. How do you use the card, what do you want it to do for you? Can you cut the interest rate and your costs by going somewhere else? The time you spend doing your homework here might just pay off.

Profile

As you know, when you approach a bank for a loan they will only advise you on the loans they sell. However, you may not necessarily get the best loan in the market or the loan that best suits your needs.

With over 16 years' experience in the finance industry and access to more than 25 lending institutions, you can be assured that I will be able to provide you with one of the best loans available.

By obtaining your finance through an accredited mortgage broker like myself, you are able to select a loan that will best suit your requirements.

So if you are considering increasing your borrowings, want to get into a better mortgage or if your family, friends or colleagues would like to take advantage of my services, please call me direct on 0421 336 584.

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