

A Client for Life...

Reverse Mortgages Article by Jason Cheetham

No doubt most of you would have heard the term “Reverse Mortgages” as they are becoming increasingly popular with seniors in this country. They have been in the market for at least ten years but nowadays more lenders are offering these facilities and they are more flexible than ever before.

Basically a Reverse Mortgage allows you to access equity in your home without the requirement of interest payments as the interest is capitalised on top of the amount borrowed. The funds can be used for any personal or investment purpose.

You can elect to access the equity as a lump sum or as a monthly income. No repayments are required until the Title is transferred, either through the sale of the home or via the estate of the owner/s.

The minimum age requirement is 60 years (for the youngest Title holder if there are joint applicants) and the older you are the more you can borrow as a percentage of the value of the home.

For example, at age 60 you can borrow up to 15% of the property value, 25% at age 70 and 35% at age 80. There is no requirement for the home to be unencumbered and any existing mortgage can be refinanced by a Reverse Mortgage as long as it meets the age and maximum loan size parameters.

Interest rates can be variable, fixed for 2 - 10 years or for the life of the loan. Variable rates start from around 8.85% p.a. Fixed rates are slightly higher at around 9% p.a. to fix the rate for the life of the loan.

All Reverse Mortgages require the borrowers to obtain Independent Legal Advice (ILA) so they are aware of their obligations and how the loans work with an increasing debt over time. In addition

the lender is required to obtain a sworn valuation on your property upfront and reserves the right to do so every few years as their terms and conditions permit.

With some lenders you are not required to live in the home so, for example, if you wanted to relocate to a retirement villa, your property can be retained as an investment and earn rental income. The debt must be repaid when the home is sold, transferred or within ten months of the property passing to your estate. If the home is passed to your estate the loan can be repaid from any source, not necessarily from the sale of the home.

Other types of real estate security such as vacant land and commercial properties are unacceptable security for Reverse Mortgage facilities.

Lenders require a first mortgage over the property so any existing mortgages or caveats will need to be removed at or before settlement.



For more information please call our office on 9477 4188. It can be a big decision to make but as lifestyle becomes more and more important in later years, Reverse Mortgages are finding their place in Australia and becoming increasingly popular. Catalyst can assist you in determining whether you are eligible, how much you may be able to borrow and which lenders best suit your needs.

Win With Our Web!

To coincide with the recent launch of our new-look website we are inviting our valued clients to play a part in our Testimonials page.

As you know Catalyst staff pride themselves on their strong client relationships so we would love to know what you think of our service.

If you would like to be part of our new-look website, send your testimonial to Marnie Dalziell at marnie@catalystfinance.com.au or post to PO Box 59, Cloverdale WA 6985.

The clients whose testimonials are selected will receive a double movie pass to see the latest blockbusters.



Catalyst Now Provides Financial Planning Services

Our business has expanded exponentially over the last few years and we continue to find that our clients are requesting different services. We have always felt that Financial Planning is one particular area of advice we need to offer to our clients, not only for the benefit it can provide but also because it compliments the services Catalyst Finance provides now.



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Financial Planning is a specialised field and focuses on many areas including superannuation advice, personal insurance advice, investment advice and retirement planning to name a few. Financial advice can only be provided by a qualified Financial Planner and most financial planners have completed many years of study and operate under an Australian Financial Services License.

Catalyst has spent the last twelve months trying to find the best solution. We initially felt that employing an in-house financial planner would be the best option. This task has proved difficult in that there is a large shortage of qualified financial planners and most talented financial planners are already working in their own practice.

We have searched the market and subsequently decided to form a joint venture with a financial planning practice called Interworx Wealth Management. Interworx is a small boutique financial planning firm that specialises in all areas of financial advice.

Sam Pizzata and Choon Kwa (Authorised Representatives of Charter Financial Planning Limited AFSL Number 234665)

not only own the business but are highly talented and qualified financial planners. Both Sam and Choon are degree qualified and both have post graduate qualifications specifically in financial planning.

