



Cornerstone Newsletter

Issue 19

January 2017

Special Points of Interest:

5 Things to Consider when Interest Rates are Low

What's Hot in Property?

Bargaining Power - How to negotiate your purchase price

Economic update

5 Things to Consider when Interest Rates are Low Inspired Living

Favourable interest rates are a borrower's best friend, but should you lock in a low rate or go with a variable rate? Here are five things to consider.

1. How low can rates go?

Interest rates are at historically low levels and the current outlook suggests there may be further cuts in the medium-term future. If you lock in your rate now, you won't reap the benefits of later decreases. The question is: how low do you think the rate will go before it starts to climb back up? Timing is crucial if you want to lock it down at its lowest point.



2. Balancing the budget

How are your budgeting skills? If you want to know your precise repayment obligations for the next one, three or five years, then a fixed rate term can give that to you. Be aware, however, that you may not secure the best rate. Consider this route if certainty is important to you.

3. Fixed or flexible?

Fixing a rate denies you some flexibility. Once you fix a rate, some lenders won't let you make extra repayments to reduce your principal. If you come into extra money, such as a work bonus or an inheritance, you lose the opportunity to make what could be a sizeable dent in your mortgage.

4. Selling points

A fixed rate may put you at a disadvantage if you're looking to sell your property in the foreseeable future. Lenders may charge a break fee if you make changes to your loan or pay it off early, which often happens when borrowers sell.

5. Fixed vs variable: It's about 50/50

According to a study conducted by Canstar, a website that compares loans, the advantage of a variable versus fixed rate is fairly small over time. Canstar compared an average three-year fixed-rate loan with variable rates over two decades. People who fixed their loan did better for 112 months, while those who chose variable were ahead for 123 months. "That's pretty close to a 50/50 bet," remarked Mitchell Watson, research manager for Canstar.

Seeing interest rates decrease understandably prompts borrowers to think about fixing their mortgage to a low rate. If you're weighing up the options, consider the benefits and drawbacks of locking in a low rate versus the flexibility of a variable loan according to your personal circumstances.

Celebrating the New Year in Australia

New Year's Eve in Australia. Many Australians annually celebrate New Year's Eve with parties, music and entertainment.

HAPPY NEW YEAR EVERYONE!!!

The 6 Top Locations to herald in the New Year:

1. The Obvious Choice - *SYDNEY HARBOUR* This is Australia's equivalent to America's Time Square.
2. The Most Coveted - *FALLS FESTIVAL IN LORNE, BYRON BAY* or *MARION BAY*.
3. The Less Obvious Choice - *LORD HOWE ISLAND*. While the first place to see the sunrise on the mainland is Mt Warning, the first Australian place is actually on Lord Howe Island. For an intimate New Year, head to this World Heritage-listed island, experience bonfires on the beach and BYO eskies. Ideal for where adventurous souls.
4. The Foodie Choice - *THE TASTE OF TASMANIA*. While other capital cities are burning through millions of dollars worth of fireworks, Hobart prepares a feast for the senses.
5. Yarra Party Boat Fever - *RIVER STYLING ON THE YARRA*. For a prime position of Melbourne's fireworks, the place to be is on the Yarra, cruising along the Docklands.
6. Gold Coast Skies - *VIVA SURFERS PARADISE*. The Gold Coast knows how to party! Plonk your esky on the beach and sit back and enjoy the show.



Inside this issue:

Considerations when interest rates are low

1

Celebrating the New Year in Australia

1

What's Hot in Property

2

Bargaining Power - How to negotiate your purchase price

2

Your Australia Day Prep in 20 Questions

2

Economic Update

3

Australia Day Favorite

3

What's hot in property

Inspired Living

Whether you're buying a property to invest in or call home. It's a good idea to look at emerging property trends, to support your purchasing decision.

Lifestyle locations

Buying a property that can accommodate a growing family in a major city is challenging on the average family income. Instead, some buyers are looking in outer metropolitan and regional areas within two hours' drive of a capital city. These are considered "lifestyle locations", according to REA chief economist Nerida Consibee, because buyers can afford larger blocks and homes. Properties in these outer locations are also a popular first investment, even if the buyer remains renting and working in the city. These 'rentvestors' are getting into the property market without giving up the benefits of their current lifestyle.

High-rises coming to the outer suburbs

Speaking of outer locations, apartments are no longer confined to CBDs. Many councils in outer metropolitan areas have given developers the go-ahead to create higher-density living quarters. Affordability is the key to this trend, but the changing nature of people's employment, where workplace locations are no longer focused in city centres, also supports the move away from primary CBD's.

Keeping it all in the family

Another trend to watch is the move towards multi-generational households. These are becoming more common as elderly parents require care, or when they find living alone becomes too expensive.

Families benefit because older relatives can supervise young children. According to John McGrath of McGrath Estate Agents, Asian immigration has given this trend a nudge, as multi-generational households are the norm in many Asian cultures.

