

ROYAL COMMISSION INTO BANKING LEAVES A RIGHT ROYAL MESS!



The Royal Commission's proposal to change the structure of home financing in regards to Finance Brokers seems set to leave the system in nothing short of a right royal mess.

It could in fact lead to almost the opposite of what the Commission set out to do and create a scenario of giving even greater market share to the 'Big Four' banks and in turn it could result in an increase in interest rates.

Commissioner Hayne's attack on Finance Brokers has revealed a lack of understanding of the role of Finance Brokers and the influence they have on the finance industry.

Incorrect theory

For instance, his theory that Brokers being paid by commission results in brokers getting clients to borrow as much as they can, is totally incorrect because a broker's success relies on getting the best deal possible for its clients - not in sending them broke. Furthermore, the final decision rests with the financial institutions as to how much they will lend the client.

A Broker's job is to put up a submission to the lender that offers the best package for the client's situation...once the client's

circumstances have been fully ascertained. In many instances we and other Brokers find the best packages for clients with finance institutions that are not in the 'Big Four'.

So in effect the broking channel enables borrowers more product choice by giving them access to the other financial institutions - institutions that they may not have heard of or would not have thought to approach had it not been for the instigation of the Broker.

Lowered interest rates

Interestingly, it has been proven that the Finance Broker channel has contributed to a fall in lenders' net interest margins of more than 3% over the past 30 years, so in effect the system of having Brokers has made home financing cheaper for all Australians.

Commissioner Hayne's recommendation that borrowers pay the Finance Broker's fee means increased costs for every day Australians if they use a Finance Broker to organise their finances.

Continued page 3
Petition

welcome

Welcome to the first all finance matters for 2019.

We've had some excitement as IMFS has reached its 21st year since establishment on Friday 1 March 1998. Needless to say we had celebratory lunch and a cake.

By all accounts the West Australian economy is on the mend as there is improving jobs growth, lower unemployment and improvement in the resources sector.

Interestingly, the Australian Financial Review is tipping Perth property values to rise 5% this year and a further 3% in 2020.

Once again WA is likely to be out of step with the Eastern States as it would appear that falling house prices in New South Wales and Victoria are resulting in reduced consumer confidence there. This could have some effect on the economy, though the Governor of the Reserve Bank, Phillip Lowe has said he feels the economy remains manageable.

One thing likely is an interest rate reduction, possibly two - each likely to be little nibbles of perhaps 0.25%.

In the meantime, we trust you have had a good start to the year and that we will all enjoy a more buoyant economy in WA, than we have had over the past few years.

AT THE TIME OF GOING TO PRINT, BEST VARIABLE RATE ON OUR PANEL:

3.55% PA
VARIABLE RATE

3.6% PA
* COMPARISON RATE

inside

- How to make money a happiness tool
- Climate change and the Poland talkfest
- Handy home hints
- First Home Buyers - should they buy new or established?
- Birthday celebrations
- How much do you know about cucumbers?



HOW TO MAKE MONEY A HAPPINESS TOOL AND NOT A SOURCE OF MISERY

Edition 1: Credit card management!



Without good management there is little doubt that issues around money can be the biggest cause of stress

In our time of being Finance Brokers we have seen people with very low incomes become very financially successful, while others with much better incomes have been in a mess.

Money management is the answer.

That does not mean not ever going into debt.

Debt can be a good thing because it offers a wonderful level of leverage and it builds your credit rating – it's how debt is handled that's the key issue.

First up – let's talk about credit cards.

In essence there is nothing wrong with them – unless you're stuck in not making headway in paying them off.

Just making minimum payments each month is the worst situation you can get into, because it means it will take forever to pay off the principal.

Astronomical interest rates

Credit card interest rates are astronomical. A card with a debt of say \$5,000 and an interest rate of say, 16% could take more than a decade to pay off and the amount of interest paid would far exceed the initial debt.

The ideal scenario is to pay off credit card balances each month. If this is not possible the reality is that your spending is probably exceeding your income and you really should think about tackling the money issue without resorting to a credit card.

Okay – it is not always possible – but it is worth trying!

One of the realities of credit cards is that it is not just the debt owing on a credit card that affects your ability to borrow for something worthwhile such as a home, but even if you have it fully paid off, just the access to it is a negative to assessing your financial situation.

If you want to maximise your borrowing capacity cancel the credit card or lower the limit!

The key point about money is that it is a tool you need to control – and that often means being able to control one's wants! Taking control – defining what is important and what is trivial can make a big difference to one's life.

More on this subject next edition:



CLIMATE CHANGE – AND THE POLAND TALKFEST



You may recall we made mention in our last publication that the outcome of COP24 (the climate change talks, held in Poland) would be interesting.

It seemed to us there was remarkably little publicity given to this important event, so as we had referred to it previously, we hunted around for news on its outcome.

The following is a digest from an article that appeared in the Guardian.

The United Nations climate change talks were quite fractious but did end with a deal that has put the Paris Accord into practice but with other contentious problems left to be resolved next year.

There was quite a row over carbon credits, awarded to countries for their emissions-cutting efforts and their carbon sinks, such as forests, which absorb carbon. These credits count towards countries' emissions-cutting targets.

Brazil, which hopes to benefit from its large rainforest cover, insisted on a new form of wording that critics said would allow double counting of credits, undermining the integrity of the system.

The debate resulted in Brazil's incoming president, Jair Bolsonaro, rescinding the country's offer to host next year's talks.

Difficult questions

Difficult questions remain, in particular the key question of how countries will step up their targets on cutting emissions in line with the stark scientific advice that on current targets, the world is set for 3degC of warming from pre-industrial levels, which scientists say would be disastrous, resulting in droughts, floods, sea level rises and the decline of agricultural productivity.

