



THE ADVISORY – FINANCE & MONEY MATTERS

March 2011

This Month's Topics:

- No Move on Cash Rate
 - Finance Talk – It's Mortgage Sale Season
- Money & Wealth Talk - \$350 weekly surplus could equate to millions!
 - Wealth Forum – FREE DVD Copy of Event
- How to Build a Multi-Million Dollar Property Portfolio Workshop
 - Director's Comment: New Property 'Guru' & Service Offering

No Move on Cash Rate

Commentary & Opinion of Ben Kingsley - founder of Empower Wealth

The cash rate remained on hold again this month as the RBA awaits more critical data on the performance of the economy before looking to adjust the cash rate. Most economists expect further rate rises in 2011, with many tipping an increase in the cash rate of around 0.5% over the course of the year.

Events in the Middle East region could play a part in our economy, as the escalation of unrest pushes oil prices higher and in turn this could raise some issues around the inflationary impact. In very simple terms, if higher oil prices flow into increases in inflation than most government reserves, who monitor the flow of cash into their economies, may need to increase the cost of this money to stem further inflation. By doing so, this has the potential to slow the recovery of these economies as the cost of borrowing money increases and both private and industry investment slows, which in turn impacts on employment and GDP growth. So, we need keep an eye on the situation in the middle east and its flow of effects to the rest of the world.

China's inflation pressures are also causing some concern, and this could have a serious bearing on our economy as it's clear our growth is being driven by a resurgence in the mining sector. China Central Government has increased the cost of money in their economy to try to slow down the price inflationary effect on their internal economy. This could flow through to lower commodity prices, which could take some of the heat out of the economy, which means less pressure on our interest rates increasing.

One thing's for sure, nobody really know what lies ahead, but if the forecasts are correct (see at the bottom of this month newsletter the forecasts for interest rates from some major lenders), then it's better to expect the interest costs of our mortgage will rise sometime this year, so be ready for it.

Finance Talk – It's Mortgage 'Sale Season'

Over the last month, we are seeing signs from the lending sector that they believe their costs of funds are going to improve in the coming years. (Margin = The difference between what costs lenders source money for and what they on-sell it for – i.e. Profit margin)

Cheaper costs of funds means one of two things:

- 1 – Increased mortgage lending profits for lenders if they choose not to pass on these cost savings **OR**
- 2 - It means that some lenders are going to look to win some market share back by offering cheaper lending options to attract new customers

By Empower Wealth offering Mortgage Broking Services, we are in the driver's seat because we get to see the best deals from so many more lenders. We have more visibility than what a borrower would see from their own lender or in doing some research because we are in the market everyday and have over 1000 loan options from over 30 lenders, including all the majors at our finger tips.

This gives our existing clients a competitive advantage, as we review their loans within any 12 month period to ensure they have the best and most suitable lending option for their ever changing needs. If a lender offers them a better alternative then we notify our clients and get them in to discuss the benefits of moving vs. staying put – it's their call.....

For new customers to Empower Wealth looking to potentially refinance or establish a new loan following a new purchase, we offer a FREE professional service that is second to none; with so many values add offerings on top of our Mortgage Broking service. Our 'Wealth Tracker Assessment' gives our clients a detailed insight into projections of cash flows, debt elimination timeframes and wealth and cash flow projections at retirement. Again, all of this combined with the review of hundred of lending options to best accommodate their needs.

It makes a lot of sense to let professionally qualified specialists, who are completing loan applications and 'Wealth Tracker Assessments' every day, to help you take action and get the best outcome for your needs, especially when we offer a complimentary, no obligation, appointment. Call today, and request an appointment with our finance advisors. Call 9326 8900.

Money & Wealth Talk – \$350 Surplus per week could Equate to Millions

This month we focus on how you can use surplus cash of \$350 per week to potentially control an investment property worth \$450,000. It's all in the numbers....let's take a look.

Surplus Household cash \$350 per week after expenses, commitments etc.

Purchase Price \$450,000

Estimated Purchase Costs \$22,500 (5%) includes stamp duty, set up costs etc.

Anticipated Loan \$472,500

Interest on loan @ 7.1% = \$33,547p/a (Interest Only) - \$645 per week.

