



# 8 Ways Baby Boomers Can Make The Most Of Their Property Wealth

This Issue:  
April 18, 2017

TRiLOGY  news  
"the property investor's mortgage broker"

Money. We need it, so we work for it. Mostly. When we can. We work hard, the majority of us for forty plus years, with a view to one day retiring and 'living the good life'..or something like that.

For some of us, retirement is the promise of more. More time to ourselves to do more of the things we enjoy and spend with the people we love.

For others however, retirement is a looming concern they'd rather not confront head on. It beckons as a period of aging amid financial uncertainty..a place none of us want to end up after all that hard work.

With life expectancy at its highest recorded level (ABS) there are a lot of years to fill between retirement, generally at 65, and the 80.3 years an Aussie male can expect to see out, or 84.4 years for women.

So, how do you protect your income and make the most of your wealth to ensure you enjoy 'more' in your post-work years? Here are 8 tips to start you on the right path to a golden retirement...

### 1. Anticipate a long life

With the averages suggesting you'll have between 15 to 20 plus years to fill before you fall of the perch, it's important to consider how you'll fund two decades of living when you're no longer drawing a weekly wage.

Consider how much you currently spend and ask yourself, could I live on my super balance or an aged pension?

Based on where you are at this stage of your life, will you have sufficient capital in your coffers to meet your retirement cashflow objectives, or do you need to do some more strategic planning and investing?

### 2. Account for inflation

One of the common mistakes people make when undertaking cashflow projections in their financial planning for retirement, is to cost expenses based on today's values.

At the current rate of inflation, the spending power of a fixed rate pension will be halved in just over twelve years. And how far will that standard managed super fund really stretch? This is where you need to be realistic with your number crunching.

### 3. Stage a slower retirement

If you fear you'll fall short financially as retirement approaches, perhaps you could consider a staged exit from the workforce, rather than leaping into a life of leisure that you might not be able to fund indefinitely.

Transitioning to part time employment could give you a little more breathing space and income to put to good future use.

### 4. Seek (decent) advice

Understanding how today's investment markets work is tough enough for experts, so why would you choose to wade through the slew of information (and misinformation) all on your own?

Having an objective and professional third party review your retirement plan with an unbiased eye and knowledge borne from years of experience could make all the difference when it comes to securing your future fund.

The only proviso? You must properly qualify any adviser you choose to listen to.

### 5. Be mindful of the future you want

Not just for you, but for your family as well. Planning how you will use and protect your investment wealth with your loved ones can have multiple benefits, including a clear plan for divvying up assets when it's time for them to be passed down to the next generation, and a sense of financial security for your children and grandchildren.

### 6. Don't waste your equity

Traditionally, many Australians have largely relied on the family home to sustain them in retirement. Specifically, they've attained to full ownership and therefore, a ready store of relatively secure equity.

Equity is indeed a valuable tool when creating wealth through real estate, if it's utilised in a considered way.

But planning on drawing down equity in your own home on retirement is not a watertight financial strategy. For a start, most lenders will be reticent to lend funds against your house without proof of stable income.

If you're clever though, you'll have used your equity to create a lucrative, income producing residential property portfolio with which to fund your retirement.

### 7. Don't put off today...

Admittedly, sitting down to crunch the numbers around your retirement income can be a daunting prospect and as such, easy to delay. Procrastination in this instance though, will only equal lost opportunity.

The longer you take to get your financial ducks in a row, the less time you have to make any necessary changes to better your situation. Deal with it today and you won't be left floundering without a plan tomorrow.

### 8. Make a Will

This is another sooner rather than later thing everyone should consider. As much as we'd all like to consider ourselves immortal, the inevitable will happen to us all one day. Better to protect your family's future than leave it in the hands of someone else, when you will have no say at all.

So there you have it...start today. Don't delay. These 8 simple steps can lead you to a more secure financial future.



# Do You Really Know What's Best For You?

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Actually, before you answer that question, let me ask you another one...do you really know who you are?

You see, in order to determine your best course of action at any point in time, you need to have a deeper understanding of, and appreciation for, your authentic self.

This might sound a bit woo-woo to those who work predominantly in left-brain logic, but the fact is most people go through life on a kind of automatic pilot.

Don't get me wrong; we start out well intentioned. But all too often we wake up one morning, blissfully unaware of how we ended up on our current path. And we start to wonder...am I living my true purpose, or do I simply exist according to the expectations of others?

Are we carving out a life that best fits us, or are we trying to squeeze into a life that's entirely the wrong fit?

### Who am I?

We've all chuckled at the scene in *Zoolander* where Derek asks his puddle reflection, "Who am I?" But the fact that this ridiculously good-looking male model is attempting to connect with himself at a deeper level is something to be respected.

