

# Bnews

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Belmores

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specific to your needs*

P 03 5744 1221      F 03 5744 2553      E [belmore@belmores.com.au](mailto:belmore@belmores.com.au)      W [www.belmores.com.au](http://www.belmores.com.au)

Welcome to the March 2009 Edition of Bnews. We are now offering Bnews via email. If you would like to receive Bnews this way, please contact Reception and give them your contact details.

## Belmore Snippets

While not obviously noticeable to our clients, we have undergone a major computer upgrade over the Christmas break. This required us to close for an extra day in January and has required some additional training. It has certainly given us a faster and more reliable computer system.

## Belmores Team Movements

Welcome to Emma Pini who joins us in Reception at 50 Belmore Street. Emma has also recently become engaged to her partner Trent. We wish them every happiness in their future.



Also joining us since Christmas is Bernadette McKenzie.

Bernadette is a CPA who has worked previously with Lowe Lippman Accountants in Melbourne and O'Callaghan's Business Advisors in Albury.

She has a wealth of experience across rural and commercial businesses.



Priscilla Toth has been a member of Belmores Wealth Management for the past two years and is reducing her working hours to enable her to complete her Financial Planning studies. She will be working and studying remotely in Cairns. We wish her well and look forward to hearing from her.

We congratulate Brooke & Scott Sanderson on the birth of their son Miller.

## Interest Rates Fixed or Variable? Have you considered your options?

One of the few good news stories to come out of the economic crisis of the past few months is the lowering of interest rates. Actions by the Australian Reserve Bank over the last six months has seen interest rates in Australia reduced to record lows, with the cash rate currently sitting at 3.25%, resulting in variable rates of interest being less than the fixed rates.

The Australian Government's stimulus packages have left many predicting future federal budget deficits. This will mean it is likely that the Reserve Bank will begin to increase interest rates. In the future this may lead to a sustained period of high rates.

The challenge for primary producers and business is how to maximize the advantage offered by the lower rates. Whilst it currently looks attractive to stay on low variable rates in the prediction of continued decreases by the Reserve Bank, now is the time to consider splitting your debt and locking funds into a long term fixed rate loans for a period of three, five or seven years in order to capitalize on the current low interest rates.

For many this should not only include an analysis of your loans but also review of your overdraft and line of credit facilities to identify any core debt that can be refinanced as fixed rate term loans.

Consideration should be given to your level of debt, current rates and the flexibility required in your facilities to sustain business trading requirements.



Bernadette McKenzie, Paul Nieuwenhout and Sue Entwistle are available to help you with this decision

## **Lenders Mortgage Insurance – What you should know!**

If you have ever considered borrowing money to purchase property then you've probably heard the term, LMI. But do you know what it is, who its for or why it is even required?

There is a misconception that LMI is a form of insurance which protects the borrower in the event of death or illness or if they default on their loan. That could not be further from the truth.

LMI stands for Lender's Mortgage Insurance and that is exactly what it is. Insurance to protect the Lender in the event that the borrower defaults their loan and the property has to be sold by the lender. If there is a shortfall in what the property sells for and how much is owing under the loan, LMI will meet the shortfall to the bank and then more than likely chase the borrower.

Whilst that does not sound ideal the positive thing for borrowers is that it allows them to borrow more than the standard 80% of the purchase price of a property, if they are unable to come up with 20% plus costs. The premium is usually paid as a one-off lump sum at the time of settlement but in many cases it can also be added into the loan amount and paid off over the life of the loan, a term known as capitalising the LMI.

Speak with Tracy Gillies to assess whether this option is right for you.

## **Live by the 6 Rules**

While it's natural to be nervous when financial markets are uncertain, it's important to stick to some basic investment rules to help you keep current market fluctuations in perspective.

### **1. Take comfort from history – the long-term trend is up.**

Over the last twenty years or so, there have been at least ten major events that have impacted the Australian Share Market, including the Wall Street Crash in 1987. While each of these events resulted in a period of uncertainty, the market has always recovered.

Importantly, despite short-term market uncertainty in the past, over the long-term the general trend of share markets is upward. Australian shares, for example, continue to perform very well, up 171% in the last 10 years.

### **2. Stick to your original investment plan.**

Understand what you're trying to achieve and how long you're prepared to invest, rather than focusing on what's happening in the market. Keep in mind that the longer your investment timeframe, the more likely you'll experience some form of short-term market volatility. Also, understand how much risk you're comfortable with and make sure it's reflected in your investment plan.

### **3. Don't react to short-term market movements.**

Investment markets move in cycles, so it's difficult to forecast when they'll rise or fall. Moving your money in and out of the market during a downturn, means you could potentially miss out on any positive bounce gained in a strong market recovery.

### **4. Diversify your investments to help spread risk.**

Diversification – or spreading your investment portfolio over a range of asset classes such as shares, property, fixed interest and cash – can help you spread your exposure to risk. So, if one investment or asset class loses ground, it's likely that your other investment may offset the loss. You can diversify your investment across different asset classes, regions and investment managers or styles.

### **5. Get advice from a qualified source.**

A financial adviser can help you decide what you want to achieve with your money and how to meet your goals, while taking into account your needs, objectives and your attitude to risk.

### **6. Stay informed**

It pays to stay informed about your investments and what's happening in the market. For the latest on what's driving the market and tips for investing during uncertain times, visit [www.be.com.au/volatility](http://www.be.com.au/volatility).

