

ISSUE
APR – MAY
2023

THE INVESTOR

WHAT IS A LVR AND HOW DOES IT AFFECT YOUR INTEREST RATE?

When searching for home loans online, you may come across different terminologies related to interest rates. The most common terms are interest rate and comparison rate percentages. The interest rate excludes fees and charges, while the comparison rate includes the interest rate and the hidden costs you will have to pay. To determine the actual cost of a loan, always look at the comparison rate.

Financial institutions may advertise multiple interest rates with reference to Loan to Value Ratio (LVR) percentages.

For instance, ABC Bank may offer 6.29% [LVR 90%], 5.99% [LVR 80%], or 5.19% [LVR 60%]. The interest rate offered by the institution is reduced according to your LVR.

LVR refers to the equity in the property or the ratio of the loan to the asset value. To calculate your LVR you will need to know the current value of the property as well as the outstanding loan payable. For example, if your property is worth \$500,000 and the loan payable is \$400,000, your LVR would be 80% (\$400,000 divided by \$500,000 x 100).

Financial institutions refer to the LVR to assess loan risk. The lower the LVR, the greater the bargaining power you will have to request a reduced interest rate.

It is important to note that your LVR will change during the loan term, lowering your risk as a client. If your LVR is below 60%, you will be in a strong position to request an interest rate reduction.

Take the time today to calculate your LVR to determine your bargaining power for an interest rate reduction. Even if your LVR exceeds 60%, a five-minute telephone call could save you money in a reduced interest rate percentage.



MANAGING RISK IN OWNING AN INVESTMENT PROPERTY

Investing in property can be a profitable and rewarding venture but comes with risks. As with any investment, there is the potential for financial loss, especially in volatile real estate markets. Therefore, property investors must take measures to mitigate risk and protect their investments. Here are some strategies for effective property investment risk management.

Diversify Your Portfolio

One of the most effective ways to manage risk in property investment is to diversify your portfolio. By spreading your investments across different types of properties and locations, you reduce your exposure to any one area or asset class. For example, you could invest in a mix of residential and commercial properties or properties in different cities or states.

Conduct Due Diligence

Before investing in a property, it's essential to conduct thorough due diligence. This includes researching the property's location, market trends, and potential for appreciation. It also involves reviewing the property's financial statements, rental history, building approvals, and any outstanding maintenance or legal issues. You can identify potential risks and make informed investment decisions by doing your homework.

Maintain Adequate Insurance Coverage

Property insurance protects your investment from unforeseen events such as natural disasters, accidents, or theft. Ensure you have adequate coverage for all your properties, including liability insurance for any potential legal claims. Reviewing your insurance policies regularly is important to ensure they are up-to-date and provide sufficient coverage.

Create a Contingency Fund

To prepare for unexpected expenses, create a contingency fund to cover repairs, maintenance, or other unforeseen costs. This fund should be separate from your personal finances and allocated specifically for property expenses. A contingency fund can help you avoid financial strain in the event of unexpected expenses.

MANAGING RISK... continued

Keep Up with Market Trends

The real estate market is constantly changing, and staying informed of current trends and developments is important, which includes keeping up with changes in interest rates, tax laws, and zoning regulations. You can identify potential risks and adjust your investment strategy by staying informed.

Maintaining Good Relationships

Maintaining good relationships with your tenants is key to mitigating risk if you own rental properties. Happy tenants are more likely to renew their leases, reducing the risk of vacancy or turnover. They are also more likely to report maintenance issues promptly, reducing the risk of property damage or legal claims.

Risk management is essential for protecting your investments and achieving long-term financial success. By diversifying your portfolio, conducting due diligence, maintaining adequate insurance coverage, creating a contingency fund, keeping up with market trends, and maintaining good relationships with tenants, you can reduce your exposure to risk and increase the likelihood of a profitable investment.

EVERY DOLLAR COUNTS... BUDGETING TIPS

If you're looking for money-saving tips to help keep up with interest rate rises and the cost of living, consider our top 20 tips.

1. Create a budget and track your expenses to identify areas to cut back.
2. Search for coupons and promo codes when shopping online.
3. When buying costly items, search online to compare prices before purchasing and ask retailers if they will match prices.
4. Wait for sales and discounts before making big purchases to save money.
5. Review your credit card options and choose one with rewards like cashback offers or where you can purchase items with your points.
6. Cook at home instead of eating out, and plan your meals to avoid food waste.
7. Bring your lunch to work, saving you money over time.
8. Don't shop hungry; this can lead to impulse buys and overspending.
9. Create a grocery list and stick to it to avoid impulse purchases and save money on groceries.
10. Always check for expiration dates before buying food or other perishable items to avoid wasting money on items you won't be able to use.
11. Consider buying generic or store-brand products instead of name-brand.
12. Buy in bulk for items you regularly use to get a better price per unit.
13. Cut back on subscriptions and memberships you don't use or need.
14. Negotiate better deals such as electricity, Internet providers, insurance, or phone bills.
15. Reduce energy usage by turning off lights and unplugging electronics when not in use.
16. Avoid impulse purchases and think twice before making a purchase.
17. Sell items you no longer need or use to make some extra money.
18. Look for free or low-cost entertainment options instead of expensive activities.
19. Take advantage of loyalty programs that can help you save money over time.
20. Trial using cash for two weeks to see if it helps to reduce overspending and accumulating credit card debt.

By implementing these tips, you can save money and improve your financial situation.

Remember, every dollar counts.

FOR RENT:

47 Golf Course Dve, Tewantin - \$780 pw
41 Beckmans Road, Tewantin \$1,400 pw
8 Lilly Court, Doonan - \$500
18 Berrima Row, Noosa Heads – Break Lease - \$1,125

RENT INCREASE UPDATE: As of 1st July, a Lessor is not permitted to increase rent in a new lease if it was increased less than 12 months ago. This includes new tenancies - the first lease is considered a 'rent increase', so the rent cannot be raised for the first 12 months. This rule applies to ALL leases beginning on or after 1st July, including leases that have already been negotiated and signed to begin on or after 1st July. It also applies to rent increases that have been written into a 12-month lease, to raise the rent halfway through. If the rent increase occurs after 1st July and it was less than 12 months since the last increase, this term in the agreement is void and the rent must continue as per the first half of the lease. We are consulting with advisors including the REIQ on how to best navigate through these new laws which were thrust upon the industry with no prior warning or consultation. For more information - [https://www.rta.qld.gov.au/formsresource/s/rental-law-changes/rent-increase-frequency-changeshighest level](https://www.rta.qld.gov.au/formsresource/s/rental-law-changes/rent-increase-frequency-changeshighest%20level), however these new reforms

SUDOKU COFFEE BREAK

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Happy Mother's Day 

Sending our love to everyone
who plays the role of a mum
You are amazing