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SAY GOODBYE TO 'PLASTIC FANTASTIC' AS CONTACTLESS GETS SET TO DOMINATE

It seems the easier it is to use, the more readily we are willing to consume. With the tech-evolution taking over the banking sector as we transition into a world of contactless transactions, experts are predicting the demise of street corner and shopping centre teller-machines and ATM operator profits.

Physical credit and debit card transactions worth \$100 or less, requiring more than a number or microchip to complete, will be obsolete by 2020 according to business information analysts at IBISWorld.

Using cash and cheques for nominal acquisitions is almost a 'dark ages' concept these days, as PIN-only and credit and debit card purchases gain favour, posting annualised transaction growth of 6.6% and 14.2% respectively, over the four years to 2013-14.

We still like to hand over a cheque for bigger ticket items, as evidenced by a reported historically high average cheque value of \$4,045.

But overall, the retail sector is starting to pose a bit of a threat as it claims a stake in the transaction market of the future. Even though IBISWorld is confident in the Big Four's continued dominance of the lending sector, some other commercial players are starting to elbow their way into the fray.

According to IBISWorld Australia general manager, Dan Ruthven, "While banks remain the dominant force behind consumer and business lending, Coles' impending foray into personal loans could be indicative of things to

come as supermarkets, airlines and department stores attempt to muscle in on the market."

He goes on to point out that the new 'contactless' playing field is largely where this opportunity for competition around credit and consumer debt has arisen.

"There's little standing in the way of non-traditional firms entering the retail banking sector," said Ruthven. "Improving technology, centralised contact points and the reduced use of branches are the main factors driving new companies into the uncharted waters of retail banking."

Of course it will take some time to chip away at the competition margins, with the Big Four boys controlling around \$2.3 trillion in loans as at June 2014, compared to the \$87.9 billion in loans provided to households by financial corporations and businesses other than banks.

For starters, employers still pay their employees' wages into a pretty standard bank account of some kind – most of which are held by one of the Big Four. Then there's the very centralized mortgage market, which also gets in the way of a full transition to higher capital contactless transactions and therefore, new players to the financial provider scene.

If indeed the more traditional methods for exchanging goods and services are on the way out, what does this mean for investors in ATM technology?

IBISWorld reports a continued reduction in the number of bank, credit union and building society branches across 2012-13, in the order of 130 closures over the year. And with more "holes in the wall" around now than there have ever been, it might be time to explore the burgeoning investment opportunities presented by the high tech financial market of tomorrow.

Remember, a good future investment is all about consumer driven supply and demand, and a great deal of forward thinking.

WHERE TO FIND AFFORDABLE INVESTMENT OPPORTUNITIES AS MARKETS HEAT UP

A so called avalanche of 'auto-pilot investors'; mums and dads still reluctant from past share market casualties being enticed into real estate by the current low interest rate environment, are causing a mini-boom of sorts around some property hubs across inner city Sydney, Brisbane and Melbourne.

Despite many expecting interest rates to rise in coming months, consumer confidence remains consistently high when it comes to residential markets and the belief that house prices will continue on an upward trajectory.

The August Westpac-Melbourne Institute House Price Expectations Index was up by 20.6% since the May Federal Budget announcement, even though 63% of consumers anticipate mortgage rates to increase in 12

While some commentators suggest this could have negative long-term ramifications for the property sector, not to mention the expected soar in future mortgage defaults when rates inevitably start to move back up, the question for investors is whether they have missed the latest buying boat.

The heat is on

It's been reported that New South Wales' real estate investors now make up 50% of the Australian property investor market. This desire to add Sydney dwellings to their portfolios could go some way in explaining recent auction price blowouts across the Harbour City.

An August Property Observer update reported an average 11% difference in the advertised pre-auction guide price for Sydney last month compared to the eventual sale price achieved, with estimates missing the mark by between 3 to 19% plus, on every occasion where property sold at the fall of hammer.

Above average clearance rates in most capital city areas are indicative of consistent buyer interest week in, week out and the International Monetary Fund (IMF) recently reported that Australia had the third most overvalued

WHERE TO FIND AFFORDABLE... (cont.)

property market at the end of last year, based on real estate debt to income ratios (right up there with New Zealand and Canada).

While economic boffins argue the whys and wherefores of our unswerving local housing sector – with many scapegoating negative gearing policies, which they claim greatly favour local investors' needs over outpriced first homebuyers' – those in the market for an addition to their real estate retirement fund are finding it increasingly difficult to uncover a 'good deal'. So are they still out there?

Wanted - a value property investment

The good news is; there are always buying opportunities in any given market. You just need to be realistic about where the market is placed and right now that means competition is fierce.