We have a very close professional relationship with Sam and Choon and have referred many of our clients to them in the past. The feedback we have received is exceptional. Sam and Choon are both free and happy to speak to you at any time during business hours, therefore as clients of Catalyst just consider them your own personal financial planners.

To all our valued Catalyst clients we have arranged an obligation free initial consultation with Interworx. This means that you are free to arrange an initial appointment with Sam or Choon without incurring any cost or being made to feel obliged to pursue further appointments if it is not required.

We believe that the service Interworx offers will be highly beneficial. Please read over the following case study, provided by Sam and Choon, which outlines a common client situation where financial advice has added value.

Case Study: Mathew and Diana

Mathew and Diana are a married couple both in their early 30's. They have two young children and feel they need some direction on how to create wealth for the future.

Mathew is a self employed plumber earning \$95,000 pa and Diana works in a medical practice part time earning \$28,000 pa. They bought their current home about 5 years ago for \$220,000 and have seen it's value increase to \$600,000. Their debt is now \$175,000 and they pay around \$1,700 per month to service it.

Mathew is aware of two super funds he has, from when he was an employee. He does not know what amount he has in them, the fees he is charged, what investment option is chosen or if he has insurance. Diana is aware of one super fund which is the fund her employer currently pays all her super into. She has a small amount of life insurance in this fund costing her \$150 pa.

They have no personal insurance and require around \$45,000 pa to cover living costs (not including home mortgage). They seek the services of a financial planner who completes the following:



A lost super search is conducted and a number of different lost super funds are found for both the couple. They discover some of their funds have limited features, high fees, poor investment choice and/or simply do not provide any service. They also discover that they have missed out on potentially much better returns over the last 4 years because their money was invested in very low risk investments.

A new fund is chosen with more appropriate features and/or more competitive fees. The money is then invested into an investment option that matches their risk tolerance and their time frame until retirement. They then take out Life and Total & Permanent Disablement Insurance cover through their super which is offered to them at cheap rates and where the cost of the cover is paid from their super balance. The amount of cover chosen is now enough to cover their mortgage and help cover other costs such as raising their children.

Mathew takes out income protection to cover 75% of his income if he cannot work due to injury or illness and both take out trauma cover to pay a lump sum amount if they suffer a trauma event and survive. This cover is paid as a monthly direct debit from their bank account and Mathew's income protection is 100% tax deductible.

Diana is advised to make a personal after tax contribution of \$1000 into super. Doing this will then entitle her to receive a \$1500 co-contribution from the government. Mathew is advised to start contributing at least \$10,000 pa into his super fund. Being self employed it means this entire amount will be tax deductible.

After implementing these recommendations and allowing for their existing costs, a new cash flow shows they still have a surplus income after tax of around \$20,000 pa. Part of this can be used towards paying off their mortgage earlier and some can be used to borrow more money and invest into a growth asset such as a property, shares and/or managed funds. With the income they receive from the investment (i.e. rent, dividends and/or distributions) combined with the remaining surplus they have, they can service the debt on this investment.

In summary they have now restructured their super, taken out appropriate insurance to protect themselves and/or their family financially, will start making tax effective super contributions for retirement, have borrowed money to create wealth for the future and have some surplus income left over to pay off their home mortgage earlier.

Note: *The advice provided in the case study above is an example only & is not designed to be used or to influence the financial decisions of readers. Every client circumstance is different & requires careful analysis before appropriate advice is recommended. We do not recommend that the examples provided are implemented into your own financial situation unless your own personal circumstances are analyzed by a financial planner first.*

Sam or Choon can be contacted on (08) 9440 1377 for any enquiries you may have or should you wish to make an appointment to meet with them. Please ensure that you mention that you are an existing Catalyst client.



Part of our Client for Life philosophy means we like to keep you informed of reputable service providers with whom we have had great success with.

With many of our clients requesting loan increases for home renovations, we thought it might be timely to introduce Bellagio Bobcat Service.

Reg Boston, owner of Bellagio Bobcat Service has over 10 years in the building and construction industry and can look after your every earth moving / rubbish removal need.

