



Welcome to the September edition of our Haven newsletter.



With the television viewing masses currently in the grip of a home improvement frenzy, we take a look at why home renovation becomes popular during times of economic upheaval, and consider the pros and cons of a makeover over a move. And for those of you who are on the renovation bandwagon, our competition could be right up your alley. It's all about makeover magic - we're on the hunt for the most impressive room transformation. Send us your before and after photos for the chance to win \$1,000. Big or small, professionally done or DIY, we want to hear from you.

Despite the Reserve Bank telling us that Australians are in a collective saving mode, many of us still find it difficult to budget when our bank account balance doesn't look as buoyant as it should. We'll run through some practical strategies to help you with your household budgeting, and if you apply the ideas, you will soon find your savings on the up.

Are you a first home buyer or looking to dip your toe in the property investment waters or perhaps know someone that is? We run through some of our best hints and tips to help ensure that your mortgage application is approved first time. Taking time to do some

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basic groundwork at the beginning will put you way in front when the time comes for your finance to be approved.

So take a few minutes from your busy day to make a cuppa, take a break and have a read of Haven. If any of the articles have got you thinking about your current financial situation, don't hesitate to get in touch. I'm always available to run through your home finance options.

Kind regards,

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ENGAGE A BROKER

A mortgage broker is your best starting point. They not only offer you the widest choice of home loans, but they know what lenders want to see in a borrower and can help prepare your application.

SHOW YOU ARE A SAVER

Banks now want to see a savings track record, which helps demonstrate you have the capacity to make regular loan repayments. You should be able to show three to six months of steady savings as part of your deposit. Quick cash injections, such as employment bonuses or your tax return, won't be enough on their own, nor will big windfalls, such as an inheritance.

HAVE A HEALTHY DEPOSIT

The global slump was largely caused by banks lending people more than what their homes were worth. Banks in Australia now want to see at least a five per cent deposit, part of which is made up of the savings mentioned above.

HAVE STEADY INCOME

Be prepared to whip out at least three consecutive pay slips and a contact person to verify your length of employment. Lenders favour borrowers who have been with a company about two years, but job-hopping certainly won't rule you out, providing you have legitimate reasons for jumping ship, you have no large lapses in your recent employment history and you are not on probation in your new job.

Celebrity photos

• **Haven Win**
Impressive room transformation

• **Haven Review**

• **Haven Sites**
Websites we like

• **Haven Facts**



Self-employed candidates usually face bigger hurdles. Make sure you have at least three years of tax returns, plus profit and loss statements. You could also talk to your broker about loans with more flexible lending criteria. Just be aware you will probably pay higher interest rates in exchange for the bank's blessing.

GET A GOOD CREDIT RATING

A good credit record is important to lenders. Applicants who are late paying bills and rack up high debt on their credit cards will send up red flags.

If you think you may have a poor credit rating, talk to your broker about getting a copy of your credit file before you apply for a mortgage. That way, you can be in a better position to address any concerns.

To maintain a positive credit file, pay your bills on time, make regular repayments above the minimum on your credit card, and keep your credit card limit manageable. Banks consider what you could spend on your card when determining your borrowing capacity. If you have a high limit and don't need it, reduce it.

BE PREPARED FOR A LOW VALUATION

Lenders are generally conservative when valuing a property for a loan to give themselves a buffer should you default. With property values in some areas flat-lining or even retreating, you may find your lender's valuation isn't as generous as you thought, leaving you short on what you can borrow. You may need to save a little more or consider a different property.

Banks are also likely to be wary of properties in flood zones on the back of the widespread devastation in Queensland this year. Flood insurance can be hard to obtain and expensive, leaving home owners and lenders exposed should the worst happen. If eyeing a property in or near a previously flooded suburb or town, ask your council for a map that shows it is out of the danger zone.



Styling or adorning a blank wall can be overwhelming; it's like having a huge blank canvas and not knowing where to start. Here are a few things to keep in mind when you're starting out.