Obviously, if you have your heart set on popular Sydney suburbs, you can anticipate potentially spending 10% or more on top of the advertised guide, to secure property at auction.

Thanks to statistical and reporting companies like RP Data though, today's investors have the capacity to find better buying opportunities from right in front of their computer screen.

Last month, RP Data released a list of the most affordable areas within 10 kilometres of each capital city CBD, including the five most affordable suburbs for units and houses. Research analyst Cameron Kusher says investors are likely to find the results somewhat surprising, given the consistent supply/demand imbalance across our inner city neighbourhoods maintaining upward pressure on already inflated price tags.

He does admit though, while prices might be comparatively lower across some inner city areas of Sydney and Melbourne, entry points are still on the high side of affordable, with units offering a good buying alternative.

Some of the list's cheaper areas are notoriously considered the 'poorer cousins' of each respective city, however most are undergoing urban renewal and gentrification programs that will see them maintain long term favour with a new wave of homeowners and tenants.

Kusher advises investors to target those more affordable areas that will generate renewed interest due to, not only lower home buying prospects, but also features such as "quality public transport connections, abundant retail and social amenity, quality schools and medical amenity."

As with any potential property investment, it's important that investors do their research and understand the long-term capital growth history of any given area before looking to secure an asset for their portfolio. Equally, you need to crunch the numbers and ensure you won't be a future statistic

when the Reserve Bank breaks its prolonged low cash rate hiatus and those repayments that look incredibly attractive right now start to slowly rise.

In the meantime, here is RP Data's city-by-city breakdown of affordable property investment prospects. Over coming issues, we will select some of these areas for more in-depth suburb profiles, to assist with your investment analysis.

Most affordable suburbs within 10km of capital city CBDs				
As at June 2014				
Houses			Units	
Region	Suburb	Median value	Suburb	Median value
Sydney	Wolli Creek	\$710,303	Eastlakes	\$452,776
Sydney	Waterloo	\$761,054	Darlington	\$453,413
Sydney	Sydenham	\$807,195	Newtown	\$463,732
Sydney	Beaconsfield	\$811,261	Marrickville	\$506,808
Sydney	Tempe	\$828,914	Ashfield	\$511,701
Melbourne	Bellfield	\$533,252	Carlton	\$279,872
Melbourne	Maidstone	\$543,582	West Footscray	\$312,309
Melbourne	West Footscray	\$571,961	Kingsville	\$319,722
Melbourne	Footscray	\$592,211	Footscray	\$347,801
Melbourne	Yarraville	\$655,993	South Kingsville	\$348,343
Brisbane	Rocklea	\$330,848	Tingalpa	\$332,317
Brisbane	Keperra	\$416,036	Kedron	\$335,633
Brisbane	Tingalpa	\$456,878	Woolloowin	\$336,975
Brisbane	Chermside West	\$471,657	Gordon Park	\$344,776
Brisbane	Nathan	\$473,513	Moorooka	\$345,848
Adelaide	Dry Creek	\$255,349	Kilburn	\$233,106
Adelaide	Gepps Cross	\$313,467	Woodville Gardens	\$241,939
Adelaide	Mansfield Park	\$343,040	Windsor Gardens	\$243,308
Adelaide	Woodville Gardens	\$347,652	Angle Park	\$245,784
Adelaide	Kilburn	\$349,925	Clearview	\$246,460
Perth	Glendalough	\$438,995	Glendalough	\$351,603
Perth	Osborne Park	\$463,414	Osborne Park	\$379,757
Perth	Westminster	\$489,224	Redcliffe	\$384,311
Perth	Nollamara	\$495,617	Wembley	\$388,749
Perth	Redcliffe	\$523,014	Coolbinia	\$391,496
Hobart	Clarendon Vale	\$159,159	Glenorchy	\$198,396
Hobart	Risdon Vale	\$180,626	Rokeby	\$204,167
Hobart	Rokeby	\$197,709	Montrose	\$204,554
Hobart	Goodwood	\$207,428	Moonah	\$216,038
Hobart	Warrane	\$229,691	Rosetta	\$216,412
Darwin	Malak	\$585,478	Alawa	\$366,947
Darwin	Anula	\$585,967	Malak	\$395,385
Darwin	Moil	\$587,734	Moil	\$405,157
Darwin	Millner	\$602,943	Millner	\$406,948
Darwin	The Narrows	\$611,961	Nightcliff	\$407,883
Canberra	Page	\$445,417	Hughes	\$265,898
Canberra	Scullin	\$445,873	Downer	\$289,091
Canberra	Giralang	\$470,846	Curtin	\$311,265
Canberra	Evatt	\$486,770	Chifley	\$316,912
Canberra	Kaleen	\$521,567	Hackett	\$329,659

Source: RP Data

7 SIMPLE SAVINGS STRATEGIES TO 'FUTURE-PROOF' YOUR KID'S FINANCES

Whether they're 3 or 23, if you impart these words of wisdom to your child now and they practice them in everyday life, they'll be better prepared to deal with those future rainy days. In fact, they might manage to find far more financial sunshine from a much earlier stage in life.

