

catalyst

client for life



Happy Birthday To Us!

The Lounge Bar at the Broken Hill Hotel was the place to be on 17 June. The food and drinks flowed freely and everyone who joined in the celebrations had their fingers crossed in the hope they would take home the Grand Prize of \$2000 worth of travel or a runner up prize worth \$250.

The party was attended by 50 of our Clients for Life and referral partners who had sent business our way since February this year.

And it was extra special for Clayton Bishop and Gwynneth Hodges who went home with **\$2000** in travel vouchers. Do you need someone to hold your suitcases?

Craig and Trudi Hatch, Martin McCoy, Lechelle Baxter and Ben Foster, Robb and Jennie Webb didn't go home empty handed either. They won a runner up prize of **\$250**

Grand Prize winner Clayton Bishop (left) is congratulated by Jason Cheetham



to spend at wishlist.com.au, which we're sure will delight them.

To get the crowd warmed up, a bottle of Verve Clicquot was auctioned off with proceeds going to Camp Quality. Bidding was fierce and at just shy of \$300, it came down to two bidders - Marnie Dalziell and her new best friend (she wants him to share the prize!) Kim McLeod. In the end a 50c

bid gave Kim the win. We hope you enjoy your tipples knowing your hard earned cash is helping kids in need.

Our heartfelt thanks to everyone who attended on the night and to all our Clients for Life who have helped us build our successful business over the last five years. Your support has been phenomenal. If it wasn't for you we wouldn't exist, so HIP HIP HOORAH to you all!

How to reduce the interest on your home loan

Compiled by Diane Nicol

Interest is calculated daily and charged to your loan account monthly in arrears. Just by regularly reducing your balance by a few extra dollars you not only save on interest but you reduce the term of your loan.

Pay fortnightly

By halving your monthly repayment and paying that amount fortnightly you reduce the interest charged. As there are 26 fortnights per year, by splitting your monthly repayments you are effectively making an extra month's repayment per year, reducing the loan balance and interest charged.

Pay extra

Every extra dollar you put into your loan can save you around \$2 over the term of the loan.

For example: A \$300,000 mortgage at 5.7% over 30 years will cost \$326,000 in interest. By paying an extra \$25 per week you can save over \$29,000 in interest. If you can't afford to pay extra on a regular basis, depositing your tax refund or annual bonus into your home loan will save you thousands on interest.

Cheap can cost

Some low interest rate home loans have restrictions which prevent you from making fortnightly repayments or additional repayments. Make sure you compare these loans with standard loans to ensure they give you the features that match your requirements such as extra repayments, minimal fees and redraw.

Don't reduce your repayments

If you are comfortable making the same repayments you did when interest rates were

higher it is in your best interest to keep the repayments the same. Not only will the extra repayments reduce your loan faster, it reduces your exposure, and gives you a 'buffer' when the interest rate rises again.

Consider switching

Fixing all or part of your loan is a gamble but some banks will allow additional repayments up to a set amount each year. There is talk of another rate drop later in the year but there is no guarantee that the banks will pass it on to borrowers.

Consolidate

Use the equity in your home to consolidate credit card and personal loan debts into your home loan. Ensure you pay more into your home loan to cover the extra or you will pay more in interest.

Winter Recipe - Pumpkin & Ricotta Rotolo

This is Marnie's favourite winter dish. She has cooked it more times than she cares to remember as it's an absolute crowd pleaser.

(Serves 4)

Prep & cooking time: 1 hour +

INGREDIENTS

- 700g piece butternut pumpkin
- ½ head of garlic, broken into cloves, unpeeled
- 2 tablespoons olive oil
- 4 sprigs of rosemary
- 1 bag of pre-washed spinach
- 300g smooth ricotta cheese
- 1 tsp ground nutmeg
- 2 fresh (soft) lasagne sheets
- muslin cloth
- string
- 2 tablespoons olive oil
- 100g butter
- juice of half a lemon
- 1 tablespoon sage leaves

METHOD

Cut pumpkin into wedges, place in roasting pan with garlic, oil and rosemary and roast for 40 mins until golden. Place in bowl to cool slightly. Discard rosemary and squeeze garlic out of skin. Remove skin from pumpkin and mash with the garlic. Set aside.