- Space planning on the walls of your home is as important as the space planning of your floors with the placement of furniture. Think about the size of the wall and the amount of 'white space' or relief you need around it. Choose a mirror or a piece of art that is no larger than a third the width of the wall, unless the wall is a small feature wall such as the lobby or entry to your home.
- Paint and wallpaper aren't the only options; think about adding some texture or a three dimensional piece to the wall such as a mirror, sconce, metal art or grille, or even an upholstered panel using an amazing piece of fabric.
- Mirrors are a great way to accentuate a space, reflect the beautiful Australian light and also make a space appear larger. When you are hanging a mirror, as a rule, the middle of the mirror should be at eye level for the best effect.
- If you hang something large, imposing or very impressive, try to leave walls around the piece blank, to give it some relief and not allow it to 'fight' with other pieces. Less is sometimes more when you include a commanding piece.
- Wallpapers have come such a long way in recent years and anything is possible. Choose something exquisite and hang in smaller sections - you can even edge it with plasterwork, rather than covering the full wall.
- Mix it up and do it often - rearrange and restyle your wall decorations whenever the mood gets you - it's fun and extends the life of many of your adornments by mixing things around and livening the space up.



A BLANK CANVAS

BUDGETING ON THE BRINK



Australia has again become a nation of savers, according to the Reserve Bank. The GFC, higher living costs and continued uncertainty around interest rates have prompted many of us to pay more off our mortgages or fill our piggy banks. Apparently we are now squirreling away about 10 per cent of our disposable income, our highest savings rate in 20 years. But how are you meant to stash some cash if you're still spending everything or more than you earn? Don't despair. Haven has some tips to help you budget, even when you're broke.

BILLS

This is your starting point. The longer you ignore paying bills, the harder it is to get out of debt and into savings. Prioritise bills by their due dates and set up a schedule to have them debited from your bank account when you get paid. If you're already behind, contact your billers and set up a realistic payment plan, again with the funds debited from your account on pay day. If you have a few big bills that always arrive around the same time, chunk them down by setting up small direct debits for each pay day. By the time the bills are normally due, you will just about have them paid.

SAVINGS

Contrary to the nation's newfound habits, those struggling to get out of debt should forget about saving for now. It may sound like irresponsible advice, but you are actually going backwards financially if you are socking away funds instead of paying down debt on credit cards or non-depreciating assets, such as cars. To get back on an even keel, schedule to have more than the required minimum repayment debited from your bank account each month, and then pay off more again with anything left over from your budget. Essentially, you will be using your 'savings' to pay down bad debt. Once you have your unhealthy debt under control, you can join all those super savers who are putting away 10 per cent of their disposable income.

GROCERIES

Supermarket aisles can crucify a budget, unless you're equipped with two things: a meal plan and a list. The Australia Institute reckons the average household bins more than \$600 of food a year. While most of this comes from our fridges, there are also countless cans, jars and packets of non-perishables sitting idle in pantries. The bottom line: stop buying things you don't need! Make a meal plan for the entire week, including snacks and lunches, and check your fridge and pantry to see what's already on hand. Add to your food list only those items you need for your plan. Stick to the list when you shop and you will save.

SHOP AROUND

It takes time but looking around for better deals can reap big rewards. Start by shopping around on the following household expenses:

Home loan

Talk to your broker to see if you can get a better rate on your home loan. A 0.5% saving in interest on a \$300,000 loan puts \$1,500 in your pocket each year, instead of the bank's.

Car and home insurance

Increased competition around car insurance means savings. If unhappy with your premium, shop around for a better deal. But before you take it, go back to your insurer to ask if they can better it. Chances are they will come to the party. Home insurance is not quite as competitive, thanks to the increased cost of natural disasters, but you can save significantly on your premium by increasing your excess, if you don't mind paying a bit more in the event of a claim. You should also, where possible, take out cover for your car and home insurance with the one company to cash in on multi-policy discounts.

Credit card

Buy yourself some breathing room by switching your debt to a new credit card that offers 0% rate for the first six months. Use the six months to get ahead of hefty interest repayments and make a real dent in what you owe or, better still, pay it off. The trick here is not to rack up debt again once the honeymoon offer ends.

TECHNOLOGY

Twenty years ago, Australians didn't have bills for the internet, mobile phones and cable TV. New technologies have eaten into our wallets, but there is still plenty of room to save.

- Switch to a pre-paid deal for your mobile phone and limit data downloads.
- Bundle your home phone and internet.
- Set up free voice-over technology, such as Skype, on your PC to talk to friends and family who are interstate or overseas.
- Can the cable. You can catch plenty of reruns of Friends on free TV.

