



# AMLC Real News

5/387 Springvale Rd, Springvale, VIC, 3171  
Phone: (03) 9546 7233 Fax: (03) 9546 7255

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## AMLC- The Way Finance Should Be

### WAYS TO BEAT THE RATE RISE

WE'RE being told it's the interest rate rise we had to have. That's little comfort to those who have to cope with the higher financing costs on their consumer debt and, with money markets predicting another rate rise at the end of this year or early next year, it could get a lot worse.

A solid economy, record car sales, tight labour market, rising consumer debt and big spending on items like flash TVs set off the alarm bells.

That put the Reserve Bank between a rock and a hard place. If they didn't lift rates last week to slow this inflation momentum, they would have had to wait until December or February - the RBA has a tradition of not moving interest rates close to a federal election because they don't want to be seen to be influencing votes. Leaving it for six months may have seen inflation get out of control, leading to more drastic action later.

Interestingly, only about a third of Australian households have a home loan and most of those are ahead in their repayments. So the rate rise will affect quite a small proportion of the community, but arguably a group that can least afford it.

As it stands, the latest rate rise will hit Sydney and Melbourne consumers the most. They have the biggest mortgages, with the highest property values. They'll be faced with higher home loan rates and stagnating property.

So the future could be more than a little uncertain. After the comfort of 16 successive years of economic growth, now may be a good time to start being a little more conservative until a clear economic trend emerges.

Paying off debt rather than saving is now your best investment. Think about it. Why earn 5-6per cent interest in a savings account and pay tax on it when you can save 8.25 per cent by paying off more of your home loan, or 16-24 per cent by paying outstanding balances on credit card debt?

The first stop should be the bank manager. If you're a good customer, with insurance and credit cards with the bank, you should be able to ask for a discount of around 0.5 per cent on your standard variable home loan rate. They can only say no, but you may also be surprised to see how easy it is to get a deal.

**Continued Over the page.**



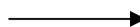
Satendra Kumar  
Mobile: 0412 283 131

The Types of loans we offer:

- Home Loans
- Investment Loans
- Commercial Loans
- Low Doc Loans
- Non-conforming Loans
- Refinances
- Line of Credit
- Construction Loans
- Debt Consolidation
- Personal Loans

**HELP YOUR CHARITY!**

See over



**FINANCE MANAGERS REQUIRED**

- Looking for a career in finance
- Self motivated
- Strive for success
- Earn good money
- Looking for flexible working conditions

**Contact Satendra Kumar**

Email: [info@amlc.com.au](mailto:info@amlc.com.au)  
Website: [www.amlc.com.au](http://www.amlc.com.au)

Phone: 9546 7233

Fax: 9546 7255

Please note our new address: 5/387 Springvale Rd, Springvale





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At the moment fixed-term home loan rates are lower than standard variable rates, which could be worth looking at for those needing some certainty in their payments for at least part of the loan.

A common strategy is to merge your credit card debts and personal loans into a lower interest rate loan such as your mortgage. The beauty of this is that the lower interest rate will apply to all your debts, thereby saving interest in the short term.

However, if all you do is make the lower repayments it could actually take a lot longer to pay off your debt, so you end up paying more interest over the life of the loan despite the lower annual interest rate.

One of the most popular steps to help pay off your mortgage sooner is to pay every fortnight instead of monthly, because over a year you make one additional month's payment.

If you want to do this, make sure your lender is clearly aware of what you want to do. If you simply front up to the counter and ask to switch from monthly to fortnightly, all they'll do is recalculate your payments so you'll still take just as long to pay it off.

It's also possible your lender will take into account any extra repayments you've made and reduce your repayments even more to fit the agreed life of the loan.

The easiest thing to do is halve your current monthly payment and tell the bank that's the new figure you want to pay each fortnight.

Investors also need to be aware of the ripple effect

of the higher cost of borrowing:

\* Be careful of internally geared investment like hedge funds. As I mentioned last week, understand the stress implications for your fund of a rise in borrowing rates combined with a volatile market.

\* Weigh up gearing of listed company investments. Higher borrowing costs eat into profits and therefore returns to shareholders. Look carefully at highly-g geared companies and make sure they generate the cash flows to meet the higher costs.

\* Look hard at whether negative gearing still works for you. Higher borrowing costs accentuate the "negative" in negative gearing and can put your cash flow under pressure. Combine this with flat asset values and you don't want to make the bank nervous.

\* If you depend on income from your investments to live on, talk to your accountant or financial planner about locking in some of the higher fixed-interest returns from this latest rate rise.

Written By David Koch

The Age on the 12<sup>th</sup> of August, 2007

### Are you thinking of

- Buying
- Selling
- Upgrading
- Renovating
- Moving
- Consolidating Debt

If you have ticked any of the above boxes chances are you need to review your home loan. Call today for a obligation free quote

We will save you time & money and source the BEST Possible loan for You

## HELP YOUR CHARITY

Loan Amount	Donation
\$1,000	\$1.00
\$100,000	\$100.00
\$156,000	\$156.00
\$300,000	\$300
\$400,000	\$400
\$536,500	\$536.50
\$1,000,00	\$1,000

Get your Home loan with AMLC and Help Your Non-Profit Organisation. On settlement of your loan, AMLC will make a donation to your chosen charity/non-profit organization.

Refer to table ← which explains the Donation structure.

For further information — **call now**

**AMLC HOTLINE 9546 7233**

For a limited time. Conditions apply— Not available with any other AMLC offers

**AMLC—The Way Finance Should Be**



Love all .... Send your good thoughts - help bring sufficient rain and prosperity to all