Combine ricotta and nutmeg and season. Lay pasta on a bench, slightly overlapping and spread with the pumpkin mix, then the ricotta and then spinach leaves. Roll up in swiss roll fashion.

Wrap in muslin and tie at ends and in the middle.

Poach for 20 mins in a pot of simmering salted water. Remove and cool completely. Unwrap and slice into 5cm pieces.

Heat oil in a heavy based pan. Add rotolo



slices and cook each cut side until browned. Remove and set aside.

Add butter, lemon and sage leaves. Cook until butter is a nutty colour. Serve rotolo drizzled with butter sauce.

Winners on Our Web



We have been overwhelmed by the number of entries received for our *Win on The Web* competition.

Congratulations to **Carole Bennett** our March winner, **Joanne Mathers** our April winner and **Louise Corteen** our May winner.

The competition runs until 31 July so its not too late to enter. For your chance to win a \$100 Coles

Myer voucher, day spa voucher or premium wine pack, log on to www.catalystfinance.com.au and search for the answer to this statement: **Name 1 of the many "steps" throughout your life when Catalyst can help.**

Send your answer via our *Talk to Us* section on the Contact page. You must include your full name, contact number and email address and write your answer in the Question box.

Autumn Riddle

I managed to stump most of you with my Autumn Riddle about the slow kitchen clock. The answer was **6am** and the first correct answer was received by **Eric Morley-Smith**. Congratulations to you Eric...great math skills!

Winter Riddle

The first person to email the correct answer to marnie@catalystfinance.com.au will win a premium bottle of red wine to warm up their insides this winter.

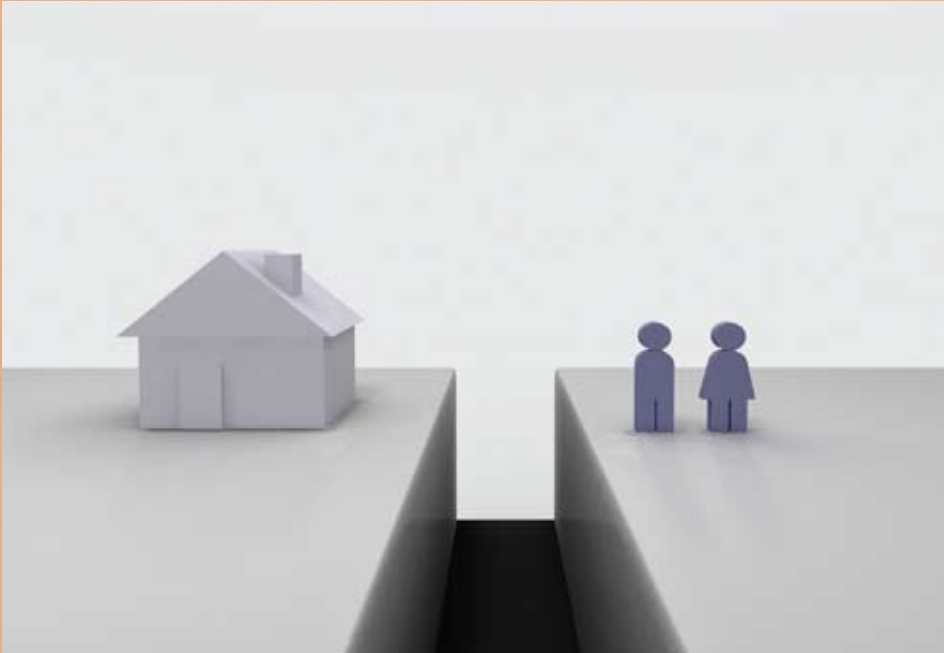
BOZO THE CLOWN needs to practice riding his tricycle to prepare himself for his upcoming circus audition.

