

Forsythes Financial Planning Money Matters

We wish you and your family a very safe and Merry Christmas
and a Happy New Year!



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The Team (L to R) **Back** - Darren O'Neill, Lance Swansbra, John O'Connor, Craig Semmler, Rebecca McNally and Grant Homes
Front - Helen May, Erin Touzell, Lauren Mears and Desley Niccoli

Christmas News Update

No doubt you and all our clients and friends are busy with Christmas preparations.

The stabilisation of our economy and consequent improvement in investment markets has provided welcome relief and we can all enjoy the break with easier minds than Christmas last.

Briefly on a business note, I have been very pleased with the performance of our client portfolios over the last six months. We have managed to capture, and even exceed, the improved performance of the investment markets, whilst at the same time maintaining a conservative exposure to volatile International markets. Overall however, the Forsythes Investment Review Committee remains cautious, with a high level of cash and fixed interest continuing to be maintained in most client portfolios. This strategy will be rewarded as interest rates edge higher and will have the additional

benefit of guarding against another possible fall in share markets.

We have recently welcomed Lino Mignanelli as our in-house lending and finance specialist. Lino offers a loan review service without cost to our clients, their children and friends. This has proven a great way to allow us to provide client's children with some "plain English" financial guidance without it costing them a cent. With the uncertain economic outlook, high levels of borrowings and rising interest rates, this assistance is now more important than ever. Lino speaks more about this exciting service in the edition and I encourage you and your family to take advantage of this free service.

Finally, the Forsythes team and I wish to once again thank all our loyal clients for their support and friendship throughout the year. We wish you a safe and happy Christmas and look forward to seeing you in the New Year.

John O'Connor - Partner

Christmas & New Year Closure

Forsythes will be closed for the Christmas break with the last working day for the year being Wednesday 23 December 2009, reopening on Monday 4 January 2010.

Forsythes
Financial Planning



introducing **Lino Mignanelli**

**Our in-house lending and
finance specialist**

I have been involved in the mortgage industry for the last 7 years. I am a member of the Mortgage and Finance Association of Australia and hold a Certificate IV in Mortgage broking.

I commenced with Mortgage Choice (Newcastle franchise) in 2002 and was employed as their primary mortgage broker, specialising in residential and commercial finance. During this period, Mortgage Choice Newcastle was consistently a top 10 franchise and the recipient of numerous awards.

After 4 years I decided it was time to commence my own company and All Choice Mortgages was formed in 2006. All Choice Mortgages specialise in residential, commercial, motor vehicle and equipment finance. We pride ourselves on not only providing our clients with the best possible finance solutions, but also making the process as easy as possible from the moment you make an initial inquiry to the time your loan is approved.

I was born and raised in Newcastle and currently live in Hamilton with my wife, Mary, and our 3 year old daughter, Natalia. In my spare time I enjoy playing golf, tennis and soccer and spending time with my family and friends.

I look forward to working closely with the Forsythes team to meet your finance needs. If you'd like to discuss a new loan or lease, or review your existing loan facilities, I would welcome the opportunity to meet with you. Remember, there is NO cost to you for this service.

If I can assist you, or perhaps your family members or friends, please don't hesitate to contact me on 0420 372 509 or lino@allchoicemortgages.com.au. Alternatively, call Rebecca on 02 4926 2699 to arrange an appointment or speak to your Forsythes Adviser.

time for a check-up!



There have been unprecedented changes to the home loan market in the past year and so a mortgage health check has never been a better idea for every borrower.

A lot has happened in the mortgage market in recent times. From variable interest rates pushing 10 per cent mid last year we are today looking at levels closer to 5 per cent. And with lenders now offering increasingly attractive fixed deals, there might be a more appropriate product available for your needs.

If you haven't taken the time to reassess your home loan this year, now might be the ideal opportunity to get in touch with us for a mortgage health check.

Common symptoms

For most home owners the cost of covering a mortgage has fallen substantially since September last year. On a 30 year term \$300,000 home loan for instance, monthly repayments have fallen by around \$600.

While this may be a welcome reprieve, mortgage holders who have failed to reassess payments could be missing out on a string of opportunities up for grabs with that extra cash.

Bang for your buck

If you've got a substantial chunk of extra cash freed up as a result of the dramatic fall in the cash rate, using it wisely can make a really big difference to your long-term financial situation.