FIND TIME

Our final tip is to find time to follow through on some or all of our suggestions. Time spent on getting your finances in order is as good as money in the bank.



to move or not to move

Home renovation shows have once again taken over our tellies – and it's not just because we're fed up with celebrity chefs. Reality TV has tapped into the fact we like to stay put during economic uncertainty, which means more of us are remodelling our existing homes to gain space and add value.

Some property experts might argue that sluggish housing markets provide an ideal opportunity to move on up. Now could be the time to snare a bargain in a more affluent neighbourhood, where growth is likely to outpace lesser areas in the long term.

The decision to make-over or move is rarely easy. Each household's circumstances and budgets are unique, and then there are all the emotional factors that help decide where we live, such as friends and family, schools for the kids and the

Many people take on a bigger mortgage in a more expensive location only to afford an older home. With higher loan repayments, there's nothing in the budget to update the new abode. The trade-off for the tired home is probably a nicer neighbourhood. If that's the case, get out and enjoy your new surrounds – and then you won't have to look at the shag pile!

RENOVATE OR DETONATE

If you love where you live but hate your house, there is the option to knock it down and build another. Again, the financial homework is key, especially your local price ceiling. A new build may be more cost effective in some circumstances, particularly if:

- The existing house is not that structurally sound.
- The renovation requires massive structural changes plus new wiring and plumbing throughout.
- The existing house has loads of asbestos inside and

daily commute.

Ultimately, you have to decide what's right for you, but there are some pitfalls to avoid. Here's what you should consider.

DOES YOUR ADDITION ADD UP?

Before you get carried away with paint samples, you need to do your homework and assess the following financial facts:

- How much you currently owe on your home.
- The total cost of your proposed renovation (more on this later).
- The predicted value of your home once renovated.
- The cost of comparable homes in your neighbourhood.
- How much your lender will let you borrow.

It takes time to do this research, but it's foolish to contemplate a renovation without it.

Homework on your suburb is crucial, because an expensive renovation does not always equal a high price tag when it comes time to sell. Suburbs have price ceilings; and you need to find out yours by researching recent property sales and talking to other residents who have renovated about their value expectations. If the total cost of what you already owe and your renovation takes you close to, or over, your local price ceiling, it could be time to hunt for a new home.

HOW LONG ARE YOU LIVING THERE?

The main caveat to the advice above is how long you plan to stay in your renovated home. If you really like where you live and plan to settle in for five years or more - and you can see your area's price potential improving through population growth, new transport or other valued infrastructure - you could get away with skirting close to your suburb's ceiling. However, if you need to sell within five years, you must be prepared to risk a loss.

THE RIGHT MOVE

If you think it's time to move to a more expensive area, make sure you're not going from the renovation frying pan to the remodelling fire. You may find you can afford a bigger home in a more affluent neighbourhood, but does it then need its own nips and tucks?

out.

CONSIDER ALL THE COSTS

There are the obvious costs of renovating, relocating or rebuilding, but each comes with its own set of often-forgotten costs that may affect your decision. Make sure you consider:

Relocate

- Real estate agent selling fees (up to 3% of the sale price).
- Stamp duty on the purchase of a new home.
- Legal/conveyancing fees.
- Removalists.
- Lending costs if refinancing.
- Lender's Mortgage Insurance if borrowing more than 80 per cent of the property value.

Renovate

- Architect or design fees.
- Council fees to submit plans.
- Lending costs if refinancing.
- Lender's Mortgage Insurance if borrowing more than 80 per cent of the property value.
- Relocation and rental costs if you're unable to stay in your home.

Rebuild

- Architect or design fees.
- Council fees to submit plans.
- Lending costs if refinancing.
- Lender's Mortgage Insurance if borrowing more than 80 per cent of the property value.
- Demolition and disposal of your old house.
- Relocation and rental costs for the building period.
- Site safety costs, e.g. temporary fencing.
- Fencing and landscaping costs, as your yard will probably need to be re-established.

RIGHT ADVICE

Whether you choose to move, remove or renovate, make sure you chat to your broker about how much you can borrow, what you can afford in repayments and which loan will work best for you.

