PATTINSON F.S

Your dreams, our passion, the future together.

December 2019 Newsletter

Wishing you a Happy Holiday and New Year! One of the real joys of the festive season is the opportunity to say thankyou. From all of us may your holiday be filled with joy and good cheer, and the new year bring you happiness.

5 ways to benefit from record low interest rates

Interest rates have never been lower, and it's possible they might fall even further. This creates opportunities for householders and businesses, so how can you best take advantage of low interest rates?

1. Pay off your debt more quickly

By maintaining constant repayments as interest rates fall, you'll reduce the time it takes to pay off your loan. That's because interest will make up less of each repayment, with more going to reduce the outstanding capital. And the great thing is that to take advantage of this strategy you don't need to do anything. Lenders usually maintain repayments after each drop in interest rates unless you instruct them otherwise.

2. Refinance your home loan

Lenders vary in the extent to which they pass on cuts in official interest rates. So if you want to reduce your loan repayments it might be worth shopping around to see if you can find a better deal from other lenders. Just make sure that, if switching lenders, you take all fees into account to be certain you really are saving money.

If you are restructuring your borrowing another thing to consider is fixing the interest rate on all or part of your loan. This can provide protection from the impact of rising interest rates in the future, though it may mean you benefit less from any further cuts in rates. However, with interest rates already very low, there simply isn't the room for rates to fall much further.

3. Buy a first home – or upgrade

Low interest rates create opportunities for first homebuyers to get a toehold in the property market, and for existing homeowners to upgrade to a bigger home or better location. While lower interest rates can be a bit of a two-edged sword, as they tend to drive up property prices, most people are happier borrowing in a low rate environment rather than when rates are high.

4. Borrow to invest

While Australians love to invest in property, borrowing to invest in shares is also a viable wealth creation strategy. Often referred to as gearing, the key to successfully investing borrowed funds is that the total returns must exceed the total costs. As the most significant cost is usually the interest on the loan, low rates make this strategy more attractive.

Take care, however. Gearing can magnify investment returns, but it can also increase your losses. It's therefore important that you fully understand investment risk and how to minimise it.

5. Expand your business

The whole point of a reduction in interest rates is to stimulate the economy, and that includes encouraging business owners to invest in their enterprises. Low interest rates make it cheaper to borrow to buy equipment to increase productivity, to take on more staff, or buy out a competitor and generally expand the business.

Take advice

Some of these strategies are simple 'no-brainers'. Others involve significant levels of risk. To take a closer look at how you can make the most of low interest rates, talk to your financial adviser.

Property update - December 2019

After struggling for two years, the Australian housing markets now seem to be on the up after delivering positive growth for 4 months in a row.

Three interest rate cuts, tax cuts, reduced uncertainty around housing, more positive media and easing in the overly tight bank lending guidelines have combined to generate a significant improvement.

Buyers are back borrowing money and looking for a new home or investment and sellers are tentatively returning to the market.

The Sydney property market is on the move having recorded its quickest turnaround in decades. Since bottoming out in May, Sydney home values have recovered 5.3% of the 14.9% correction over the last few years.

Melbourne's house prices have regained more than half their losses of the recent property downturn exhibiting their quickest turnaround on record. Values were up 2.3% in October, which was the largest month on month change since late 2009, taking the market 6% higher since finding a floor in May.

What to think about before purchasing an investment property?

Everyone has different strategies and goals when looking at investing in bricks and mortar. There are two main reasons why people look at investing - one being for cashflow, and the other for capital appreciation purposes. To begin with, looking at your budget and capacity is vital to gauge what you can afford. Secondly, it's important to consider the entity that will own the property – for example, will the property be held in individual names or a trust? It's then equally important to consider the advantages or implications of purchasing the investment with this entity for tax, depreciation or capital growth reasons.

Once you understand your financial and tax position, it is then important to seek advice about the national market from your property advisor, who can help you understand the best type of investment property for your strategy. All property markets are growing and declining at different times and getting professional advice about which market would be best to enter at any given time is key.

Investing in property can be an overwhelming experience on your own, but we can help make this process easier for you to navigate. If you would like assistance assessing your investment property needs, please contact the Infocus Property Advisory team.

We wish you all a Merry Christmas and a happy and safe New Year. Our office will be closed over the holiday period but we will be back in the new year.

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Economic Update - December 2019

Within this month's update, we share with you a snapshot of economic occurrences both nationally and from around the globe. Optimism pervades year end...

- Collective opinion that a US recession was imminent vanishes
- US Fed firmly on hold
- Westpac gets caught up in money laundering scams

We hope you find this month's Economic Update as informative as always. If you have any feedback or would like to discuss any aspect of this report, please contact us.

The Big Picture
A TV segment aired on CNBC (November 25th) declared that the recession fears starting on August 14th had been set aside. Readers might recall that we never thought the so-called 'yield curve inversion' phenomenon that started this round of fear had any merit. As a result, our investment strategy has been unchanged during this three-month period while some others had to correct their thinking twice.

We, of course, know we can make the wrong call from time to time so we do not stubbornly hold on to a position. Rather, we take heightened interest in all other signals and arguments until the scare passes.

With the US Federal Reserve ("Fed") firmly on hold for the foreseeable future, the tariff war abating, and the official US GDP growth being revised upwards from 1.9% to 2.1% for Q3, there is less to worry about into the end of the year.

We do have to keep an eye on the proposed December 15th tariff hikes flagged by Trump. The consensus is that they won't take place at all or will be scaled back.

While we agree that Trump will get a Phase 1 deal done some time, we now don't think he will want to do it too quickly. Rather, he might like to keep the window between a deal and the election in November short enough so as not to allow for any close scrutiny of the merits of the deal before the vote.

The US jobs data released in November were much better than expected but expectations had been set particularly low because of 46,000 GM workers being out on strike. There was no value in that data outcome but wage growth was stronger and the unemployment rate stayed close to the 50-year low.

Moreover, US housing data were strong and retail sales beat expectations. Three large retailers (Target, Lowes and Macy's) reported earnings much better than expectations. The US consumer remains strong and the consumer accounts for about two-thirds of the US economy.
At home, some greeted our jobs data with a heavy heart. While total employment did fall for the month, the headline data is quite volatile. The official trend data was not only for jobs growth but a slight uptick in that rate of growth.

Scott Morrison flagged an acceleration of $3.8bn worth of infrastructure spending but announced no new tax cuts in the near future. The Reserve Bank is thought to be considering monetary stimulus measures including rate cuts as the Australian economy continues to experience anaemic GDP growth.

To continue reading please visit: https://www.infocus.com.au/news/economic-update-december-2019/

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