For example; using a \$300,000 home loan over a 30 year term, with a drop in your interest rate

of 4 per cent, monthly repayments should now sit at around \$1,900. This compares to \$2,500 per month with an interest rate of 9.5 per cent. But if you continue to pay \$2,500 every month towards your home loan, rather than the \$1,900 required, you could save up to \$200,000 on your overall home loan cost and take more than a decade off your home loan servicing time!

This is just one of many strategies we can run through with you during a health check, so be sure to give us a call so we can determine if your loan is still right for you or whether there's a more appropriate product on the market.

Key reasons for a mortgage health check:

- ♦ You are planning to have children
- ♦ You are struggling to manage your repayments
- ♦ You want to find out about investment options
- ♦ You or your spouse have had a change in employment
- ♦ You would like to upgrade your current home
- ♦ You are looking to start/buy a business
- ♦ You would like the security of fixing your loan repayments
- ♦ You can't remember the last time you assessed your home loan arrangements

understand your TOTAL commitments

Safeguard yourself against any unexpected mortgage fees and charges by reading the fine print before you sign on the dotted line.

If you're in the market for a new home loan you might be reasonably excited about some of the offerings up for grabs.

Variable rates as low as 5 per cent and fixed rate deals as low as 3 per cent are certainly very attractive. But sometimes, as is often the case in life, deals aren't as good as they first appear – so it's critical to be confident your home loan is right for you.

The interest rate

While some interest rates can be compelling it is important not to take them at face value. Make sure you find out what the comparison rate is – something we may be able to help you with. This takes into account the overall cost of the loan including any fees, and is usually a better indication of the total costs you're up for.

If it's a fixed rate you're looking at, be sure to find out what the loan reverts to after the fixed period ends – honeymoon rates for example can increase to a much higher interest rate one or two years down the track.

Fees, fees, fees

From phone bills to online shopping, 'transaction fees' or 'additional costs' seem to crop up all the time – and home loans are no different.

Your mortgage may incorporate any number of fees, so make sure you are aware of all of them before making your choice.

Possible fees include application fees, establishment fees, service or account keeping fees and early termination fees. These can amount to thousands, so don't just wave them off.

Enlisting the expert assistance of a broker may help ensure you aren't hit with any surprise expenses and will make trawling through the array of products and their associated fees a lot less work. Give us a call today and we'll help run through your options.

You pay for what you get

Remember, when it comes to choosing your home loan you pay for what you get. In other words, a 'basic' or 'no frills' home loan will usually be cheapest but may be restrictive. However, if you want all bells and whistles, such as an offset account, it's likely you'll pay for it through a higher interest rate plus other fees and charges. These costs aren't necessarily a bad thing, just make sure you're paying for features you need!



going guarantor – be aware of the risks

Shakespeare may have said, "Neither a borrower nor a lender be" but at some stage most of us need to use debt for major purchases like a home. What we don't need is someone else's debt. Yet that's just what older parents are agreeing to take on when they act as guarantor for their adult children's home loans.

Earlier this year, a Commonwealth Bank survey found that around 87 percent of parents would like to help their children purchase a home. And lots are doing just that - and good on them. High property prices have seen a significant increase in loans involving support from family members, with many agreeing to act as guarantor.

There are a number of loans available that are specifically pitched at mum and dad acting as guarantor. St George for example offers a Family Pledge loan, where parents can nominate the amount of the loan they wish to act as guarantor for. The Commonwealth Bank offers a Family Support option.

Getting parents to guarantee a mortgage can let first homebuyers avoid extra costs like lenders' mortgage insurance. It provides big saving for the kids - but it may not be so good for older parents.

No matter how it is marketed, acting as guarantor is considerably more than a mere formality. It means you become responsible for the loan, if your adult child can't make the repayments.

In today's environment of generous grants and historically low rates, which encourage home ownership, older parents need to be especially careful about going guarantor. It may only take a modest rise in rates for some first home buyers to face difficulty managing their mortgage.

By the time our grown-up offspring are looking at buying their first home, parents are typically at an age where they should be focusing on building their nest egg. Having to pay their children's mortgage could seriously derail the best laid retirement plans. At worst, it could mean losing the roof over your own head.

That's why it's worth doing the sums with your kids to check that they can handle the loan, if – and when – rates start to climb.