1. If you can't afford it, you don't need it

How tempting is it to succumb to 'easy credit'? You know the kind; buy that couch, TV, washing machine or Xbox now with no money down and no interest for 36 months. It's always advertised in months because that sounds psychologically better than 3 years – 3 years is a long time to repay a bed, but 36 months is a walk in the park!

The problem is, there's no such thing as 'easy credit'. These companies pray on our impatience and desire to fill our mental, emotional and physical cups with lots of 'stuff' until they runneth over. Teach your children the joy, accomplishment and sense of self-fulfilment that comes from saving one's pennies and 'earning'

our way through life. And imagine how much more fulfilled your child would feel giving all that interest they risk handing to a faceless credit card company, to a worthy charity they choose to support.

Let's face it, there's more to life than 'stuff'.

2. Good debt versus bad debt

Breaking this down simply, one will lose you money; the other one will potentially make you lots of money. I think you can guess which is which. And don't you wish someone had explained this simple concept to you in your formative years? Imagine how much money and stress we could save our children throughout

7 SIMPLE SAVING STRATEGIES... (cont.)

their life, just by teaching them about the perils of high interest retail credit and the positives of investment debt, like that on your own home or a property investment.

3. Protect your profits

Once you have financial freedom, you don't want to lose it due to that 'unknown quantity'. Whether it's a prolonged illness, loss of employment, relationship breakdown, or looking at the positive changes we often experience...a better job, marriage, or an impending addition to your family...life can throw us numerous curve balls.

We can never really prepare for these in truth, because of the very fact that most of the time, we don't see them coming, or there is no way to know what the change may bring with it. However, you can set aside that 'rainy day' cash buffer somewhere – the offset account attached to your mortgage perhaps? And you can insure yourself and your income, as well as your portfolio assets.

4. Know your relationship with money

I don't think there would be any one person on this planet not harbouring some kind of financial regret. And if you're one of the many financial 'victims', who takes having no money or constantly 'losing it' personally, then you need to rethink your relationship with it.

The fact is our own frivolous tendencies with money – buying lots of things that we don't really

need in order to have a happy and healthy life – are what trap us in a cycle of debt – the bad kind. Money cannot make us into economic victims, but our relationship with money can.

5. One for me, two for my bank account

The less you spend on stuff, the more you have to SAVE! When you get paid, make sure you have already set aside a portion of your wages for your savings account. Even if it's only 10% each fortnight; if you receive \$1500 net per fortnight, that equates to \$150 in savings, or \$75 per week, or \$3,900 in a year.

While that may not seem like a lot, the effects of compounding, natural inflation and a consistent savings habit will see that grow into a deposit on your first home within three to five years. And once an investor, always an investor!

6. Shop around for the right products

Not all savings accounts are created equal. Some pay more interest, others have more flexibility but pay less interest, some require minimum deposits and others will charge you penalties on interest for too many transactions. It's important to teach your children that in the financial landscape of Australia, there are more than just four banks to select from.

Even better, we are lucky enough to have access to some of the best financial and property investment information, right at our fingertips.

There are also numerous professionals who specialise in product selection to help us make more informed choices. So finding the best product for your needs – once they have been properly established – is totally do-able.

7. Invest your pennies where they'll make more returns

Savings accounts can be fantastic when it comes to demonstrating your sound money management to the lenders you will later approach for your first home loan.

However, they are not that great when it comes to paying decent investment dividends. You stand to make around 10 to 15% per annum returns, on average (combined rental yield and capital gain) from a property asset. Then there's the negative gearing. Whereas a savings account might net you 3 to 5% maximum once you finish paying tax on the annual interest.

The bottom line...

Saving and investing should go hand in hand for the next generation of Australians. We know far too much and have experienced so many lessons as to what happens when we mismanage our money on every level – personal, corporate and public funds – that we really should take the lessons on board and then teach them to our children. After all, prevention is always better than cure.

6 FACTS YOU NEED TO KNOW ABOUT FINANCING PROPERTY WITHIN YOUR SMSF

Property investors...have you noticed the avalanche of information coming your way of late regarding 'the new black' when it comes to using residential real estate assets for your retirement fund?

Self Managed Superannuation Funds, or SMSFs for those who prefer acronym speak, are spruiked everywhere you turn right now. Some would suggest this could be to do with the incredibly high fees you'll pay to financial planners for establishing and managing them. But that's the skeptic coming out I guess.

