

# Cool in a Crisis

All of us have suffered from stress at some point in our lives, but no one wants to feel stressed on a daily or weekly basis.

A certain amount of stress is normal and actually prevents us from feeling dissatisfied and bored, but large amounts of stress usually have a destructive rather than a motivating influence. In addition to affecting our ability to make decisions, stress can result in any number of physical and emotional complaints, from headaches and backaches to depression and insomnia.

Stress has its roots in our early ancestry and it remains the perfect response for survival within a hostile world. When we become stressed, psychological alarms cause physiological changes in our body such as increased heart beat, blood pressure, breathing rate and adrenalin production, all of which prepare our bodies to work at a high level of exertion. Described as the 'fight or flight' response, this surge in chemicals may have helped our early ancestors escape the jaws of the sabre-toothed tiger but it is less effective against the intellectual pressures we now face on a daily basis.

To deal with stress in today's world, the first step is to realise that the stress response is not just going to go away. Denial doesn't work; it merely compounds the problem.

Being able to identify stress allows us to take control of the situations which cause it.

Next, we must find ways to minimise the effect. No single strategy will work in all situations – we are individuals who react uniquely to different triggers. So experiment, try lots of strategies and learn to use those which work well for you.

## 15 Ways to Control Stress

1. Learn to relax
2. Do one thing at a time
3. Clarify your thoughts
4. Set daily goals
5. Plan in advance
6. Slow down
7. Establish priorities
8. Be realistic
9. Think positive
10. Take up exercise
11. Find a pastime
12. Be more assertive
13. Feel less guilt
14. Get more sleep
15. Turn stumbling blocks into stepping stones.

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# Finance Connect

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The start of spring traditionally brings a rush of properties to the market, as sellers are keen to show off their homes when the sun is shining and their gardens blooming.

For those in the market for a spring purchase, we look at how much deposit you may need in our page 3 article. We also answer many of the common questions posed by established buyers, in our page 2 article: 'Second Time Around'.

For those in the market to sell, you might want to give some thought to the competition you may be up against at this time of the year – see article below.

The most important advice to take from this newsletter can be found in our page 4 article, 'Cool in a Crisis', which provides practical advice for dealing with day-to-day stress.

Enjoy this newsletter and feel free to pass it on to family and friends.



SPRING SALES



SECOND TIME AROUND



HOW MUCH DEPOSIT?



COOL IN A CRISIS

## Spring Sales

**Contrary to popular belief, spring is not always the best time to put your property on the market.**

Many vendors favour selling in spring because gardens look good and sunshine encourages buyers out on inspection; however spring can also bring a flood of properties on the market. This means that competition is fierce and you will have to work hard to catch buyers' attention.

According to new RP Data research, a great number of listings don't necessarily convert into a great number of sales. Research shows that autumn is in fact the busiest season for purchasers, attracting 26.6 per cent of

annual sales. Nationally over the last 10 years, March and May were the busiest month for sales, accounting for 18.5 per cent of all house and unit sales.

Statistics aside, the time of year should be just one factor in deciding when to sell your home. There are many other issues to consider, such as whether it is a sellers or buyers market and whether you are in a situation to put your home on the market at the right price. An inflated price tag will make it difficult to sell your property in any season.

Contact your mortgage broker for advice on the financial options that are available when selling your home.



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Quote for the month...

**'Always work with the end results in mind'** Rita Davenport

# Second time around



**History rarely repeats itself and this is certainly true of buying a home second time around. As an established - or next time buyer - you have experience on your side but there are many new challenges to encounter that you may not have dealt with as a first home buyer.**

Here are the answers to the most commonly asked questions by next time buyers.

#### **CAN I MOVE MY MORTGAGE FROM ONE PROPERTY TO ANOTHER?**

The ability to transfer your home loan to another property without incurring exit or entry fees is known as portability and it is a common feature of the vast majority of loans. Portability is useful if you have your home loan set up just the way you like it and you sell your home and move into a new one before the mortgage is fully paid.