Estimated Rent \$18,000 p/a or \$346 per week.

So income is \$346.....outgoings are \$645 p/w = Shortfall of \$299 coming from household surplus. \$51 dollars is set aside for miscellaneous provisioning, such as maintenance, property management services, possible owner's corp. fees, etc.

Now the above 'basic' example doesn't include tax benefits – so lest take a look, assuming 30 cent tax rate, in year 1 assessment terms.....

Operating loss (Income of \$18,000 less interest costs \$33,547) in this basic example is a loss of \$15,547. This is offset against taxed paid on your income, so you are rebated 30cents on every dollar – so the calculation is $15,547 \times .3 = \$4664$. This will be rebated in your tax return.

Therefore the cost to hold this investment property is further reduced by \$89 per week. Meaning in this example the surplus cash to hold this investment property is not \$299 p/w but \$299 less \$89 = \$210 p/w.

Let's make a few additional assumptions and look ahead 15 years from now.

Assumptions are: We only paid interest only on the debt – so the debt on the property is still \$472,500. Therefore the interest p/a @ 7.1% remains at \$33,547 (\$645 p/w)

Assume that we are able to increase rent by 5% p/a, so in 15 years the weekly rent is now \$719 p/w. We are now cash flow positive on the property, meaning you could start paying off the loan or use that surplus income to further invest.

Furthermore and most importantly we need to factor in the growth value of this property – Let's assume 7% p/a. So in 15 years the value of the property is now worth \$1,241,564 OR what if the value of the asset was to grow at 10% p/a it would be worth \$1,879,761 and then when you take away the debt you would be left with over \$1.4 million in net worth, and it's still growing and not costing you anything to hold! In fact, it's bringing in cash flow every week, which is going to contribute handsomely to your retirement income and quality of life for the future.

Key messages:

1 – Work out your household surplus and put it to work by controlling something of far greater value

2 – Get help in picking the 'RIGHT' Property. The difference between 7% return and 10% return is \$638,197 in 15 years (Imagine how long it would take to make this money working full time!) Pay to get an experienced person to help you.

3 – What if you have more surplus income, what are your possibilities then? Or less, are there still possibilities for you – Yes there is – get help. Come and meet with us to help you establish what's possible for you by making a free no obligation appointment where we can help model where you're heading now.

It's your financial future at stake here, which means it's also your quality of life and standard of living we are talking about. It's up to you to take the first step. Call our office to book a free 'Wealth Tracker Assessment' today - 9326 8900

February Wealth Forum – FREE DVD of Event

Our February wealth forum was a huge success with over 160 people in attendance. The feedback received was very positive; as the content on the night was rich in knowledge and experience.

The event was video and we are currently in the process of editing it. So if you could not make it or you want to get a better idea about what these educational events are about then simply email enquiries@empowerwealth.com.au and in the subject text put FREE DVD and ensure you have given us your postal address and we'll post it out to you within the next 3 weeks.



How to Build a Multi-Million Dollar Property Portfolio Workshop – TOMORROW NIGHT!!

Want a solid foundation of what it takes to build a multi-million dollar portfolio, including all the aspects and skills required to get you started the RIGHT way? Then this workshop is well worth the investment. Based on key learnings and knowledge gained from our founder Ben Kingsley and our other team members who have all built up multi-million dollar portfolios, this is practical experience at its best and goes far beyond what you can learn in books on this subject matter.

This is a small group learning and educational session to ensure you can ask questions to gain the maximum outcomes from this session.

We take a maximum of 10 students for the night!!

[Click here](#) for full course outline covered:

A HIGHLY RECOMMENDED WORKSHOP FOR ANYONE WHO LOOKING TO BUILD WEALTH THROUGH PROPERTY
\$69 single & \$99 Couple

[Click Here](#) to get all the information about this workshop and to book and secure your seat

UPCOMING PROPERTY & INVESTMENT WORKSHOPS

Wednesday 2nd March	-	How to Build a Property Portfolio (Click Here)
Wednesday 9 th March	-	First Home Buyers Information Night (Click Here)
Tuesday 15 th March	-	Money, Investing & Finance + Intro. Property Investing (Click Here)

Founding Director's Comment – Our New Property 'Guru' & Service Offering

I've often said the right time to buy property is when your cash flows can sustain the property for the long term, and this is a statement I will continue to stand by, as it's helped me and my wife Jane build a multi-million dollar portfolio. However, it's not the only critical element that has been the reason for my success and that of our clients who are currently on their journey to building their own portfolios. You still need to know what to buy.

