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SERVICES

HOME LOANS

INVESTMENT LOANS

COMMERCIAL LOANS

BUSINESS LOANS

LEASING

HIRE PURCHASE

LOW DOC LOANS

CREDIT IMPAIRED LOANS

The beginning of a new financial year is a great time to consider your options and prepare your financial future. *Angelo Benedetti*

Economic round—up

The new federal budget has had a positive impact on wallets around the country, but the real test for everyday Australians will be its affect on interest rates.

Creating a stir in the media last month, the federal government's budget has added a few extra dollars to the pockets of most Australians. But is it enough to help those struggling in the rental market looking to buy a first home?

While some have criticised the government for ignoring Australia's \$60 billion housing industry through failing to introduce any new initiatives, buyers certainly aren't any worse off.

The real focus for everyday borrowers and investors, economists say, is whether the injection of more funds into the household sector will spark another rate rise?

Several influential economists in the private sector commented to The Australian in May that any additions to household spending could nudge interest rates higher, especially with the prospect of pre-election spending as the year progresses.

The financial markets, however, seem confident that interest rates will remain stable, estimating there to be only a six per cent chance of an interest rise at this month's RBA meeting, and a less than 50 per cent chance of a rise in the next year. Good looking odds when you think about it.

So, despite the fact that borrowers might not have been issued any significant breaks by this year's budget, the stable financial environment is at least encouraging for current homeowners as well as those hoping to enter the market

over the next six months.

As meager as the tax cuts may seem, remember: every dollar saved can count. To get the most out of your tax breaks why not channel them straight into your home loan for an extra monthly boost!

Sources: Uren, D 10/5/07, The Australian, Rate rise this year less likely, markets predict.

Harley, R, 10/5/07, The Australian Financial Review, Big spending but rate fears stay subdued.

Splitting your loan options

The RBA's decision to leave interest rates steady at 6.25% pa was fantastic news for mortgagees and investors; better yet are the predictions of a stable rate environment for the remainder of the year. So what options are available when it comes to choosing or refinancing your mortgage?

Homeowners have been on an uphill ride lately and with three interest rate hikes in 2006 alone it's no wonder many borrowers locked into fixed rates to protect themselves. Calmer prospects, however, bring with them an opportunity to reboot your home loan's saving potential where rates are concerned.

Steady interest rates create the perfect environment to test the features and flexibility of your home loan. Loan options, such as splitting your rate, can really make a difference to the overall amount you pay back.

Split loans—also called 'combination loans' - combine the advantages of variable and fixed interest rates into a single loan. The key to split loans is flexibility—you can decide what portion of the loan is fixed or variable to suit your needs and

current market conditions. Just remember that the fixed proportion of the loan will be locked in for a set time frame—usually one to five years—and there may be break costs if the loan is repaid early.

With steady interest rates for the foreseeable future, now could be the time to make your move and select a higher variable rate component on your loan: for example: 65% variable, 35% fixed.

Most banks and lending institutions offer fixed and variable rate loan packages— please call our office to discuss ways to maximise the different loan features. Here are a number of key considerations:

Why select a split product? Split loans are versatile and can be used for investment and owner-occupied property purposes. Through splitting your loan you get the best of both worlds—the security of a fixed interest rate occupied with the flexibility of a variable rate loan.

Take advantage of variable rates. Higher variable rate loans are suitable for times of economic certainty and unchanged interest rates. This gives you the opportunity to make additional payments to your variable rate loan to suit your needs. The goal? Paying off your overall loan faster!

If you would like to discuss your options, please call Angelo Benedetti for a no obligation assessment.



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