

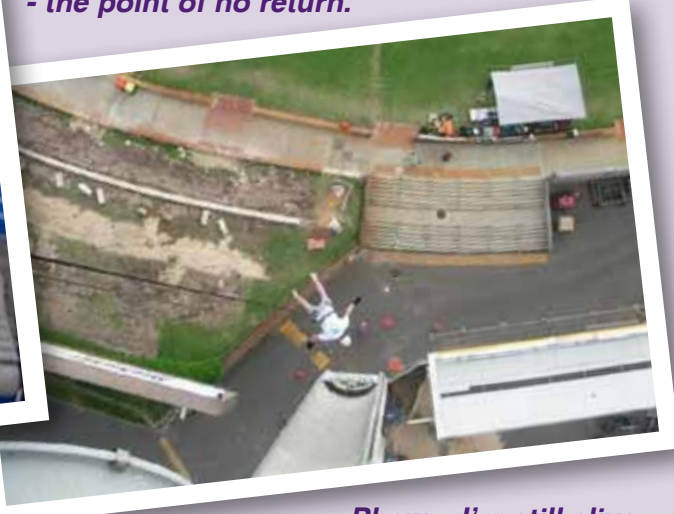
all finance matters ▶▶▶

Winter 2010

Overwhelming response to our PMH fundraising drive



Abseiling off a WACA Tower - the point of no return.



Phew - I'm still alive.

We were totally overwhelmed by the response to our Quiz Night held solely to raise funds on behalf of the Urban Descent for vital equipment needed at the Princess Margaret Hospital (PMH).

Highlights of the evening attended by 194 people were a silent auction and a charity auction. Altogether we raised \$6286 on the night for the kids at PMH. This was in addition to \$5000 already raised by direct donations to our "My Cause" website.

As a result of the funds raised, IMFS staff members recently completed a hair-raising jump off a light tower at the WACA.

The decision to make the Hospital a beneficiary of IMFS' fundraising drive reflects its recognition of the great job PMH has done in caring for WA's children over many years.

The IMFS team have also been active in raising funds for a number of other charities. To date, this includes the Scott

Kirkbride Melanoma Research Centre, the RSPCA in WA and St John's Ambulance.

During the remainder of this year, IMFS will also be involved in raising funds for the following charities:

May:	Ronald McDonald House
June:	Camp Quality
July:	Leukaemia Foundation
August:	Starlight Children's Foundation
September:	Telethon
October:	Breast Cancer Foundation of Western Australia
November:	Salvation Army
December:	Be Kids Australia

A HUGE thanks to everyone who helped the IMFS team to raise these funds. Your generous support has made all the effort well worth it.

IMFS has expanded

You will now find our reception office has relocated to Unit 2 on the Ground Floor of 9 Cleaver Street, West Perth.

IMFS welcomes and is ready for new National Consumer Credit Protection Act

Unlike some other states, mortgage brokers in WA have been subject to strict regulation for some years.

That's why we welcome the pending introduction of new national regulations for mortgage brokers under the National Consumer Credit Protection Act 2009.

Phase 1 of the new Act commencing on July 1, 2010 includes:

- a comprehensive licensing regime for all providers of consumer credit and services;

- responsible lending conduct requirements on licensees and their credit representatives – not to provide credit products and services that are unsuitable for the consumer's needs and that the consumer does not have the capacity to repay;
- improved sanctions and enhanced enforcement powers for the regulator, the Australian Securities and Investments Commission (ASIC);

- expanded consumer protection through court arrangements, remedies for consumers and penalties for misconduct; and
- an expanded scope for the National Credit Code to include credit provided to purchase, renovate, improve or refinance a residential investment property.

Call us for more information.

Is a Self Managed Super Fund a good idea for you?

Australians are increasingly doing it for themselves when it comes to super.

But the complexity of running your own Self Managed Superannuation Fund means SMSFs are not for everyone.

SMSF members tend to be older, have a higher income and larger super balances. Before switching to an SMSF it's worth asking:

1. Is the fund strictly for retirement benefits?
2. Do you have the time and skills to run your own super fund?
3. Will the benefits be worth the costs?
4. How will switching affect your current super benefits, services and fees?

THE CASE FOR

An SMSF can have a maximum of four members, all of whom act as trustees and are responsible for running the fund, investing assets, paying benefits and meeting compliance requirements.

The great advantage of an SMSF is that you're in control. Asset allocation, tax strategies, insurance options and retirement planning is all up to you.

You have great flexibility over where your super is invested, as long as you comply with regulations and the fund is operated for the purpose of building retirement wealth (also known as the sole purpose test).