It's easy to look outwards and judge our life on the basis of what others perceive us to be. Or worse...judging others without any idea of their authentic story.

But how often do we take the time to genuinely gaze into the depths of our own self and acknowledge the truth of who we are and the journey we're embarking on in this lifetime?

I know...woo-woo. But you can't really talk about investment psychology without getting a little ethereal. And if you find this topic confronting, it might be because you need to really sit with the question for a while.

We are born into this world as far more than a piece of mouldable clay, waiting to be shaped by the people and experiences we encounter.

Of course those people and experiences help the process along. But often we rely far too much on others to tell us who we are, based on our interactions with them.

In reality though, no one else can possibly know who we are on any meaningful level. Only we can know that for sure. And even then...well, many of us struggle with self-identity for our entire lives.

### What do you tell yourself about yourself?

Stay with me as we venture down this rabbit hole into the respective inner workings of our psyches.

When you become consciously aware of your inner dialogue, by actually listening to that voice in your head and how it responds to different situations – particularly those you find confronting or uncomfortable – you might be surprised at what you learn.

Often we constantly and consistently tell ourselves that which has been communicated to us by the role models and peers we interact with from early childhood.

More frequently than we care to admit, a lot of that dialogue is quite negative in nature. If you stop and think about it, how many occasions can you remember where someone gave you a lovely compliment? Truth...how many?

Now, how many times can you remember someone making you feel less than worthy, or ridiculed, belittled, betrayed or shamed in some way?

Not surprisingly, some of the most resounding impacts on our sense of self, which can see us deviate off course into tricky terrain to navigate, occur in the form of emotional or psychological trauma.

Interestingly, the trauma that impacts our life doesn't necessarily have to appear overly distressing at the time. It's more about personal perspective. In other words, what causes a good deal of distress to one person won't necessarily trigger any kind of emotional response in another.

One person might break a nail and see it as a complete tragedy for whatever reason, while another simply pulls out the nail clippers, takes care of business and gets on with their day.

Science is now discussing the possibility that trauma isn't just isolated to this lifetime either. Rather, trauma sequences throughout our family history are evident in our DNA, meaning the trauma our distant great, great, great grandparents experienced is genetically imprinted on who we are. Mind. Blowing!

This tells us traumatic events are right up there in the memory banks of our soul, directing our fears and phobias later in life and, in many instances, steering us away from our self identity and causing self doubt to creep in.

## Trust

Think about what you were told as a small child when you did something your adult parents considered 'dangerous'. It might have been as simple as navigating a flight of stairs as a somewhat unsteady toddler. Your mother runs up to intervene, lest you fall and hurt yourself.

That's a natural, innate, nurturer response one might say. What's so wrong with that? But if you consider tribal cultures, children are often left to explore their own potential in their own time. They don't go by a book on child development or milestones.

They also don't necessarily live in a constant state of fear, drip fed to them by a modern world of 24/7 horror movies right there on your TV.

Why am I talking about all of this? Well, the point I'm rather verbosely trying to make is that these people live in trust. Not fear.

They trust in one another. And importantly, they trust in their own knowledge of who they are and their purpose within their community. Why? Because the survival of everyone in that community depends on everyone showing up and owning their purpose.

We're taught however, from a very young age, that someone else generally knows what's best for us. Whether it's our parents, teachers, peers, colleagues, employers, doctors, accountants, lawyers, leaders or even total strangers who work in retail marketing and apparently know us better than we know ourselves...the message is clear..

Do not trust your self. Someone else always knows better!

Look at children and how they live in every moment. They're walking headlong into life with a surety of self and purpose. Until that sense of self and purpose becomes diluted.

Then you see them start to hesitate and question their self-belief. Not to mention the people they've been told to trust the most have lied this whole time about Santa, the Tooth Fairy and the Easter Bunny!

Talk about mess with your head!

But what this misguided sense of self, that's actually the influence and expectation of others means, is that you no longer trust or even acknowledge your own intuition about what's best for you.

Think about it for a minute. How can anyone else know what's best for you? How can anyone else be more qualified on the subject of YOU?

But we see it all the time and we're often guilty of it ourselves. We look to others for guidance and counsel, too scared to make a decision lest we get it wrong, because how can we possibly know what's best for us?

You see the vicious cycle you get stuck in? When you stray far off course and forget who you are along the way, the road ahead often becomes bumpy. This is the universe's way, or whatever you want to call it, of telling you – Wrong way, go back!

When you're not walking with clarity of purpose, you're essentially working against yourself.

