

July 2009 Newsletter

Interest Rates – Reserve Bank Cash Rate Decision

The Reserve Bank has once again decided to keep the cash rate on hold this month. The cash rate remains at 3%. The overall consensus of the market is that the cash rate is still forecast to drop to a low of around 2.50% later this year, as it is anticipated that unemployment will rise later this year and into 2010.

The recent positive economic data on the economy has seen several forecasts regarding the cash rate, to increase from an anticipated bottom of 2.00% to a revised bottom of the cycle forecast at 2.50%.

Property Prices on the Up – Investors coming back....

It appears in just a couple of months that sentiment and actual prices have come full circle, from the gloom and doom being reported back in March / April of this year. The logical reason for this is that the data that most analysts report, such as the Real Estate institutes in each state, is up to 2 to 3 months following the actual results. Whereby anyone who was active each week in the market could have told you that this year was starting to pick up in the marketplaces under \$600,000, given the vast improvement in affordability, following the record reduction in interest rates.

Auction clearance rates in Melbourne are up at levels over 80% - which are back to the heady times of 2007, when the market was extremely hot and the local economy was firing on all cylinders', before interest rate rises and then the GFC put the brakes on demand.

This rise is being stimulated mainly by First Home Buyers and Owner Occupiers looking to upsize into new properties, taking advantage of the overall stable conditions in the market. Furthermore general investors, those who need a little more assurance than seasoned property investors, are starting to also look at Property again, as the overall economy is also showing early signs of improvement.

RP Data Rismark – May 09

City	Median Dwelling Value	Annual % Change
Sydney	\$529,785	3.46%
Melbourne	\$443,811	3.53%
Brisbane	\$432,101	-0.52%
Adelaide	\$396,839	-0.68%

Perth	\$468,052	-4.63%
Darwin	\$444,846	14.33%
Canberra	\$460,309	-0.19%
National	\$468,819	1.56%

Source: RP Data – Rismark

Based on indicative May 09 figures.

ANZ's latest property report observes that:

- Sydney will remain in a consolidation phase, yet long term remains positive
- Melbourne market to continue to perform solidly
- Queensland market in consolidation mode, long term population growth should provide positive on the upside
- Perth subdued, but once mining sector recovers, there should be some upside benefit
- Tassie – Subdue outlook
- SA prices to remain in holding pattern with economic uncertainties in manufacturing sector
- Canberra is in good shape with upside possible given shortage of stock

Download the full report at www.empowerwealth.com.au/research

Upcoming Workshop Dates

Wednesday 8th July - eSearch Superior Property
 Tuesday 21st July - Introduction to Property Investing
 Wednesday 22nd July - First Home Buyers Information Night
 Tuesday 11th August - Money, Investing & Finance

For more information visit www.empowerwealth.com.au/workshops

Introducing Preferred Business Partners:

As previously advised, the Empower Wealth business to date has been built on professional service and an unwavering belief in ethical business practises. One of our core business morals is that we do not receive kicks backs, soft dollar commission, spotter's fees etc. So you know when you ask us to refer you to another professional service organisation, that our referral will be based on a business offering quality services, based on professionalism and industry experience and their ethical business practises also.

In this month's newsletter, we are pleased to introduce you to our two 'preferred' business partners.

Emerson Randell Young – Accountants and Business Advisors

ERY are our preferred tax specialists, who have offices in both Melbourne and Sydney. The Melbourne office is lead by Clinton Young

– Partner, and his team of accountants. The Sydney office is lead by Aaron Randell – Partner, and his team of accountants.

ERY has extensive knowledge and experience in dealing with tax returns from PAYG workers right through to complex business and Trust structured entities. Their knowledge of tax and structures relating to Investment Property is first class.

In you are looking for a new tax accountant then feel free to contact Trent Curwood from the Melbourne Office. Emerson Randell Young are confident that they will be able to assist you in all your accounting and taxation needs.

Contact: Trent Curwood (Melb)
Address: 13 Dudley Street,
West Melbourne VIC 3003
Ph: (03) 9326 4688

Financial Design for Life– Financial Planners.

Chris Browne and his team are specialists in Superannuation and Risk Insurances. Chris Browne was the winner of the Association of Financial Advisers (AFA) Rising Star of the Year in 2007 and as the founded FDFL, he and his team are committed to providing sound, measured and proven advice.

Financial Design for Life (FDFL) specialises in assisting people to make financial decisions that will enable them to have a prosperous future & retirement. These decisions surround investing inside & outside of superannuation along with risk management advice – ensuring that the correct investments are in place & that your superannuation benefits will be maximized when you come to retirement.

To learn more about FDFL's services, click on their website www.fdf.com.au or call them in their Dockland offices on 03 9600 2124

Directors Comment – Bank Loyalty, Does it pay off?

Over my journey in this profession, I have meet many great people and continue to work for most of them in helping them achieve their goals whether it be securing their first home, refinancing or planning out their pathway of financial independence through investment in Residential property. As I do with every client I ask them the same question in our fact finding effort. Are there any lenders you wish to work with or any lenders you don't wish to work with?