Don't get me wrong; SMSF structures have their place among certain investors, just as is the case with any type of investment vehicle and strategy. However, to think this is a viable option for all those who seek to use property to achieve financial freedom in the long term is to ignore the specific goals and needs of each individual.

So while the property acquiring SMSF proponents sing the praises of this structure, the Trilogity team

would just like to add a little voice of reason and bring to your attention some of the lesser known facts, about what goes into the process of borrowing and buying bricks and mortar within your SMSF.

1. Inflexibility when it comes to refinancing.

Essentially, a SMSF property loan cannot be refinanced, unless it is done so dollar for dollar. This means you cannot release any aggregate equity in the investment, as you could do with a property in a different type of structure, such as your own name, a trust, or a company.

While you might not be concerned about this at first glance, when you think about the power of leverage to grow your investment portfolio – borrowing against your accumulating capital growth to finance the acquisition of further real estate assets, this is definitely something to keep in mind if you're considering an SMSF structure.

2. Inflexibility when it comes to improvements.

There has been much made of amendments to

borrow, in order to complete renovations on the property held by the Fund.

In truth, the changes have only really provided clarity around existing rules. Basically, renovations must be paid for using existing cash from within the fund, you cannot do any works that would constitute capital improvements and/or change the overall structure or functionality of the building and construction loans are a definite no-no. In other words, there's not a lot of room to move when it comes to manufacturing capital in your SMSF property from improvements.

3. Inflexibility when it comes to what you can purchase. You can only finance certain aspects of a property from within your SMSF. This is due to what the legislation and lenders will recognise as security.

For instance, if you buy an apartment with car spaces on a separate title, the fund can only borrow to purchase the apartment, which is the security. Hence you would need to pay cash for the car spaces. Further, lenders will not fund the cost of an included furniture package, even if it's listed in the Contract of Sale, because finance is only for a single asset.

Some lenders also have postcode restrictions when it comes to financing a property within an SMSF, meaning certain locations are out of the question.

4. Forget about OTP purchases. Buying an apartment off the plan can be problematic for SMSFs. For starters, you cannot get formal loan approval with a full valuation until the property is completed and will therefore require a longer settlement of at least 28 days. Then there are the time restrictions, such as awaiting the issue of loan documents, which some banks will not do until the plan is registered. This can leave you with just two weeks to get them signed, returned and certified, cutting things very fine indeed.

5. More potential onus on the self employed. If you are self-employed and can fully service the property loan within your SMSF through your PAYG, rental income and employer contributions you're in a better position than most, because your SMSF stands alone as being responsible for the repayments.

If you are not so fortunate though and your PAYG, etc is insufficient to cover the mortgage on the property within your SMSF, you will have to go personal guarantor. In this case, the lender will require you to provide a full Statement of Position. All of this paperwork must be completed prior to making an offer on any property, so you (and the banks) know where you stand from a personal financial perspective.

6. There are a lot of expensive boxes to tick. All lenders require you to have your financial planner sign off on any property investment acquisition made within your SMSF. This can sometimes mean preparation of a full Statement of Advice is necessary. Of course to save time and fees, it's advisable to have this done by the original financial planner you consulted to help establish your SMSF, including the companies and Trust Deeds.

Lenders also require that you seek independent legal advice and have a solicitor – generally not the same one involved in the conveyancing aspect of your property transaction - give the purchase a tick of approval.

As with everything to do with SMSFs, both of these processes will incur costs. Then of course, you must factor in time around the purchase process in order to book the necessary appointments. You can potentially save some time and know what charges to expect if you pre-determine who you will consult during this step.

Importantly, make sure you qualify the solicitor you seek that all-important sign-off from, confirming that they have completed this part of the SMSF loan application process for previous clients. This is considered non-recourse borrowing, so they need to be experienced in this space.

Our team has had experience with numerous clients looking to finance the purchase of an investment property within their SMSF. Some of their suggestions to ensure a smoother process and correct compliance measures around these transactions include:

- Make sure the Contract of Sale allows for at least a 45-day settlement in order to get all of your ducks in the necessary row. If you're purchasing off the plan, make settlement for 28 days after the unit title is issued, rather than the standard 14 days.
- Make sure SMSF deeds are written correctly to avoid issues with lenders. The original deed needs to give the Fund permission to purchase direct property. If the deed has to be amended to reflect this allowance, then it must have the correct ratification letters and amendments in place.
- There are additional legal costs associated with an SMSF loan, with the caveat to avoid stamp duty upon payout of the loan when it's finalised.

Finally, make sure you consult the necessary professionals only after qualifying their level of experience in dealing with SMSF management and lending. We cannot stress how important this is, as non-compliance (whether intentional or accidental), can be very costly and potentially negate any financial advantages of buying property within the SMSF structure.