He travels 100 kms and has 2 spare tyres. He wants to use all five tyres equally so he has an equal amount of kilometers on each by the end of the trip. Of course, he can only use 3 tyres at a time so he has to change tyres during the trip.

At the end of the trip, how many kms will each tyre be used?

Why the Government Had to Extend the First Home Owner Grant

Written by Jason Cheetham



There was plenty of conjecture recently over whether the Federal Government was going to extend the \$7,000 First Home Owner (FHO) Boost past the 30 June cut-off date.

Media reports and the thought of it not being extended put buyers into a frenzy, the likes of which we've not seen since the boom-time a few years ago. All of a sudden multiple offers were being presented on homes, banks became swamped with first home buyers seeking finance and bank turnaround times became unacceptable, remaining so up until the time of writing this article.

It is quite incredible to think that a \$7,000 impetus on top of the normal grant would have such an impact on the real estate market, especially when the median house price in WA is \$430,000. When the FHOG first came out in 2000 the \$7,000 was a much greater percentage of the value of the home than it is today.

The government has a vested interest in the property market and new construction remaining buoyant to encourage the economy along, which is why the \$7,000 Boost was introduced last year during a time where the global credit crisis threatened to put the skids on the economy. It seems to have done

the trick but possibly at the expense of the more mature second and third home buyer market, where prices have remained flat or even dropped during this time.

In Western Australia the State Government assists first home buyers with finance through Keystart, which has become a very competitive financier for those buyers in the last 12 months. Prior to this, the banks with their low or no deposit loans and generous borrowing capacities took the lion's share of the first home buyer funding. But with the credit crunch came tightening credit policies and the removal of no deposit loans and even 5% deposit loans in more recent times. Due to the major banks' inability to pass on the Reserve Bank's rate cuts, Keystart has a very competitive interest rate of 4.99% with a minimum deposit of only 2% for buyers up to \$412,000, down from Keystart's previous maximum of \$450,000.

Add to this the fact that Keystart does not require its loans to be "mortgage insured" by a third party charging exorbitant premiums which have continually increased over the past 18 months, and it puts Keystart in a very attractive position should you be seeking first home buyer finance. In fact it has become the lender of choice due to the low interest rate and establishment costs.

So think about the consequences of removing the FHO Boost in an otherwise

flat property market. It would have dire effects on demand for land and could force first home buyers to rent instead of buy, especially when banks are tightening their lending policies and making it harder to obtain finance. During the past 18 month period, Keystart has remained a constant, consequently they have written an absolute truckload of business, the majority of which have been 98% lends (2% deposit) with no mortgage insurance to cover themselves.

A dive in first home buyer demand would reduce prices as supply would increase, placing downwards price pressure on the market and leaving both Keystart and the State Government as underwriter of the finance, carrying huge risks with regards to mortgagee sales etc.

Over the same period, other lenders increased their deposit requirements and mortgage insurance premiums so if interest rates start to increase Keystart is greatly exposed, even more so if you factor in the prospect of lower consumer confidence caused by the prospect of higher unemployment. The last thing I would want on my balance sheet is 98% loans with no mortgage insurance in a market where prices in the first home buyer bracket have been artificially buoyed by the FHOG Boost.

Remove the Boost and watch the bottom fall out of this market, leaving Keystart exposed, having significantly more owing on their loans compared to the market value of the security properties. This spells disaster if people lose their jobs and can't pay their mortgage.

So you can see it is in the government's own interest, especially in this State, to keep the "temporary floor" in the First Home Buyer market, otherwise the government itself could be next to join the unemployment line. If Keystart were a bank trying to sell their loan book they would not be commanding much for it given it is comprised of high lend loans without mortgage insurance.

Remember too that if the Boost did cease at the end of June then demand would subside in the first home buyer market and you could likely save more than \$7,000 (the amount of the Boost) in the price of a home or house and land package anyway.