The vast majority of responses we get relate to 'not' wanting to work with a lender (Bank) due to a past negative experience they have had with that lender, and they refuse to allow them any profit as a penalty for their previous indiscretion. However, on occasion we also get the odd client stating they want to work with a certain lender, because they have been banking with that particular lender for some or many years now and expect some loyalty in return.

This obviously leads us to ask further questions to why this lender is their preferred lender, as our job is to deliver what our customers want, but we also have a duty of care to ensure they know their options, so they can make a more informed decision. Therefore when we get a response as simple as "we think they should look after me/us because we have banked with them for so long", my ears prick up.

As I noted in last month's newsletter, all lenders are at least driven by profits, and all banks in Australia have a responsibility to their shareholders to deliver profits or returns that are acceptable in keeping them on as shareholders'. However this was not always the case, as in earlier generations some banks were actually Government owned, so profits didn't drive decisions as much as the governments obligations in offering services to its people.

Back in those times, relationships and loyalty did actually provide some benefits, because it was also the time when the bank Manager was 'KING' and there was very little competition for your business. Our previous generations, had to build up a relationship with their branch and the manager. This was important for their chances of ever getting a loan, because back in those days, the branch managers rarely changed jobs or left their local branches, and they were the decision makers. So those were the days when loyalty and a 'relationship' counted for something.

Fast forward to today and with the monetary system deregulated (back in the early 80's), there is far more competition for you to choose from. Staff within the banks are forever on the move, either due to branch closures or openings, or those who are any good get promotions and move away from direct customer contact and into head office. Other reasons why it is impossible to build long term relationships with bank staff include: bank restructures, retrenchments, staff attrition, buy-out, mergers, etc.

In running our business accounts I personally know how hard it is to establish a relationship with my bank, because I have had three different bank managers in the past 4 years. The frustration comes with having to inform them of our future business plans and the history of how we have grown to win over their confidence in assisting our business growth.

Furthermore, the centralisations of policy and decision making to 'head offices' has limited the scope in which staff at the coalface can carry the relationship, as the bank staff will need to get approval up the line to undertake any work with the potential borrower, if something doesn't or even does fit within policy of the bank, as part of their prudent lending measures and possible compliance procedures.

So let's say you have banked with your bank since your school days, but last week they changed their lending policy to only allow you to borrow up to 85% of the value of the property you want to purchase, yet thanks to competition in the market there are still some lenders happy to lend you up to 95%. That could be the difference between you actually getting that property you want or not. So no real loyalty has been shown to you at all, yet you have been a great customer of that bank since you were 10 years old. *(Note: I will credit some banks on this front, as a select few are offering existing customers more advantageous lending policy to non – customers, however this is because they also have some historical record of your money controls, making it easier to determine if you can repay the loan you want, so I'm not sure if this is loyalty or just a further 'prudent' lending practices, but at least some banks are trying).*

Therefore with such a competitive marketplace, the ever growing possibility that your bank will change its lending policy, that could impact your chances of your loan actually being approved and the ongoing frustration of having to continually renew relationships with new staff, our question to you is - should you be loyal to your bank?

Building a successful relationship in the finance sector has evolved since yesteryear, as customers demand better service from their suppliers and someone who knows your financial history as good as they know their own – that's a relationship that delivers year after year.

So back to Empower Wealth's 'duty of care' in working for our clients and not the banks – If our research of multiple lenders offerings could deliver you a more cost effective or more flexible loan structure offering through an alternative lender, then it's our duty of care to ensure we at least inform you of this opportunity, as it is your decision.

Our approach is all about education and the understanding of your future plans and in building a relationship with you, as we want to be your long term “Personal Finance Manager”, just like the now extinct Bank Manager. So therefore your decision is based on your best interest and it’s made with a better level of education and understanding of what’s important for you now and into the future.

It’s not rocket science to work out that the vast majority of people who recognised the underlying benefits they receive from us:

- Detailed Education Lesson on Lender and Product Options across 25 plus lenders and over 500 products
- Sourcing the best loan for your situation
- Long Term Relationship - Being here, today and tomorrow (because it’s our business)
- Loyalty – We work for our client’s best interest – not the lenders!
- It’s a Free, Professional and Personal Service
- Our ongoing ability to continually review our clients loans against the most ‘competitive’ across the market
- Our ‘Property Assist’ services – Property Acquisition education, training, research, data and negotiations materials

As for the minority of people who, I’m sure they are living in hope of getting some loyalty from their bank one day, I just hope it comes sooner rather than later, as they are more than likely losing out financially. These are the people who should be asking themselves ‘When was the last time my bank rang me to tell me that I am not the most competitive, so we are going to reduce your interest rate out of the goodness of our hearts? – NEVER. Their institutional shareholders will never allow this. So my only advice to these ‘loyal’ bank followers is – you better buy plenty of shares in your bank, so at least you can get something in turn for your loyalty.

Knowledge is empowering.....

Ben Kingsley & The Empower Wealth Team

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