## Crystal clear

So how do you work out what's best for you? Well, you start by digging into the depths of whom you are, and confronting the myriad of voices that have been allowed to shape your journey thus far.

What purpose does it serve to hold onto any negative thoughts and self-limiting beliefs? None. Now is the time to confront them and then kick them to the curb. They no longer serve you!

Now, with all that junk gone, ask yourself...if I could do anything, right now, in this moment, at this time, without any consequences or impediments, what would I choose to do? Don't hesitate and think about it for ages. Just say out loud the first thing that pops into your head!

Now visualise that reality in your mind's eye...in as much detail as you possibly can.

Is it what you expected? Does your answer reflect the reality you're currently in? If not, it might be time to do a bit of soul searching my friend. Namaste!



BUYING  
A HOME

# Is A Property Investment Portfolio Still 'As Safe As Houses'?

This Issue:  
April 18, 2017

TRILogy & news  
"the property investor's mortgage broker"

Over the last century or so, our collective social psyche has hinged on a few iconic ideals about what it means to be 'an Aussie!'

Right at the top of the list, along with football, meat pies, kangaroos and Holden cars, is the cultural norm that's arguably become the intrinsic bedrock of our economic wellbeing...the Great Australian Dream.

You know the one...the dream of home ownership.

That definitive dream most hard working men and women have harboured since around the middle of last century, toiling so that they may one day 'have it all' in the form of a dwelling in suburbia that sees them through financially in retirement.

But what happens when the nation undergoes a cultural shift of significant proportions? What happens when you no longer revere the kangaroo as your national symbol, but feed it to your pets? When Holden is no longer a true blue Aussie brand? And when meat pies are replaced with wholefood wraps and lattes?

Well, as we're now witnessing in this new technological revolution that comes with a much faster pace of life and infinitely more complexities, the Great Australian Dream starts to disintegrate.

#### So what

Some might think this isn't much of a big deal, and may even argue that although the ideal of home ownership is dwindling, there's more activity stimulating today's property markets than ever before.

But the fact is, bricks and mortar investment has always been as safe as houses in this country for one primary reason – the majority of the market was in the hands of homeowners. Some 70 plus per cent in fact.

That meant stability. Because when times got a little tough, we weren't all inclined to flood the markets in a bid to offload our own homes. And let's face it, 'selling up' has always been perceived as a sign of 'selling out' among our society.

But if you happened to have a spare property or two lying around and needed to free up cashflow for whatever reason, the holiday home or secondary investment was fairly disposable.

#### A new world order

I'm not sure exactly when, where or how the transition took place. But at some stage, our Great Australian Dream underwent a serious overhaul. Blame it on affordability issues, over-indulged younger generations who refuse to start out in modest digs like their parents, tax perks for property investors, or world events like the GFC.

Whatever scapegoat you fancy, the bottom line is that housing has become more about acquiring an asset, than a home and hearth, since the turn of this century.

Now, our long held love of property is imperilling our economic stability. The very foundation we've built our financial fortunes on is starting to look shaky.

The predominant issue is that we're currently facing the highest levels of household debt in our brief history. On its own, that's surely cause for concern. But when you drill down into the distribution of that debt, the story becomes even more troubling.

#### Are investors a pesky property invader?

It all started close to a decade ago now, when the GFC left many reeling in financial destitution and seeking a safer place to park their money than the many decimated managed super funds at the time.

Real estate looked like a lovely option, particularly as you could use the equity in your own home to start out. And there were a lot of 'property investment experts' who'd made millions, sharing their get rich stories so others could do the same.

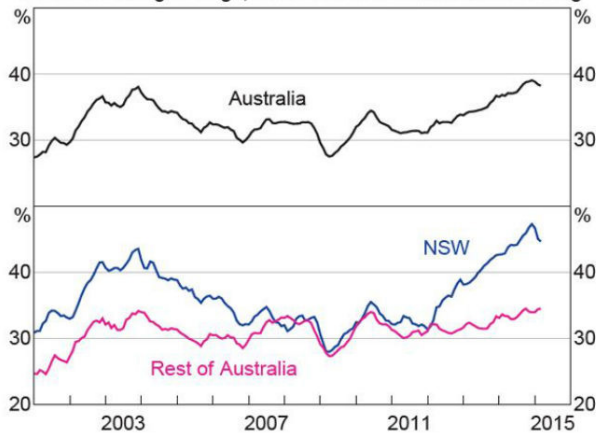
Plus, with governments stimulating activity through first home-buyer incentives, property markets were looking ever more resilient and secure, as local housing values steadily chugged along without any major corrections in our country.