Knowing what to buy and where to buy is pretty much what I have been dedicated to researching for the 16 years I have been a property investor, and it's even more important when buying in a softening market. You don't want the timing of your purchase to be in a soft market with little growth prospects, but in stating this what you do want is to buy well within these markets as some suburbs and property will perform well in these stages of the market, not just in Melbourne, but across the entire country.

So the focus for us is ensuring our clients continue to select the wheat from the chaff which is extremely difficult in this time. That's why I am thrilled to introduce to those of you who weren't able to make our Wealth Forum earlier this month, our newest member of the team – Cate Bakos.

Cate has over 16 years experience in investing in real estate with her husband Ian. Their strategy has been highly successful in helping them amass their multi-million dollar portfolio and I am extremely excited that she has joined our team to head up our Property Advisory Division within the business.

I thought the best way to introduce you to Cate was to get her to answer a few questions for this month's newsletter about herself and what she plans to bring to the table in helping our clients achieve their property outcomes.

Q. What led you in to property to begin with?

A. After completing an honours degree in Chemistry I realised that working in a lab wasn't for me; in fact people and dynamic environments were what I really enjoyed. I applied my analytical skills to property when I made my first purchase at 21 and after six years in corporate sales and marketing roles I decided it was time to listen to the fire in my belly – so I went into property sales.

Q. How many properties do you own yourself?

A. Eighteen including my owner occupied home.

Q. Why do you prefer property over other asset classes?

A. I am always careful about answering this question because I am highly respectful of well executed investment strategies across any asset class, however property excites me and I love it for four main reasons: Firstly it's tangible; I can add to it, improve it, subdivide it etc. Secondly; the leveraging opportunities are unlike many other asset classes; I can finance property up to 105%. Thirdly; I consider the Australian property market quite a stable market, and finally; our tax system makes property investing for Australian residents so financially attractive.

Q. What strengths do you have in terms of being able to assist clients in their property investing journey?

A. I take the stress and the mystery out of the process for my clients by working with them to build a robust strategy personally tailored to them and then I help them to execute their strategy based on how much or how little support they require. I carefully explain the answers to all of their questions and I never lose sight of the fact that for many clients, this might be the first time they have ever purchased property (or at least the first time in a long time). I try to remove jargon, break down the barriers that many buyers face when dealing with agents and distilling out properties that are on the market, and most importantly, I make sure that my clients get the best result when it comes time to purchase. I do this through forward planning, strong communication with selling agents, consideration of the market and in particular, other competing buyers, and most importantly; well considered negotiation tactics. I tell all of my clients that aside from hoping that they actually enjoy the property buying experience, my mandate is that I always try to 'recoup' my fee for them through my negotiating ability on their final buy price.

Q. What makes your service different to other property advisory service providers out there?

A. Many Property Service models aren't actually working completely independently and impartially for their clients. We do not take commissions on any properties we help source, and we have no restrictions in terms of the breadth of current sale properties we can search for. We work solely for our clients on a fee for service model and our only focus is getting the best property and best result for our clients.

It has taken some time to find the right person to head up the property arm with me however, as you can see from Cate's proven experience and professional approach, I know we have the right person to help our clients get the best property they can for their money, whether it's an investment property or an owner occupied purchase. I encourage you to learn more about our new Property Advisory Services by [clicking here](#).

Your property purchase is a significant investment and something you certainly don't want to get wrong. Cate offers a free consultation where you can learn more about what services she offers, how these services will benefit you and gauge whether or not you feel that Cate is the right person for the job.