The UN will meet again next year in Chile to thrash out the final elements of the Paris rulebook and begin work on future emissions targets.

The crunch conference will come in 2020, when countries must meet the deadline for their current emissions commitments and produce new targets for 2030 and beyond that go further towards a greater level of reduction.



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3.68%_{PA}
1 YEAR FIXED

3.77%_{PA}
* COMPARISON RATE

from page 1

ROYAL COMMISSION MESS...

Many borrowers won't be willing or able to pay for the services, so they will simply turn to the 'Big Four' banks. This means less choice for consumers, giving the big banks a free kick, and leads to less competition in the banking sector which is critical for downward pressure on interest rates.

In other words – in the long term, that simple recommendation could create a lot of undoing to what the whole Royal Commission was trying to achieve in the first place.

Needless to say, the Mortgage Broking industry is putting up a fight for what it believes is a major error made by Commissioner Haynes and is asking Australians to send a message to policy makers by signing a petition at:

www.brokerbehindyou.com.au

If you would like to see more facts on the issue the site www.brokerbehindyou.com.au gives more extensive detail.

We'd love it if you signed the petition

brokerbehindyou.com.au



SUPPORT MORTGAGE BROKERS!
**DON'T LET THE DOOR
 SLAM ON COMPETITIVE
 INTEREST RATES.**
 PROTECT COMPETITION, SIGN OUR PETITION
Brokerbehindyou.com.au

Handy home hints

- **Cut Flowers:** Cut an inch off the bottom of the stems and place in water within 13 seconds (prevents inhalation of air). Adding a little bleach to the water will preserve your flowers longer, because the water is cleaner. Change the water regularly. Adding a teaspoon of mild detergent will sometimes work to revive a vase of wilted flowers.
- **Fridges and freezers:** To keep them smelling fresh, sprinkle a few drops of vanilla extract onto a damp cloth and wipe the interior walls and shelves. To dispel odours, place a small container of baking soda inside the fridge.
- **When giving distasteful medicine to young children:** First, run an ice cube over the child's tongue to temporarily freeze the taste buds.
- **Aquarium water:** If you have an aquarium, save the water each time you change it and water your house plants with it. It's full of nutrients and makes a great fertiliser.



82
 MILLION
 AVERAGE
 INCREASE
 IN WORLD'S
 POPULATION
 PER YEAR



FIRST HOME BUYERS – SHOULD THEY BUY NEW OR ESTABLISHED?

In a number of states across the country including Western Australia, first home buyers are being encouraged to build or buy new. A question arises, is that really the right move for them to make?

The first home buyers grant, being skewed towards building or buying a new home, is obviously aimed at encouraging the home building industry. However, the reality is that far better capital growth generally occurs in established suburbs rather than outer suburb localities where new housing subdivisions are established.

Capital growth

Damian Collins, President of the WA Real Estate Institute, recently made the point that the first home people buy is most important because it's capital growth that will enable them to be able to afford to upgrade to their next home.

And the fact is that older existing homes in established suburbs, generally appreciate in value faster than brand new homes in the outer suburbs.

In addition to the aspect of capital growth, the potential to negotiate on price when buying



an established property is not as likely with a new build.

People selling an established home are often motivated to sell.

They could be keen to upgrade, move to another location or be forced to sell because of circumstances. This means the price could be negotiable, whereas unless a builder/ developer is desperate to sell in abnormal market conditions there is unlikely to be any possibility of negotiation on a new build.

In essence, if they can manage it, First Home Buyers would be better off to go without the First Home Buyers Grant and buy an established home rather than build in an outer location.

IMFS comes of age

In Mortgage & Finance Services



There is nothing like a good excuse to celebrate and IMFS's 21st birthday fit the bill nicely.

IMFS was established on March 1st 1998 and has grown to be one of the largest independent finance brokerages in Western Australia.

Our celebration at Miss Chow's was enjoyed by all.



24,992,400

AUSTRALIA'S POPULATION JUNE 30 2018

AN INCREASE OF 390,500 FROM JUNE 30 2017

HOW MUCH DO YOU KNOW ABOUT THE HUMBLE CUCUMBER?

If there is one vegetable highly under-rated it is the cucumber. We bet you didn't know all of the following...

1. Cucumbers contain most of the vitamins you need every day, just one cucumber contains Vitamin B1, Vitamin B2, Vitamin B3, Vitamin B5, Vitamin B6, Folic Acid, Vitamin C, Calcium, Iron, Magnesium, Phosphorus, Potassium and Zinc.
2. If you're feeling tired in the afternoon, pick up a cucumber. Cucumbers are a good source of B Vitamins and Carbohydrates to provide a quick pick-me-up.
3. Tired of your bathroom mirror fogging up after a shower? Try rubbing a cucumber slice along the mirror, it will eliminate the fog.
4. If you have run out of shoe polish...rub a freshly cut cucumber over the shoe, its chemicals will provide a quick and durable shine that not only looks great but also repels water.
5. If grubs and slugs are ruining your planting beds place a few slices in an aluminum pie tin and your garden will be free of these pests. The chemical mix gives off a scent that drives garden pests crazy and makes them flee the area.
6. To avoid the likelihood of a hangover eat a few cucumber slices before going to bed. You're likely to wake up refreshed and headache free because cucumbers contain enough sugar, B vitamins and electrolytes to replenish essential nutrients.



*The comparison rate quoted in this publication is based on a secured loan of \$150,000 over a term of 25 years. This comparison rate is only true in this example given, and may not include all fees and charges. Different terms, fees or other loan amounts may result in a different comparison rate.

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