The investor onslaught began in earnest however, when the Reserve Bank started slashing interest rates in a bid to stimulate property markets and pick up the economic slack from a then ailing resource sector, around five years ago now.

Today, investors account for around 40 per cent of all new housing loans nationally. And in New South Wales, almost half of all buying activity is attributed to people purchasing secondary assets.

## Investor Share of Housing Loan Approvals

3-month moving average, includes construction and refinancing



### Is it still safe

The fact is, we've all been backed into somewhat of a corner by lenders, who've happily thrown money at people clamouring to take advantage of rising markets in the context of cheap housing credit.

Regulators are becoming increasingly concerned at the amount of large interest only and equity heavy loans that have been dished out over the last five years. Hence, the latest moves from APRA to once again staunch the flow of capital from our banking sector.

Many suggest that should a downturn or some economic catalyst (be it local or global) occur now, investors could conceivably start dumping their assets, even in light of a comparably modest correction by historical standards.

So you see, as we've made the increasing correlation between housing as a commodity in this country, lending for investment in property has virtually become as risk loaded as the share market from a banking perspective.

Essentially, it could be said that we're on a very similar precipice as we were just before the GFC; only this time the mechanism is more likely to be a housing market correction.

Cast your mind back to when the banks were throwing margin loans at anyone with a savings account to buy shares, some 15 odd years ago. Stocks were booming back then so shares were the place to be for many investors.

It was easy...if the dividends failed to cover the interest on your loans, you simply wrote off your losses via negative gearing, and then repaid the money when you sold your stocks for squillions. But then the wheels fell off globally. And stocks began to tank.

Of course lenders were forced to sell off the shares they held as security when investors could no longer cover the paper losses on their portfolios, compounding the troubles of a stockmarket that was on the brink of a serious free fall.

You'd think the banks would have learnt their lesson...short memory, as Peter Garrett would lament.

We know that in some of the seriously fast paced Sydney property sectors; first homebuyers have been all but pushed out of contention. This means that now, and into the foreseeable future (unless something drastic changes), we're seeing an increasing proportion of households with investment properties.

This shift in property ownership dynamics heralds a very different landscape for our housing markets. Why? Because that attachment to the properties we borrow money to buy is diminishing.

At present, the banks have more than \$1.5 trillion in outstanding home loans on their collective books. \$1.5 trillion! Over one third of that has been lent to investors...the grand sum of \$543 billion.

Less than a decade ago, when the Australian Prudential and Regulatory Authority (APRA) started gathering home loan data, the total value of all mortgages in this country was \$683 billion.

### Back of the banks

Regulators are currently coming down hard on lenders, insisting the banks must shore up their capital caches, in case the housing market turns a less than desirable corner in the near future.

It's not surprising really, given the amount of risk exposure we're already talking about when it comes to the Australian financial services sector.

The debt attached to our banks is around 40 times the size of equity in the business. Compare this to the average debt to equity ratio of non-financial Aussie businesses at around 0.8.

And the majority of the banks' debt exposure is in local real estate, with around 60 per cent of all loans related to home lending.

Further, when the sector was deregulated and deposit taking institutions were free to decide, independent of regulators, how much cash buffer they needed in case of a property downturn, they collectively did away with their cash reserves.

Safe as houses after all! So by 2014, the 'risk weighted asset ratio' was slashed from 50 per cent in 2007 to just 16 per cent.

Of course the regulators have now pulled the reins in once more to reverse this policy, but the fact is we're still living with the consequences.

In short, the answer to whether property investment is still 'as safe as houses', if you have any common sense whatsoever, is not really. At least not at face value.

No longer, as investors, can we simply purchase a property and trust that time and compounding will work their magic to make us money.

The banks are being accused of failing to adequately protect themselves from the effects of a potential downturn. That's the bottom line. In other words, the onus falls on each of us to be a responsible investor and make sure we have sufficient contingencies in place to weather any storms that might lie ahead.

We shouldn't live in fear of the 'what if' scenarios, but we should absolutely account for them in our planning if we hope to create sustainable, long term investment portfolios.



# What Does All The Budget Bluster Mean For Our Housing Markets?

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When mainstream media outlets are voicing the public's disillusionment with the way our politicians govern, and indeed those ripples of discontent spread far and wide across the entire world right now, you know there's something big in the ether.

In recent times, it seems all sides of the political equation have an every man, woman and child for him or herself mentality to policy making, with foresight limited to 'ways we might win the next election'.

This means we end up in situations that make little sense from the sidelines, hence, the disillusionment.

### You're doing what now?

Nowhere is this illogical, dichotomous approach to (allegedly) addressing the electorate's concerns more glaringly obvious than in the world of property and finance.