Property sizes are growing to accommodate the increased number of people under one roof, with popular additions including extra bedrooms, granny flats and self-contained levels. Multiple bathrooms are also a must.



Bargaining power: How to negotiate your purchase price

Inspired Living

No one wants to feel like they've been taken for a ride, so when you've found the right property, how do you get it for the right price? Here are some things to consider when it comes to purchasing negotiations

Do your homework

Property prices are influenced both by demand and how much other potential buyers are willing to pay. Before you make an offer, research similar properties that have sold recently in the same area. Also consider organising a pre-purchase building report, as any issues with the building may give you leverage to negotiate a lower price.

Investigate the seller's motivations

It pays to investigate the seller's circumstances. The more you know, the more negotiating power you will have. Ask questions such as:

- "Why is the current owner selling?"
- "Have there been any offers?"
- "How long has the property been on the market?"

Keep your cool

Play your cards close to your chest and don't reveal your position. This includes keeping the maximum amount you're willing and able to spend confidential. Otherwise, the agent may try to push you closer to your maximum, even if your current offer is a fair one. If you're serious about the property, it might be worth making an offer slightly above estimated market value, as long as it is still within your means. But don't risk significantly overpaying just because you've become attached. New properties are being listed all the time, so something else will always come along—and it might even be better.

Most importantly, try to keep your emotions separate from your negotiations. Don't let competitiveness or fear of losing the property push you past your limit.



Your Australia Day Prep in 20 Questions

ABC News

So you love a snag on the barbie, especially when it's raising a couple of bucks for the local footy club. You don't mind cracking open a tinny when you knock off work. You spend sticking hot arvos at the beach playing cricket with your mates and a red kelpie called 'Blue.' But before you get on your high horse, take a gander at this quiz to find out just how fair dinkum you really are about the great southern land. Happy Australia Day!!

1. How does the 2nd verse of the Australian national anthem begin?
2. Which historic event does Australia Day mark?
3. Who designed the Sydney Opera House?
4. How many stars are on the Australian Flag?
5. Where is the Big Banana?
6. Which Australian poet wrote, "I love a Sunburnt Country."
7. Where is the Waltzing Matilda Centre?
8. What was Sir Donald Bradman's batting average?
9. In which city did the Commonwealth Parliament first sit?
11. How many albums did Slim Dusty record?
12. Who is the lead singer of Silverchair?
13. What year did cyclone Tracy hit Darwin?
14. Where was Ned Kelly's last stand?
15. Name Australia's first Aboriginal Senator?
16. What year was decimal currency introduced?
17. What is the highest grossing Aussie film?
18. Which is the second largest city in NSW?
19. What is Australia's largest non-salt lake?

Economic update...

Switzer.com.au

Don't worry, be happy. The economy looks good.

One of the little services that Switzer provides for its followers, readers, viewers, listeners, subscribers and financial advice clients—is to tell them 'stuff' that's going on in the economy that seems pretty important.

It tends to be good news for 2 reasons. First, the run of economic news is actually more good than bad right now. Second, other media outlets specialise in bad news, so we like to be different and provide the good stuff, if it's around.

Of course, when the bad outweighs the good, I will get negative and inform our followers, so they're ready for reality but for the moment, as the old song goes, don't worry, be happy.

Yesterday, unemployment actually hit a 3½ year low, though it has been reported as an unchanged or flat results of 5.6%. However, for news, the Statistician rounds up the number to 1 decimal point. The figure was actually 5.58% and was the best since February 2013! Also, the worrying trend that has grabbed headlines over the past few months, or part-time jobs rising and full-time jobs disappearing, was reversed. The latter was up 41,500 in October while part-time work dropped 31,700. And I guess a lot of part-timers became full-timers, which is a positive development. Let's hope that becomes a trend. On the economic data front, here are the big pluses that have surfaced recently:

- The **NAB business conditions** index—what business says about businesses right now—eased from +7.8 points to +6.2 points in October but it still beats the long-term average of +4.8 points.
- **Job advertisements** rose by 1% in October to a 4-year high.
- The **number of loans** (commitments) for budding home owners (owner-occupiers) rose by 1.6% in September, after falling 2.7 in August.
- **Tourist arrivals** rose by 2.6% in September. And departures fell by 0.3%. Arrivals are up 11.5% on the year, with departures up 4.7%
- **Oz retail** rose by 0.6% in September, to be up 3.3% over the year—

a 4-month high.

