

ARE YOU SUFFERING FROM MORTGAGE STRESS?

Here are some idea's to help you manage

When the Reserve Bank of Australia (RBA) raises interest rates, banks and other lenders follow suit and raise home loan interest rates. As we all know, there are times when the banks and other lenders elect to increase rates independently of the RBA. If you're on a variable rate and pay only the minimum instalment, your mortgage repayments will go up when interest rates rise.

Variable or fixed rate?

When interest rates go up, it might already be too late to beat the rate rise by switching to a fixed rate as banks often increase their fixed rates when they're expecting a rate rise. However, if you need to budget and really can't afford much higher rates, a fixed rate gives you the security of knowing exactly how much your repayments will be. Another option may be to split your loan between fix and variable. Splitting your loan between the two can offer an element of security while still giving you flexibility.

As interest rates rise, so do levels of mortgage stress. As a general rule of thumb, you are considered to be under mortgage stress if you are paying out more than one third of your income on your mortgage repayments. With this in mind, we may be able to help you re-structure your finances to ease your short term worries. We can explore different options such as consolidating your debt, changing to an interest-only repayment on your mortgage, researching 'no frills' loan products or possibly even extending the life of your loan in order to reduce your payments. These options all need to be considered carefully and we recommend you contact us to discuss your options before making any decisions.

In the short term, here are a few ideas to help you trim your weekly budget and help reduce your expenses;

- ♦ Try grocery shopping online. It is easy to stick to your budget. What you save on impulse buying should more than pay for the cost of delivery.
- ♦ We all knew to buy fuel on a Tuesday didn't we? The petrol stations are onto us! Apparently it's Thursday now in some suburbs and the weekend is better in others. Start to monitor your favourite petrol station as you drive by each day and see

if there is a pattern each week. Did you know that on an average sized petrol tank of 50 litres and filling up weekly on the cheaper days can save you up to \$400 a year? That should take care of (or contribute significantly to) your car insurances at least!

- ♦ Compare everything before you buy. The internet has opened so many doors for comparison shopping.
- ♦ Check your car insurances using www.ratecity.com.au, as premiums can differ by several hundreds of dollars. This site also allows you to compare features as well. In all states but NSW and Qld, compulsory third party insurance is provided by only one state-owned or government-licensed insurer. Jump onto www.greenslips.com.au before buying your green slip in NSW and Google for the best CTP deals in Qld. Premiums can differ by as much as \$270.00.
- ♦ Compare your phone plans (mobile, landline and broadband) at www.phonechoice.com.au, your gas and electricity at www.choiceswitch.com.au, and your health insurance at www.iselect.com.au for more potential savings.

Just these ideas alone can add up to over \$1,000 in savings each year. Now what could that do for your budget? Give it a go, you might surprise yourself.



If you feel you may need more than our short term stress management tips, please contact the office to see how we may be able to help you manage your debt levels on a longer term basis.



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