

Newsletter

State of Play

Interest Rates:

The Reserve Bank is expected to once again lower rates at their next gathering on the 7th of October and there is a 97% chance that this will be a decrease of 0.5% according to a Credit Suisse Group index. There is even speculation out there that rates may lower by as much as 0.75% although the bounce last night on Wall Street and today on the ASX, might curtail such a big drop.

The big question we all care about is whether or not the banks will continue to pass on the full reduction to us, their customers! In September, the government heavily pressed lenders to pass the full cut and most were pretty quick to lower their rates, however, a few of them waited 1-3 weeks before passing along the savings, which is boarding on un-Australian in our view!

Unfortunately, the latest impact from Wall Street and the continuing global financial woes have caused funding costs to increase for lenders, so the Treasurer will probably not be putting the same level of pressure on banks to pass on the full reduction, as he did in September. This being said, we do expect some lenders to pass the savings to their customers.

Wait a week until after next Tuesdays announcement and if your lender does not pass on the decrease to you, give us a call and we will look to see if there is a better loan product for you from a lender that will take your interests at heart.

Compared to many other countries, our cash rate (7.00%) is relatively high, given our overall solid economic position compared to most other developed countries. Although this has caused stress on family budgets, it has kept inflation levels low and now provides our government with the ability to help re-invigorate consumer spending by lowering interest rates. Unfortunately, some of the other governments are not in as good of a position as we are and will not have the same opportunities because their rates are already at very low levels.

Snapshot of other Countries Cash Rates

New Zealand – 7.50% (Expected to drop 0.5% in October and again in December)

USA- 2.00%

S. Africa – 1.50%

UK – 5.00%
Canada – 3.00%
Euro – 4.00%
Japan – 0.50% (They can't go down much more than this!)

If our Reserve Bank does embark on a reduction of our cash rate to stimulate local consumer demand to compensate our economy against a global downturn, then one important comment needs to be here regarding house prices. Cheaper interest rates mean more people are able to afford to borrow more money, which introduces more people into the market, increasing demand and potentially putting further upward pressure on housing prices. Which leads me to think, given there is already a shortage of housing, and if investors move their money out of the 'unstable' stock market's, then are we going to see continued house price increases? One thing I know for sure, this is when smart investors start looking for opportunities!

Competition in the Home Loan market – Government Injection

In an effort to help smaller lenders to once again become more competitive, the government has committed to lending \$4 billion of its own cash reserves to provide them with access to funds to lend. Hopefully, this move will see more lenders returning to the market with competitive pricing to ensure the market has sufficient competition and therefore keep interest rates as low as possible.

The 'Risk' of Lending Money

We have witnessed historical changes in the World Finance Markets over the past month and it all seems to have originated in the US mortgage market. The consensus is that lenders there were giving loans that were just too risky. Lending money to people with no equity, no cash deposits, and poor credit histories and in many of the cases no income documentation (low doc). Thanks a lot Wall Street!

The peak industry body for the mortgage and finance industry, the MFAA, has moved to reassure borrowers that lending practices in Australia are not lax and bear no resemblance to that recently experienced in the US market.

"Low doc loans play an important role in making finance available to the growing population of Australians who are self employed or contractors. These non conforming loans (which have been confused with US sub-prime loans) are issued to a very small number of Australians, making up less than 1 per cent of all loans." said Phil Naylor of the MFAA. So fortunately our lenders in Australia have higher risk assessment criteria before lending money to anybody, including self employed applicants. Furthermore our loan here are full recourse loans, which in simple terms means that if the bank doesn't get its money back from selling the house they can get it from your other assets. Where as in America, most lending is non-recourse meaning that if you can't pay that's the banks problem, because all they can take from you is the home and nothing more!

Housing Shortage Continues to Get Worse!

According to Harley Dale, the Chief Economist of the Housing Industry Association, August saw another large drop in new housing construction approvals and many signs indicate that there will be weak growth in new construction well into 2009. According to Mr. Dale, "It is a concerning situation when you have record population growth from immigration met by declining building activity. Get ready for 15% plus growth in private rents." Thank you Harley, this is the word we have been trying to get out to the public over the past few months! We further believe that the housing shortage will result in capital appreciation.

Fix Rates Expire

Over the coming months it is expected that billions of dollars of low fixed rate loans will expire and convert to variable rates and with interest rates tipped to continue to fall, variable might be the space to be. If your loan falls into this category, please allow us to do a free assessment of your loan options. In many cases, the lender you have may not necessarily be the best lender to stick with. We will give you an honest assessment of the options available to you. We will analyse your current finance picture and provide you with the latest finance education to help you find the optimum loan product to suit your current and future needs.

Special note: Keep an eye out for our 'Interest Rate Snapshot Report' we are planning to release in October once the Reserve announces their decision on the cash rate and the major banks play their hands with what they will be offering!

Our 1st Anniversary

The 5th of October marks our first year under our Empower Wealth name, after several years with Mortgage Choice. Since October the team has grown to 4 and still growing (watch this space!)

As clients you know Empower Wealth was born out of my passion to help as many people have the knowledge and foresight to improve their financial wellbeing as I have through investment, finance and property. We see ourselves as a knowledge centre, and with our guidance we want to empower everyday people to create and accumulate wealth. That is why I have developed a series of workshops dedicated towards 'superior' real estate buying and finance & wealth education.

eSearch Superior Property Workshop @ RACV Club, Melbourne

Due to the amazing feedback and overall response, to this workshop, we have decided to move the eSearch Superior Property Workshop offsite this month. We will be running 4 sessions at the RACV Club, 501 Bourke St, Melbourne on the following dates:

Wednesday 22nd October: 12pm-3pm or 6:00pm – 9:30pm

Saturday 25th October 9:30am: 1pm or 1pm – 4:30pm

AT THESE WORKSHOP THERE'S MORE!! - Follow on from feedback from previous attendees, we have added new websites to the original workshop and most importantly we now include a BRAND NEW – 'SUPERIOR PROPERTY SELECTION PROGRAM' (supplied on disk) to add even more value to the workshop.

This fantastic new research and decision making tool is designed for the user to tailor make their own 'outperforming' property selection program based on their learning from the eSearch Superior Property presentation and also using the information and examples provided within the program.

Workshop Price is \$99.00 per person and includes the following:

- 3 hour presentation and demonstration of over 35 property research websites
- 55+ page workbook including an index to each site and a summary of the key features and benefits of each site
- Superior Property Selection Program demonstration, explanatory notes, DIY Property Inspection Report (Value \$79)
- Tea coffee and refreshments

EMPOWER WEALTH OFFERS ALL EXSTING CLIENTS A 20% DISCOUNT ON OUR WORKSHOPS IN RECOGNITION OF YOUR CONTINUED CUSTOM

DISCOUNT CODE IS: [esp20ewc](#)

With all this added extra value and with property looking like the best use of your money at the moment, now is the time to make a smart choice!

To make a booking or for more information visit our website www.empowerwealth.com.au

Final Comment – Empower Wealth wins our first award!

We have just received a 'Platinum Performance' award from AFG, which underscores my belief that our top-notch panel of lenders coupled with state of the art technology and vast loan expertise enable us to offer some of the best finance and structuring in Australia.

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