When planning an investment strategy, you need to consider your objectives, time horizon, risk tolerance and diversification. You can invest in your preferred

combination of assets, across all asset classes.

SMSF trustees are permitted to lodge their tax returns later than some other types of fund, allowing them to invest a greater percentage of funds under management.

You can choose from a complete suite of insurance options, including life and trauma insurance.

Your investment strategy can incorporate a transition to retirement strategy using a non-commutable allocated pension.

So what can't you do? You can't use an SMSF to fund the purchase of a business, holiday home or golf club membership. Generally, you can't acquire assets from a related party, borrow money or allow in-house assets to exceed five per cent of the total fund assets.

You also need to be wary of schemes to withdraw your super early. The Australian Taxation Office is handing out heavy penalties for those who illegally withdraw from schemes early.

THE CASE AGAINST

SMSFs can be expensive, with the annual costs of running a medium-sized fund estimated at \$2,000. Your fund needs to be substantial enough to make this worthwhile.

An SMSF is usually not advisable if the fund assets are likely to be less than \$200,000. It's not surprising therefore that the average annual member balance



is \$454,000 – more than six times the industry average of \$70,000.

Most people find it hard enough keeping up with their current super, let alone running their own fund.

When establishing the fund, you need to draw up a trust deed setting out trustee powers, benefit payments and an exit strategy. You also need to create a separate bank account, keep accurate paperwork, produce annual operating statements, keep copies of annual returns and appoint an approved auditor.

Many SMSF owners choose to outsource some administration functions to reduce the amount of paperwork they need to complete themselves.

HELP IS AT HAND

Contact your IMFS consultant today and we'll arrange for you to meet with a financial planner to discuss the matter with you further.



Property investment

What will happen to rentals over the next few years?

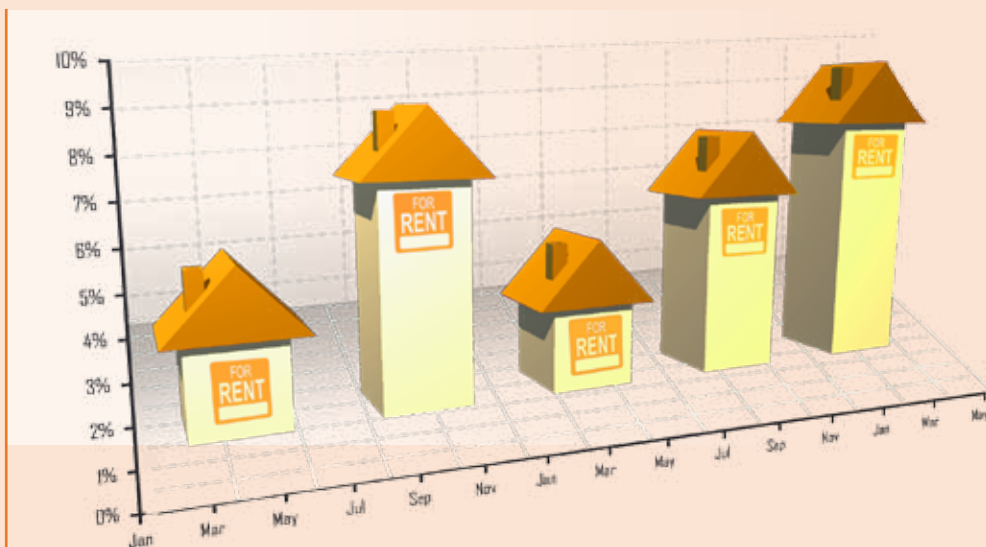
The renewed interest in investing in property in recent months has been driven by favourable interest rates, lower property prices, relatively low unemployment, continued strong population growth and more obviously good rental returns and continued low vacancy rate.

But what are the prospects for property investment over the next few years?

According to leading industry analyst and economic forecaster, BIS Shrapnel the average annual growth in rentals was 6.5 per cent from 2002 to 2008, well above the national average of 4.4 per cent.

The company says high rental growth continued in 2009, with an estimated rise of 6.6 per cent but is forecasting more moderate rental growth of 3.2 per cent per annum over the next three years to 2012.

BIS Shrapnel says much of the rental growth has occurred due to very large increases in average wages. It expects average wages growth will be more moderate over the next three years.



Looking at Australia as a whole, BIS Shrapnel's Senior Economist Jason Anderson says, "Higher interest rates would dampen the construction of new dwellings, exacerbate the housing

shortage, and thereby place upward pressure on rentals."

If you have been considering investing in property come in and see us and let's discuss your finance options.