Remember knowledge is empowering! - *If you do something with it!*

Ben Kingsley

Interest Rate Forecasts

Westpac Forecast – Week 27 Aug 10

Interest rate forecasts

	Latest (Aug 27)	Sep 10	Dec 10	Mar 11	Jun 11	Sep 11
Cash	4.50	4.50	4.50	4.75	5.00	5.00
90 Day Bill	4.75	4.75	4.75	5.00	5.25	5.50
3 Year Swap	4.76	5.10	5.20	5.40	5.50	6.00
10 Year Bond	4.78	5.20	5.30	5.30	5.30	5.50
10 Year Spread to US (bps)	230	250	230	200	170	170

Westpac Forecast – Week 1 Nov 2010**Interest rate forecasts**

	Latest (Oct 29)	Dec 10	Mar 11	Jun 11	Sep 11	Dec 11
Cash	4.50	4.50	5.00	5.25	5.25	5.25
90 Day Bill	4.87	4.80	5.25	5.50	5.50	5.50
3 Year Swap	5.31	5.40	5.50	5.70	5.70	5.70
10 Year Bond	5.07	5.35	5.50	5.50	5.50	5.50
10 Year Spread to US (bps)	253	300	325	300	275	225

Westpac Forecast – Feb 2011

	Latest (Feb 25)	Mar 11	Jun 11	Sep 11	Dec 11	Mar 12
Cash	4.75	4.75	4.75	5.00	5.00	5.25
90 Day Bill	4.96	4.95	5.00	5.25	5.25	5.50
3 Year Swap	5.43	5.60	5.45	5.35	5.50	5.55
10 Year Bond	5.55	5.70	5.50	5.20	5.40	5.50
10 Year Spread to US (bps)	211	210	220	210	210	210

International

Fed Funds	0.125	0.125	0.125	0.125	0.125	0.125
US 10 Year Bond	3.44	3.60	3.30	3.10	3.30	3.40
US Fed balance sheet USDtrn	2.58	2.80	3.00	3.30	3.60	3.90
ECB Repo Rate	1.00	1.00	1.00	1.00	1.00	1.00

Source: westpac.com.au

ANZ Forecast – 16th July, 10

AUSTRALIAN INTEREST RATES	CURRENT	SEP 10 F	DEC 10 F	MAR 11 F	JUN 11 F	SEP 11 F
RBA cash rate	4.50	4.50	5.00	5.25	5.50	5.75
90 day bill	4.82	4.85	5.30	5.60	6.00	6.0
3 year bond	4.54	4.90	5.10	5.50	5.70	6.00
10 year bond	5.12	5.40	5.50	5.70	5.80	6.00
3s10s yield curve	0.58	0.50	0.40	0.20	0.10	0.00
3 year swap	5.04	5.30	5.50	5.90	6.10	6.40
10 year swap	5.61	5.95	6.05	6.25	6.35	6.55
INTERNATIONAL INTEREST RATES	CURRENT	SEP 10 F	DEC 10 F	MAR 11 F	JUN 11 F	SEP 11 F
RBNZ cash rate	2.75	3.25	3.50	3.75	4.25	4.8
NZ 90 day bill	3.23	3.67	3.75	4.17	4.67	5.17
US Fed funds note	0.25	0.25	0.25	0.25	0.25	0.5
US 2 year note	0.59	0.80	1.00	1.20	1.50	2.00
US 10 year note	2.98	3.20	3.20	3.30	3.30	3.60
Japan call rate	0.10	0.10	0.10	0.10	0.10	0.10
ECB refinance rate	1.00	1.00	1.00	1.00	1.00	1.00
UK repo rate	0.50	0.50	0.50	0.50	0.50	0.75

For additional information on interest rates please refer to ANZ's *Interest Rate Strategy Weekly*.