Whatever you do, do not sign any document that makes you guarantor of your kids' mortgage before getting legal advice. You need to know exactly where you stand and what your significant legal obligations are if you go guarantor.

There are other, less risky ways, parents can help out, like lending your kids part of the deposit, or offering your grown children rent-free living at home to really help them save. Having a bigger deposit would certainly take some of the sting out of rising loan repayments following from rising interest rates.

Saving for a first home is always a challenge, but it is achievable.

Paul Clitheroe's 'Making Money' for the week beginning 21 September 2009

Paul Clitheroe is a founding director of financial planning firm ipac, Chairman of the Australian Government Financial Literacy Board and chief commentator for Money Magazine.



Renovations - do your financial homework first!

As the holiday season approaches, plenty of do-it-yourself fans will be using their vacation time to do some work around the house. Our homes are a wonderful tax free asset, and well-chosen renovations can add considerable value. But prior research is the key to making money on home improvements.

More than half of all Australian homeowners renovate at some point in their life. Sadly, not everyone does their homework.

Building advisory service Archicentre recently noted the unfortunate plight of a young couple who turned their three bedroom home into a two-bedder, spending a fortune building an expansive new bathroom in place of the extra bedroom.

Trouble is, when they went to sell, the couple discovered the renovation had wiped up to 15 percent off the home's value simply because as a two bedroom home it no longer appealed to families with two or more children. Literally, money down their nice, new toilet.

As interest rates rise, it becomes doubly important to do some homework before hitting the renovation trail. Many homeowners borrow to fund the costs of improvements, and the cost of ongoing interest charges adds to the project's bill. It can be a hidden cost that renovators often overlook.

For an idea of the sort of money you can expect to spend on a renovation, take a look at Archicentre's latest cost guide, at www.archicentre.com.au. This says a kitchen renovation can typically cost anywhere between around \$10,600 and \$31,700,

though it can go far higher if you opt for really high-end fittings and appliances. A bathroom makeover can typically cost up to about \$25,000 and adding a typical single room extension (20m2) can set you back as much as \$47,000. (Please note, these are rubbery numbers. Do not rely on them - you must get individual quotes for your particular circumstances.)

With serious money at stake it's definitely worth finding out if renovations will improve your home's value as well as your lifestyle. An easy way to do this is by speaking with local real estate agents.

Or, if you'd prefer a more formal opinion, a registered property valuer can give you an estimate of how much a project will add to your home's value. It's a service you can expect to pay for, but if your renovations are major or involve a radical design, a professional opinion can be a very good investment.

Also, remember there are homebuyers out there who are actively looking for a home to renovate. If you plan to sell your property and it needs upgrading, offering it 'as is' could save you a lot of time, effort, worry and expense as well as completely eliminating any risk that you might overcapitalise it.

If you do go ahead with renovations, be sure to upgrade your building insurance once the project is finished. Adding to your home's insured value generally only means a slight increase in your premiums and it's definitely money well spent.

Paul Clitheroe's 'Making Money' for the week beginning 2 November 2009

Financial Services Guide

All prospective financial planning clients must be provided with a Financial Services Guide (FSG). This document provides information on your Adviser and the entity through which he/she is authorised to provide advice (in this case, Forsythes Financial Services Pty Limited), how we can be contacted, what services we are authorised to provide you, how we (and any other relevant parties) are remunerated, details of any potential conflicts of interest and details of our internal and external dispute resolution procedures, along with how you can access them.

It is intended that the FSG should assist you in determining whether to use any of the services offered by Forsythes Financial Services Pty Ltd.

We have recently amended our FSG's to remove any reference to 'Statements of Additional Advice' which became redundant on 1 September 2009 (all advice must now be issued in the form of either a 'Statement of Advice' or 'Record of Advice').

If you would like a copy of our current FSG, you can...

- ✦ Visit our website: www.forsythes.com.au
- ✦ Ask your adviser for a copy at your next review meeting
- ✦ Contact Rebecca McNally on 4926 2699 or rmcnally@forsythes.com.au if you would like a copy posted or emailed to you.



Forsythes proudly supports the Nicholas Trust and Hunter Medical Research Institute

This year we have made a donation to the Nicholas Trust and HMRI in lieu of sending Christmas cards or gifts to our valued clients.

We trust that you join us in supporting these worthy causes.

www.nicholastrust.org.au
www.hmri.net.au

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