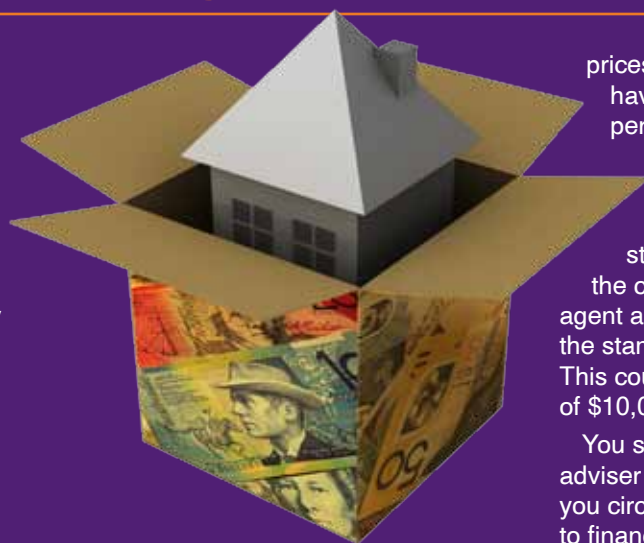
Why does upgrading make sense right now?

Would it be wise to upgrade in today's market or should you wait a few years until you can sell your property at a price similar to what you would have achieved in the boom?

Your own circumstances will determine whether you can wait for three or five years until prices hopefully reach boom levels. Of course there is no way of determining when this could happen.

So what would be the advantage of acting now? To find an answer let's kick off by comparing today's market situation to that during the last boom. Assuming your existing home sold for \$600,000 in the boom and you upgraded to a home costing \$1.5 million, your gap would have been \$900,000.

Now, assuming both properties have gone down by 20%: your home



would now fetch \$480,000 while you would have to pay \$1.2 million for the replacement home. Your gap has been reduced to \$720,000.

This amount could be a lot lower if, as has happened in some suburbs,

prices for higher priced homes have dropped by a much higher percentage than those of lower priced homes.

And when it comes to saving, that's not the whole story. You would also save on the commission paid to your selling agent and in addition would save on the stamp duty on your new home. This could amount to a substantial sum of \$10,000 for the stamp duty alone.

You should talk to your financial adviser to arrive at the best solution for you circumstances. And when it comes to financing your replacement home, talk to your IMFS consultant today to find out what's possible.

Note: This is general information only. All prices, percentages and savings are assumptions made for your interest. They are neither forecasts nor guarantees.

Are you paying more than a new borrower would – why not find out?

For the average borrower today's mortgage world is at best confusing and at worst a minefield.

On the one hand the press has carried reports, disputed by the banks, that the Big Four banks are charging their existing home loan customers a higher variable rate than that levied on their new borrowers.

At the same time you've probably heard that with second tier lenders slowly re-entering the market there are some great new deals around.

It's not our business to comment on whether the banks are charging their existing loan customers more than their new clients. What we do know is that some borrowers who come in to see us for a health check of their finances are paying more in interest than they should.

It's also clear that with constant changes in what is being demanded of loan applicants, you need the advice of an experienced finance professional who is up to date with changes occurring in the industry and who will cut through all the jargon and find the loan that is best suited to your specific needs.

So, if you think you're not getting the best deal why not come in for a health check. How could such a review help you?

- You could end up with lower repayments – money you can use to pay your loan off faster or settle costly debts such as credit cards.
- You could save a bucket load in interest payments
- You will get the motivation that comes from seeing yourself making greater headway in paying off your loan
- You could access the funds to build your dream home
- You could free up capital for investment

It's a good idea to review your finances regularly, particularly in changing times. **So call your IMFS consultant today and let's see whether you could be doing better.**



STOP PRESS

If you pay your interest annually in advance don't forget to call us now to discuss your options.

Answers to the riddles in our 2010 calendar Jan to April

January:

What always runs but never walks, often murmurs, never talks, has a bed but never sleeps, has a mouth but never eats?

Ans: A river.

February:

What English word has three consecutive double letters?

Ans: Bookkeeper.

March:

How far can a dog run into the forest?

Ans: Halfway. After that it will be running out of the forest.

April:

You have a fox, a chicken and a sack of grain. You must cross a river with only one of them at a time. If you leave the fox with the chicken he will eat it; if you leave the chicken with the grain

she will eat it. How can you get all three across safely?

Ans: Take the chicken over first. Go back and bring the grain next, but instead of leaving the chicken with the grain, come back with the chicken. Leave the chicken on the first side and take the fox with you. Leave it on the other side with the grain. Finally, go back over and get the chicken and bring it over.

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