ANZ Forecast – 17th September 2010

AUSTRALIAN INTEREST RATES	CURRENT	DEC.10	MAR.11	JUN.11	SEP.11	DEC.11
RBA cash rate	4.50	5.00	5.25	5.50	5.75	6.00
90 day bill	4.78	5.30	5.60	6.00	6.00	6.2
3 year bond	4.76	5.10	5.50	5.70	6.00	6.00
10 year bond	5.12	5.50	5.70	5.80	6.00	5.90
3s10s yield curve	0.37	0.40	0.20	0.10	0.00	-0.10
3 year swap	5.16	5.50	5.90	6.10	6.40	6.40
10 year swap	5.59	6.05	6.25	6.35	6.55	6.45
INTERNATIONAL INTEREST RATES	CURRENT	DEC.10	MAR.11	JUN.11	SEP.11	DEC.11
RBNZ cash rate	3.00	3.00	3.25	4.00	4.50	5.00
NZ 90 day bill	3.18	3.25	3.67	4.42	4.92	5.4
US Fed funds note	0.25	0.25	0.25	0.25	0.50	0.75
US 2 year note	0.48	1.00	1.20	1.50	2.00	2.30
US 10 year note	2.77	3.20	3.30	3.30	3.60	3.60
Japan call rate	0.10	0.10	0.10	0.10	0.10	0.10
ECB refinance rate	1.00	1.00	1.00	1.00	1.00	1.00
UK repo rate	0.50	0.50	0.50	0.50	0.75	1.00

For additional information on interest rates please refer to ANZ's *Interest Rate Strategy Weekly*.

ANZ Forecast – 5th November 2010

AUSTRALIAN INTEREST RATES	CURRENT	DEC 10F	MAR 11F	JUN 11F	SEP 11F	DEC 11F
RBA cash rate	4.75	4.75	4.75	5.00	5.25	5.50
90 day bill	4.99	5.00	5.05	5.20	5.45	5.70
3 year bond	5.02	5.00	5.20	5.60	5.90	5.90
10 year bond	5.24	5.20	5.30	5.60	5.80	5.70
3s10s yield curve	0.22	0.20	0.10	0.00	-0.10	-0.20
3 year swap	5.42	5.40	5.60	6.00	6.30	6.30
10 year swap	5.78	5.75	5.85	6.15	6.35	6.25

Source: anz.com.au

St George Forecast as at 30 July '10

	2010				2011			
End Period:	Q3	Q4	Q1	Q2	Q3 (f)	Q4 (f)	Q1 (f)	Q2 (f)
RBA Cash Rate, %	3.00	3.00	3.75	4.50	4.50	4.75	5.00	5.25
90 Day BBSW, %	4.15	4.35	4.14	4.87	4.90	5.10	5.20	5.45
3 Year Bond, %	4.75	5.00	4.65	4.99	4.60	5.25	5.75	6.00
3 Year BBSW, %	5.45	5.70	5.42	4.97	5.05	5.70	6.15	6.35
10 Year Bond, %	5.70	6.00	5.56	5.09	5.20	5.75	6.00	6.25

St George Forecast as at 30 Sept '10

	2010				2011			
End Period:	Q4	Q1	Q2	Q3	Q4 (f)	Q1 (f)	Q2 (f)	Q3 (f)
RBA Cash Rate, %	3.00	3.75	4.50	4.50	4.50	4.75	5.00	5.25
90 Day BBSW, %	4.35	4.14	4.87	4.89	4.80	5.10	5.30	5.55
3 Year Bond, %	5.00	4.65	4.99	4.78	4.90	5.10	5.35	5.65
3 Year BBSW, %	5.70	5.42	4.97	5.25	5.35	5.60	5.95	6.30
10 Year Bond, %	6.00	5.56	5.09	5.00	5.25	5.50	6.00	6.20

St George Forecast as at 10th December 2010

	2010				2011			
End Period:	Q1	Q2	Q3	Q4	Q1 (f)	Q2 (f)	Q3 (f)	Q4 (f)
RBA Cash Rate, %	3.75	4.50	4.50	4.75	4.75	5.00	5.25	5.25
90 Day BBSW, %	4.14	4.87	4.80	4.98	5.00	5.25	5.50	5.75
3 Year Bond, %	4.65	4.99	4.90	5.27	5.20	5.60	5.90	5.90
10 Year Bond, %	5.56	5.09	5.00	5.55	5.50	5.60	5.70	5.80
AUD/USD	0.9158	0.8408	0.9685	1.0233	0.97	0.98	0.95	0.96
USD/JPY	93.44	88.43	83.64	81.12	85.00	87.00	88.00	87.00

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