

SOUTHSHORE *News*

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A partner with Microsoft

Property still a good investment



How to help your children to buy a home

Even with interest rates falling, property price reductions and the recent increase in the First Home Owner Grant, it is difficult for first home buyers to get started in this market.

How can our kids afford to buy a home of their own? There are a number of ways in which you as a parent can help your children get their foot on the first rung of the property ownership ladder.

They include providing a gift of the funds required to pay for the shortfall of purchase costs and fees, buying the house jointly with the child, and buying the house for the children (as an investment initially) with the children later buying the house from the parents when they have sufficient funds to pay the fees.

Another option is for the parent to guarantee the child's loan by putting up equity in their home as security. Parents can save their children the cost of lenders mortgage insurance in this example.

For parents concerned about the perceived risk, it is possible to guarantee a specific amount e.g. 20% deposit.

This option works well. The home is solely in the children's names, so they still qualify for the First Home Owner Grant. The parent only guarantees a portion of what is owing for a period of time.

If you are interested in helping your child into home ownership give us a call and we will explain your options in greater detail.

THE ECONOMY - IT'S TIME FOR A REALITY CHECK!

By Michael Coombes



I think that 2008 will go down as one of the most interesting ever, unfortunately for all the wrong reasons!

I am not sure about you, but I have had just about enough of all the

negativity foisted upon us by the media. I am not saying that there are not problems to be tackled, and we might be in for some challenging times, but there seems to be a large element of the media that are hell bent on destroying firstly the property market and now the whole economy.

The media - hell bent on destroying the property market and the whole economy

I know they say bad news sells, but this is getting ridiculous. If we collectively believe what we are being told we run the risk that the doomsayer prophets will be

proven right, not because they were right, but because we let them dictate our response.

It is a case of if you are told enough times that something bad will happen, and you start to believe it, then it will happen!

Let's look at some of the so called disasters that we are facing-

1. Unemployment - projected to rise from 4.5% to 6.0% by 2010. Whilst any increase in unemployment is unfortunate, this number means that 94% of the workforce will be employed!

2. Housing market - Perth prices have dropped by 10% in the first three quarters of 2008. Not good, but over the past 5 years Perth has recorded a 110% increase in the median house price and a whopping 207% increase over the past 10 years.

Property has still been a good investment for most people, though like any investment, timing is critical!

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Now - a variable rate equipment loan!

In the past you would normally be charged a fixed interest rate when taking out a loan to finance the purchase of equipment under a hire purchase, chattel mortgage or finance lease agreement.

Now, in a development ideally suited to today's interest rate environment, we are able to offer you something completely different - a variable interest equipment loan for amounts over \$500,000.

This new loan gives you the opportunity to look at buying that item of equipment that you need in an environment where rates haven't been as low as this for years, with the prospect of further rate reductions.

The loan offers an option whereby, at any time during the course of the agreement,

you are allowed one opportunity to convert the loan to a fixed interest basis.

With this flexibility at your disposal you can decide to fix the rate when interest rates start moving up or alternatively rather stick with the variable rate if it appears that interest rates are heading down. When it comes to converting to a fixed rate some condition do apply.

These loans allow you to make repayments monthly, quarterly or half yearly.

If you would like more details on the operation of this new variable rate equipment loan please contact us at Southshore.



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The economy - time for a reality check!

The drop in the median house price, whilst adversely affecting those who have bought in the past 12 to 18 months, is more of an annoyance to most of us but not a financial Armageddon as some media would have us believe.

It is good news for those wishing to invest in property and for First Home Owners. For the rest of us, if we want to buy and sell, sure we might have to accept a lower price on our house, but then again, the new house we purchase will be at a lower price as well. It's all relative.

3. Share market - well if we have learnt anything from all the turmoil over the past 12 months it is that all the investment bankers, stockbrokers and analysts, the so called experts, have really got no idea what they are on about!

Whatever happened to the principle of making investment decisions based on analysis of the facts? It seems the people driving the market should be spending their time at Burswood Casino rather than being so called investment experts.

4. Mortgage Defaults - we have heard plenty about the huge number of mortgagee sales in the USA where the mortgage meltdown first started. Some commentators have predicted that the same will happen in Australia. There are several fundamental reasons why this won't happen:

- a) The USA has a massive oversupply of housing. They went mad on construction over the past 5 years or so. In Australia we have a significant shortage of housing;
- b) Interest Rates - borrowers in the USA borrowed at very low rates and geared themselves highly based on those rates. Rates in Australia never fell to the levels of the USA and our lenders, in spite of what some elements of the media believe, maintained very prudent lending criteria.

It is widely acknowledged that the strong prudential regulations governing the Australian finance industry, and the sound financial

performance of the industry, has helped shield us from the meltdown experienced in the USA and Europe;

c) An important part of our culture is the great Aussie dream of owning our own home. The turmoil of the past 12 months is not going to destroy a fundamental component of our culture that has taken 200 years to develop.

The banks are still in the market to lend

5. Credit Crisis - Many clients have questioned whether or not they will be able to raise the loan they require because they have been told that there is a shortage of credit and the banks don't have enough money.

It is true that some non bank lenders have effectively run out of money and have pulled down the shutters. However, the major banks are well and truly in the market and are keen to lend. Essentially lending money is their business..

The major change in the marketplace is that banks are being more selective in the types of deals they are willing to fund, the type, amount and security they require, and the quality of the borrower.

As a result, we have to jump through a lot more hoops to get a deal done, so please bear with us if it seems that it is taking longer or more questions are being asked than previously.

The combination of continuing sound economic growth, positive financial stimulus packages offered by the Federal Government and the significant reduction in interest rates means that basic key elements for a sound economy are in place. The only thing missing is the consumer and business confidence.

This is where we all can play our part. We can choose to believe the doomsayers and prepare for Armageddon, or we can decide to chart a more positive course and plan for better times ahead.



Should you require further information on any topic relating to business or commercial property finance, residential property finance or equipment financing we'll be more than pleased to assist.

The information contained within this newsletter is of an advisory nature only and due to constant changes we advise you to contact us before making any formal financing decisions.



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