- The **Performance of Manufacturing** index rose by 1.1 points to 50.9 in October. A reading above 50.0 indicates that the sector is expanding.
- A **\$10 billion Budget bottom line gain** from the Trump victory and its impact on commodity prices because of higher infrastructure spending.
- **Inflation** came in at 1.3% for the year, which was a rise on the previous 1% number.
- If we build them, yes, they will come, with the news that **new home sales** (houses and apartments) rose by 2.7% in September, after a 6.1% rise in August.
- CommSec say the **terms of trade** (ratio of export prices to import prices) increased 2.4% last quarter. "Based on today's data, we expect that the term of trade rose by around 4.5% in the September quarter. "That's the biggest jump in 5 years!"
- The **wage price index** rose by 0.4% in the September quarter, after a 0.5% rise in the June Quarter. Annual wage growth stood at a record low of 1.9% but because inflation is at 1.3%, real wages or the purchasing power of wages was up.
- Over the year to October, 1,178,688 vehicles were sold, just below September's record high.
- The RBA is optimistic and said this a few days ago: "Higher commodity prices and expectations that growth in the major advanced economies would exceed potential growth suggested that the risks to the global inflation outlook were more balanced than they had been for some time."

My main concern now is economic growth out of the EU, which had been on improve but Germany came out with a poor 0.2% number. That's something to watch. This aside, the overall economic picture makes me comfortably recommend: "**Don't worry. Be happy.**"

Australia Day Favorite



INGREDIENTS:

- 125 g butter (softened)
- 1 cup caster sugar
- 1/2 tsp vanilla extract
- 3 Eggs
- 1 3/4 cups SR flour (sifted)
- 1/2 cup milk
- 2 cups desiccated coconut

ICING:

- 3 1/2 cups icing sugar mixture
- 1/4 cup cocoa powder
- 1 tbspn butter (softened)
- 1/2 cup boiling water

Step 1: Preheat oven to 180C/160C fan-forced. Grease a 3cm-deep, 20cm x 30cm lamington pan. Line with baking paper, leaving a 2cm overhang on all sides. Using an electric mixer, beat butter, sugar and vanilla until light and fluffy. Add eggs, one at a time, beating well after each addition (mixture may look curdled).

Step 2: Sift half the flour over the butter mixture, stir to combine then add half the milk and stir to combine. Repeat with the remaining flour and milk. Spoon mixture into the prepared pan and smooth the top. Bake for 30 minutes or until a skewer inserted in the centre comes out clean. Stand for 10 minutes and then turn onto a wire rack and cover with a clean tea towel. Set aside overnight.

Step 3: Make the icing: Sift icing sugar and cocoa into a bowl, add butter and boiling water, stir until smooth.

Step 4: Cut the cake into 15 pieces. Place the coconut into a dish. Using a fork, dip 1 piece of cake into the icing, shake off excess and then toss into the coconut. Place on a wire rack over a baking tray. Repeat with remaining cake pieces. Stand for 2 hours or until set. Serve and enjoy!

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Hi All,

Welcome to 2017 and let's hope it is the best year ever!

We have enjoyed the Festive Season and are now focusing on getting the children ready to start the new school year.

Some of our clients are preparing their homes ready for sale over summer to maximize their price by offering the advantages of a pool and air conditioning.

If you are in a position where you are thinking of selling your home whether you are upgrading or moving location, whatever the reason, please let us know before you list your property so we can give you guidance about your mortgage.

Lastly, thank you again for all the great referrals over the past few months. We love helping your family and friends save money and create wealth for their future.

It's this time of the year where we reflect on the previous 12 months and look to the New Year with optimism.

2016 was a year where we welcomed, with pleasure, a lot of new clients and customers to our Cornerstone Family. It was also a time

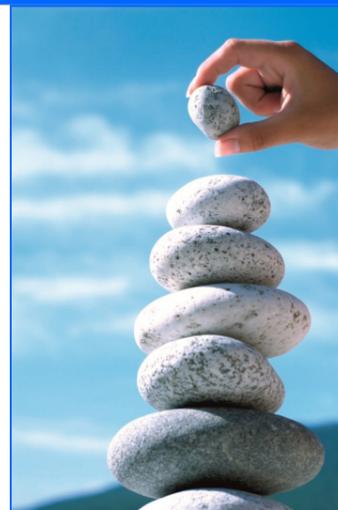
to farewell a number of staff members who have taken up the challenge to branch out on their own and we are thrilled to see them progress in their chosen career paths.

We have set our goals and we are looking forward to a year of opportunities, new and exciting challenges and both replacing and adding to our team.

We have included a bit of an Australia Day theme to this Newsletter as a reminder of how lucky we are to live in this beautiful country where we can enjoy all it has to offer.

So let's raise a glass together with gratitude and optimism as we welcome 2017 and hope it brings happiness, good health, peace, harmony and prosperity to all.

Till next time, Tracie & the Team.



If you are looking for the answers to our Aussie Day Quiz - look it up and have some fun with family and friends and then celebrate together.

Disclaimer: This Newsletter has been prepared by Tracie Palmer. Every effort has been made to ensure the contents are accurate at the time of publication. Tracie Palmer /Cornerstone Home Loans takes no responsibility for any subsequent action that may arise from the use of this Newsletter.