2009 Federal Budget - How does it impact me?

Written by Sam Pizzata, Financial Planner, Interworx Wealth Management

Here we go again, another year and another budget. Unlike numerous years prior we are seeing a "Budget Deficit". Meaning the amount our government receives (e.g. through taxes, charges, royalties etc) is less than its spending (e.g. health, education, security & etc).



Figures show we have a current budget deficit of approx \$57.6B which will steadily increase over the next few years to approx \$188B, due to an increase in spending and decrease in revenue. Our government will likely be in debt for the next 6-7 years, but additional years will be required to pay back the borrowed funds. Although it isn't a good situation, compared to other countries we are in far better shape and have a budget deficit far lower than say USA, UK and Japan.

The global economic crisis we hear about but have not truly experienced yet, particularly in Perth, has massively reduced the government's revenue and as a result it will need to borrow money to cover the cost of providing the services we take for granted. For many, its business as usual and the effect of the deficit now and in the future will be fairly painless. But someone must pay and most of the burden will be carried by middle to high income earners. The following is a brief summary of some of the proposed measures that may be introduced over the coming years. Although the Federal Budget outlines the strategy to manage Australia's finances it must be approved and passed through the Senate first, so some measures may alter or not proceed.

Tax changes

Essentially, tax changes introduced previously will continue. The major changes are:

- The 30% tax bracket starts at \$35,000 from 1 July 09, increased from \$34,000 in the 08 / 09 financial year.
- The 40% tax rate incurred for every dollar earned between \$80,000 to \$180,000 will decrease to 38% from 1 July 2009.

These rates don't include the 1% Medicare levy. It is proposed that additional tax rate and threshold changes will take effect from 1 July 2010.

Superannuation

Superannuation has yet again been amended, sadly at the expense of the generous tax savings handed out by the previous government. The changes will be as follows:



- From 1 July 2009 the maximum concessional contribution to super will be \$50,000 for those over 50 years (previously \$100,000) and \$25,000 for those under 50 (previously \$50,000). From the 2012 /2013 financial year the maximum will revert to \$25,000 for everyone. This will have a large impact, particularly to those wishing to build their super as they near retirement and also to high income earners looking to reduce their tax. Making contributions to super is very tax effective as you are only taxed at 15% which for most people is far lower than their marginal tax rate which may be 30%, 40% or 45%.
- For the next 3 years, the government's contribution to the Superannuation Co-contribution Scheme will reduce from \$1,500 to \$1,000 commencing 1 July 2009. It will increase to \$1,250 after these years for a further 3 years before reverting back to the existing \$1,500.

Private Health Insurance

Over the last 10 years, the government has been trying to convince us to take out private health insurance and provided many incentives to do so, one of which is the 30% private health cover rebate.

This rebate will now be means tested. Higher income earners may expect a reduction or removal of the rebate. For individuals earning more than \$75,000 or couples earning more than \$150,000, the rebate will

reduce to 20%. It will incrementally decrease until, if you are an individual on more than \$120,000 or a couple on more than \$240,000 you will no longer receive a rebate. If you fall under one of the above categories, don't think about cancelling your policy as you will likely be penalized with higher tax. The current 1% Medicare Levy Surcharge incurred by high income earners without private health cover (singles earning more than \$100,000, couples earning more than \$150,000) will increase to 1.5%.

First Home Buyers

You can now stop stressing! The current incentives have been extended to 30 Sept 2009. After this, for established home purchases the Grant will be reduced from \$14,000 to \$10,500 and for those buying or building a new home the Grant will reduce from \$21,000 to \$14,000. This structure will be available until 31 December 2009. From 31 December 2009 the Grant reverts to \$7000 for established homes and \$14,000 for purchase or construction of new property.

"This editorial provides general information only. Before making any financial or investment decisions we recommend you consult a financial planner to take into account your particular investment objectives, financial situation and individual needs. Charter Financial Planning and its Authorised Representatives do not accept any liability for any errors or omissions of information supplied in this editorial."

Remember if any of your details have changed or will be changing shortly please contact us so we can amend our database. If you no longer wish to receive our newsletters please contact Marnie and she will remove you from our mailing list.

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