Portability cannot be used in all situations because it requires that exchange and settlement for both properties happen on the same day and at the same time. It is also better suited to situations where the loan amounts between the properties are the same – if you need extra funds you may have to make a new home loan application or pay additional fees on top of the increase in mortgage repayments.

#### **SHOULD I SELL BEFORE I BUY?**

There are strong arguments both for and against either option. Selling first means that you don't have the financial pressure of supporting two loans until the second property is sold, but it also means you have to find interim accommodation for yourself and your belongings.

Buying before you sell allows for an easier move but you will need to obtain bridging finance to cover the

gap between the sale of one property and the purchase of another. The interest rate on a bridging home loan is usually on par with a standard home loan interest rate, with a term of between 6 and 12 months.

Bridging loans can be complex and you need to be sure you understand the fine print and have the finances available to cover the cost. Your mortgage broker can help you choose the right kind of bridging loan for your needs.

#### **CAN I USE THE EQUITY IN MY EXISTING HOME AS A DEPOSIT?**

Yes, this is one of the advantages available to next time buyers. It is especially useful if you buy before you sell because it provides you with a low-cost solution to coming up with a deposit. Another option available is to use your redraw to access any extra repayments made on your existing home loan.



# How much Deposit?

It's possible to buy a home with very little deposit, but there are a number of reasons why it makes sense to save a decent deposit before you apply for a loan.

The number one benefit is that you will have access to a broader choice of home loan options from a great variety of lenders. When assessing a loan application, lenders look at factors like employment history, income, loan amount and deposit as they want to know whether you can pay back your loan on time. A higher deposit helps in the lender's assessment of your application because it demonstrates your ability to manage and control your finances.

## LVR

As a response to the global economic crisis, many lenders have tightened their lending criteria and are increasingly reluctant to provide access to high Loan Valuation Ratio (LVR) loans.

In layman's terms, LVR is the amount you are borrowing represented as a percentage of the value of the property being used as security for the loan. The higher the LVR, the higher the risk is to the lender.

The LVR that you can borrow is dependent on the loan amount you are wishing to take, the location of your property, your

credit history and the type of loan you are applying for. Low doc applicants (no income evidence) can generally borrow up to 60 per cent LVR and up to 80 per cent LVR if your financial position is strong. Full doc applications (income evidence provided) can borrow up to 80 per cent LVR, or even up to 90 or 95 per cent if the lender deems you to be in a strong financial position.

## LMI

The downside of an LVR over 80 per cent of the property value is that you will be charged Lenders Mortgage Insurance (LMI). This insurance protects the lender in case you default on your loan payments and the lender has to sell your property at a loss. It allows the lender to approve your loan without the risk of losing any of their money.

The best way to avoid the LMI expense is to save a deposit of 20 per cent or use another property as joint collateral. If neither option is available, make sure you know exactly how much LMI you will be paying before you go ahead with the loan. This is where your mortgage broker can be of great assistance in negotiating the best deal with the lender, as well as explaining the fine print and helping you fill out the paperwork.

# Did you know?

This is how LVR (loan valuation ratio) is calculated:

The loan amount is divided by the purchase price or valuation of the property then multiplied by 100.

For example,

You would like to borrow \$360,000.

The property you are using as security is valued at \$450,000.

**Therefore**  
 $\$360,000 \div 450,000 \times 100 = 80\% \text{ LVR}$



## Book Review

# Home Love: 100 Inspiring Ideas For Creating Beautiful Rooms



**Blue or metallic? Modern or retro? Paint or wallpaper? Concrete or floorboards? Scandi or Boho?**

Whether you're mid-renovation or just decoratively bored, this handsome guide to home decorating will provide you with the real tips you need to complete the project to everyone's lasting satisfaction and delight. Written by stylist extraordinaire Megan Morton in the style of her popular 'Good Weekend' column, Home Love shows you why some rooms just come together while others seem unable to find their theme, purpose or focus. Learn how to discover a room's inner fabulousness by minimising its faults and maximising its assets; how to use colour, furniture, objects and the art of arrangement to realise a room's aesthetic and functional potential; how to enjoy the room once the paint is dry; and how to do it all within your budget.