On the one hand, you have Treasurer Scott Morrison laying the groundwork for a broad-based housing affordability package in next month's federal budget.

Sounds good right? Finally, they're going to do something about the fact that the Great Australian Dream is dying a slow and painful death, unlocking the door to home ownership for first timers in particular.

Morrison has eluded to a package that incorporates a number of elements, including access to Superannuation monies for a deposit if you're a first home buyer, tax breaks for downsizing retirees, rental support, and measures to improve supply by freeing up federally owned land for housing development.

"One budget will not turn these issues around in isolation, but we can make a start," said Morrison addressing an audience at the Australian Housing and Urban Research Institute.

"There are no single or easy solutions and the payback is achieved in some cases over a generation – not an electoral or budget cycle."

Oh my! Does that sound like some productive long-term hinking? Well, no, not really. Because when you drill down into the main elements proposed in the package, a series of concerning contradictions become painfully apparent.

### Is it really a super idea?

Detractors of the government's plans to address housing accessibility for younger Australians, suggest that opening up Superannuation funds for early access is a flawed strategy to address affordability issues.

Firstly, isn't it likely that luring more young buyers into already over-heated housing markets will simply aid to further stimulate those markets? Thereby exacerbating price inflation pressures..

And just how much money does the Treasurer think the average young person has in their Super Fund anyway? I mean if you want to buy an apartment in Sydney these days, you'd better have at least \$50,000 to top up that hefty bank loan.

And how much more short term can you get, when you start talking about young people plundering what's often the only retirement fund they'll ever access, in order to buy a home? What about that essential compounding that's going to be greatly diminished with a lower super balance?

The nuts and bolts of the 'delve into your super scheme' seem vague. Essentially, you'd be required to match the money you're diverting from your super fund into a special home savings account, dollar for dollar, with caps on the amount of money you can access and timeframes.

LF Economics founder Lindsay David said the proposal would only add further fuel to the affordability fire.

"We must have the only government financial leaders in the world that think getting more young Australians taking on a loan they can't afford in the first place is a good thing," he said. "That's just stupid."

Not all in the industry are as cynical though. President of the Real Estate Institute of Australia (REIA) Malcolm Gunning said, "Superannuation and home ownership are both components of a retiree's 'nest egg' and not competing products.

"By buying earlier in life retirees have every prospect of having a higher equity on retirement and a larger 'nest egg' on downsizing."

## The overseas elephant in the room

Of course the fly in the ointment when it comes to the coalition's attempt to appear genuinely concerned for future generations trying to crack the housing market, is the continuing debate around foreign investment in our property markets.

When you openly acknowledge that supply issues are at the root of the housing affordability issue, and then happily watch Chinese investors buy up large swathes of inner city residential housing that often sits vacant for extended periods, it makes you appear a little less authentic.

The government has suggested a possible stamp duty be applied to all foreign investment purchases. But is it a bit too little too late?

The fact is a massive amount of Chinese money is already rolling around in our real estate markets.

According to Credit Suisse analysts Hasan Tevfik and Peter Liu, tax data implies that foreigners were purchasing property at an annualised rate of \$4.9 billion in NSW and \$3.1 billion in Victoria.

"Foreign demand for housing in NSW is currently running at an annualised rate of \$4.9 billion and is the equivalent of 25 per cent new supply," they wrote in a recent report published on Business Insider.

"We think this is extraordinary given that current supply is nearing peak cycle. In Victoria foreign buyers are hoovering up 16 per cent of new supply.

"When we talk about foreign buyers we are really talking about Chinese buyers. The Chinese have accounted for almost 80 per cent of foreign demand in NSW. The second biggest group, the Indonesians, account for just 1.7 per cent of foreign demand."

It's all well and good to argue that these foreign buyers are stimulating housing construction, thereby providing a much needed boost to the new property pipeline.

But in reality, most of the new housing stock they're accessing is very niche and often, not in the realms of fiscal reality for the average Aussie first homebuyer. So where are the opportunities for them?

And let's not entirely forget about that low interest rate environment encouraging more local investors to dabble in real estate as well.

Finally, what of the contentious roadblocks to new housing development that always seem to impede the possibility of increasing supply? Gunning suggests one of the major issues with housing affordability is that up to 30 per cent of the cost incurred is in taxes.

He adds that young would-be buyers are being pushed further away from the inner cities where employment opportunities abound.

"So you've got social expectations, you've got supply chain problems – speed to market, from zoning change to shovel-ready, is sometimes years – and taxes."

In other words, nothing that hasn't been completely overlooked by Morrison's proposed budget package to address affordability issues.