So if you live in the southern or central suburbs and need help with anything from site / slab cleaning to green waste and rubbish removal to asbestos removal give Reg a call on 9337 4490.

Rates start at \$65 per hour plus travelling time to the location. Tip fees are \$220 per load.

It's Riddle Time!

Given the fact that the answers to our previous riddles seem to flood in faster every time its quite obvious Catalyst clients are a brainy bunch ... so hopefully I've managed to stump a few of you with our Spring Riddler.

The first correct answer received by Marnie at marnie@catalystfinance.com.au or 9477 4188 will win a premium bottle of wine – perfect for your next Spring picnic!

A Life Saving Sentence

A peasant is convicted of a crime in China and is given the death penalty. The court judge allows him to say one last sentence in order to determine the way the death sentence will be carried out.

If the peasant lies, he will be hanged, if he speaks the truth he will be beheaded.

The peasant speaks his last sentence and to everyone's surprise, after some deliberation, he is set free because the judge cannot determine his penalty.

What did the peasant say?

Winter Rhyming Riddle Winner

Congratulations to **Geraldine Ditchburn** who was our Winter Riddle Winner. She answered our Winter Rhyme in record time. And of course, the answer was a Horse!

Melbourne Cup Sweepstakes

It's that time again folks – Spring Carnival Time!

After the success of last year's Catalyst Finance Melbourne Cup Client Sweep we thought we would invite our valued clients to participate in this year's frivolities.

For your chance to win fabulous prizes and be part of the Melbourne Cup action email Marnie on marnie@catalystfinance.com.au before Friday 2nd November to register for the draw.

On Monday 5th November - the day before the big race - we will draw 24

names from our barrel of contenders. If you are one of the 24, we will contact you with your lucky horse number.

All of the chosen 24 participants will be advised of their final placing on the Wednesday following the race.

1st prize: 2 nights accommodation at our Hamelin Bay Holiday Home.

2nd prize: \$100 Liquor Baron's Voucher.

3rd prize: \$50 Liquor Baron's Voucher.

Last place prize: Bottle of Penfolds Bin 404 Cabernet Sauvignon.

Footy Tipping Final Placings

I think it's safe to say our 2007 tipping season will go down in Catalyst tipping history.

Those who played along will be well aware of the gallant effort our winner **Andrew Gibb** made in holding onto the number one spot for more weeks than we all care to remember!!

For his incredible efforts Andrew has won **4 fabulous nights accommodation at our beautiful Hamelin Bay holiday home.**

For all those who came close (and for those who didn't) just remember you have a few months to study the stats, facts and figures to ensure your place in the "top 8" for next year's tipping comp... or you could do what I do and play 'Paper Scissor Rock' to pick the winner.

Pappardelle with salmon, yoghurt, tomato and dill

You'll find this quick and easy pasta dish becomes a firm Spring favourite for BBQs, entertaining with friends or for a quick mid-week meal:

Ingredients (serves 4):

- 375g pappardelle or fettuccine
- 200g natural yoghurt
- 1 tsp Dijon mustard
- 3 vine-ripened tomatoes, seeds removed, diced
- 1/2 cup roughly chopped dill sprigs
- Juice of 1/2 a lemon (or to taste)
- 210g can red or pink salmon, drained, skin and bones discarded. Or you can use smoked salmon if you prefer.



Method

- Cook the pasta in a large pot of boiling water until al dente. Drain, reserving 1/2 cup of the cooking liquid.
- Meanwhile, place the yoghurt, mustard, tomato, dill and lemon juice in a large bowl and mix using a fork. Season to taste with sea salt & cracked black pepper. Flake the salmon over the top of the mixture.
- Add the pasta and reserved cooking liquid to the salmon mixture and toss gently to combine. Divide pasta among bowls and season with freshly ground black pepper.

Remember if any of your details have changed or you're planning on moving in the future, please let us know so we can amend our database. If you no longer wish to receive our newsletters please let Marnie know and she'll remove you from our mailing list.