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Ponder a Question

Investors
As I was driving home from a client meeting last night, a young couple well on their way to financial independence, I was listening to 3LO (or local ABC).

Tony Delroy was on and a bloke called Simon rang in. I have heard him speak before on the Paul Clithero section of Tony's program over time.

He correctly called the US Sub-prime caused crash well before most had any awareness and then subsequently on the resulting effects of global markets well before any regulator or most financial experts picked it up.

Simon is a share trader. The call he made last night suggested we have not seen the full effects yet, he made an observation that the depth may well be felt for another **10 to 20 YEARS**.

The question I would pose to each of you – if the share market continues in its woes for another 10 to 20 years, what will your financial future be when you retire if you are following a share market asset allocation strategy?

An option you may start to place more thought about is residential property. While the Australian share market has taken a 40% + hit over the last twelve months, REIA in a recent press release said that the Australian property market had increased by 0.7%.

> The Mortgage Choice/REIA Real Estate Market Facts released today has reported that the Australian weighted average median house price decreased from $459,795 in the June quarter 2008 to reach $447,659 in September quarter, a decrease of 2.6% over the quarter, and an increase of 0.7% over the year.

These numbers are well below long term averages and take into account the falling Perth market, the hole of Sydney West area etc. It is still an increase compared to what has happened in shares. With continued shortage of housing and falling building approvals, rents are increasing and are predicted to continue to rise by 5 to 10% pa over the next few years. Population is increasing especially in the eastern seaboard capitals, demographics are changing resulting in lower numbers per head in a home. The government is stimulating the property sector with First Home Owner Grant increases.

This gets down to basic economics of supply and demand – prices in locations people want to live in will increase, perhaps not as fast as previous years but should trend upwards. Rent yields will continue to increase. Structured correctly to take advantage of sensible leverage with adequate safety nets, your tenant will pay his share, the tax man will allow his share and you pay or fund the remaining cost.

With falling interest rates, properties are moving from highly negative geared to almost cash flow neutral for some investors. Unlike companies where their share price can become worthless in a very short space of time, well located residential property does not.

Our Service to You

We provide a specialised service for investors wanting to create long term wealth for themselves and their families. We are finance strategists, credit advisers and mortgage brokers, helping you achieve your goals. Give us a call when you think it’s time to consider your options.

As well as providing a service to investors, we will assist you in purchasing as an owner-occupier, or upgrading to a new property, or simply looking at better pricing or structuring options for your current loans and banking or assisting seniors looking at possible reverse mortgage options.

Our business is built on referrals provided by clients, so please don’t keep us a secret, feel free to forward this e-mail to family and friends interested in their own financial future. Give us a call and book an appointment to see if it makes sense for you.

If you have any questions about any of these topics, give me a call.

Helping People through Finance