



Your Mortgage Matters

August 2022 News

Changing people's lives

TURNING POINTS AND MILESTONES

As variable rates continue to increase many clients are asking about fixing to protect from continuing rate rises.

Sorry to say, that horse has bolted. As an example, 3-year fixed rates are now quoted at major banks as much as 3% higher than variable rates. No one can accurately predict the future, but general opinion is that you will end up paying less interest over that 3-year period by being in the lowest available variable rate loan rather than fixing.

We are in a very different world as compared to when fixed rates were artificially low (largely due to central bank quantitative easing policies here and in USA at that time). For those who took advantage of those record

low fixed rates that were available early last year: Congratulations on the decision; But be ready for the jump in repayments when the fixed period expires!

On a personal note, Integrity Finance Australia last month reached the milestone of having now assisted clients in settling a total of One Billion Dollars in loans.

That is a lot of houses, and that is a lot of individuals and families.

It is such a large number it is hard to put into context, but consider:

One Million seconds is 12 days.

One Billion seconds is 31 years.

In This Issue

- A major milestone reached
- Have a laugh and live a little
- The question I get asked the most
- Human nature and history repeating itself

We consider ourselves a small "family business". Never-the-less we have a multitude of happy clients who we care for, who thank us by asking us to assist their family and friends. So, the business continues to grow.

Changing people's lives is the motivation, that is what we do. Changing your life. Whether you are a first home buyer, upgrading your home, retiring, buying an investment property, or business.

Integrity Finance Australia is a team, and we love what we do, but one billion dollars in loans could not have been settled without many layers of support and assistance. This is a message of thanks and gratitude to all who have been in any way a part of this journey: Clients, staff, and all associate families.

Thank you, long may the journey continue!



THE LIGHTER SIDE

SOME FUN FACTS

There is a company in Japan that has schools that teach you how to be funny. The first one opened in 1982. About 1,000 students take the course each year.

The Lego Group is the world's most powerful brand. There are more Lego Minifigures than there are people on Earth.

The Bagheera kiplingi spider was discovered in the 1800s and is the only species of spider that has been classified as vegetarian.

There is a boss in Metal Gear Solid 3 that can be defeated by not playing the game for a week; or by changing the date.

The Roman – Persian wars are the longest in history, lasting over 680 years. They began in 54 BC and ended in 628 AD.

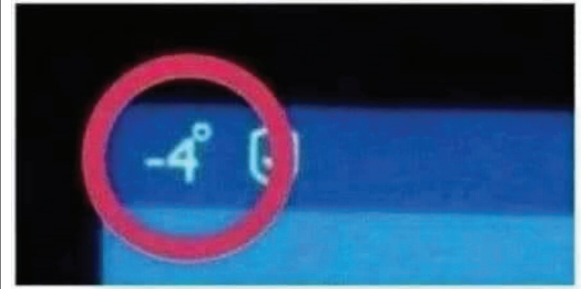
Elvis was originally blonde. He started coloring his hair black for an edgier look. Sometimes, he would touch it up himself using shoe polish.

If you translate "Jesus" from Hebrew to English, the correct translation is "Joshua". The name "Jesus" comes from translating the name from Hebrew, to Greek, to Latin, to English.

Ed Sheeran bought a ticket to LA with no contacts. He was spotted by Jamie Foxx, who offered him the use of his recording studio and a bed in his Hollywood home for six weeks.



**Wife: "The car is not starting. Dashboard shows the sign of a person sitting on toilet."
Husband: "What...??
Send me a picture."**



LANGUAGE IS FUNNY

A linguistics professor was lecturing his class one day.

"In English," he said, "a double negative forms a positive. In some languages, though, a double negative is still a negative. However, there is no language wherein a double positive can form a negative."

A loud voice from the back of the room piped up, "Yeah, right."

SUDOKU

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THE QUESTION ON EVERYONE'S LIP'S: HOW BAD WILL THE PROPERTY DOWNTURN BE?

That is a question I am asked on a regular basis at the moment.

The media exist to be negative, they garner fear, it sells papers (and generates 'clicks' online). I even had a real estate agent cold call me asking if I wanted to sell my home before the crash!

With the fear mongering I am witnessing I can understand if you are a little worried.

But I'm not.

The property market will correct, it will come down a little, it will flatline, and it will subsequently come back again stronger than ever.

Economic cycles are a part of the natural order of things. In Australia we are fortunate to have a property market which is not subject to the wild swings of the share market, or indeed of some international property markets.

That stability is due to a number of factors, including costs of buying and selling discouraging turnover.

Importantly in Australia 2/3 of property is owned by owner occupiers who value where they live. When you own your own home, you want to budget and will sacrifice other spending to keep it! That is shown in the statistics - defaults on mortgages and bank mortgagee sales are more often the result of unemployment and divorce than the result of increasing interest rates.

For the 1/3 of properties which are rented, signs are evident we may be moving to an investment market boom period. The national residential vacancy rate is now 1.1%, well below the equilibrium point of 3%, and the lowest rate for decades. Amazing, at a time when we have had very limited international students or immigration during Covid restrictions.

A combination of events including political interference in the investment property markets has created a critical undersupply of rental properties

available. Weekly rents are in some cases increasing now by double-digit percentages.

Apartment median values are already discounted due primarily to covid related issues, they are currently at a record discount to detached dwellings. That differential will move back to normal as part of the cycle. We are currently seeing increased demand for apartments again, from owner occupiers and investors. Quality apartments remain a solid long-term option for residence or investment.

Our advice:

Current and pending interest rate increases are real, your required minimum repayments are increasing. You need to review and check your finances and your budgets and treat that increase in mortgage payments with due care and respect.

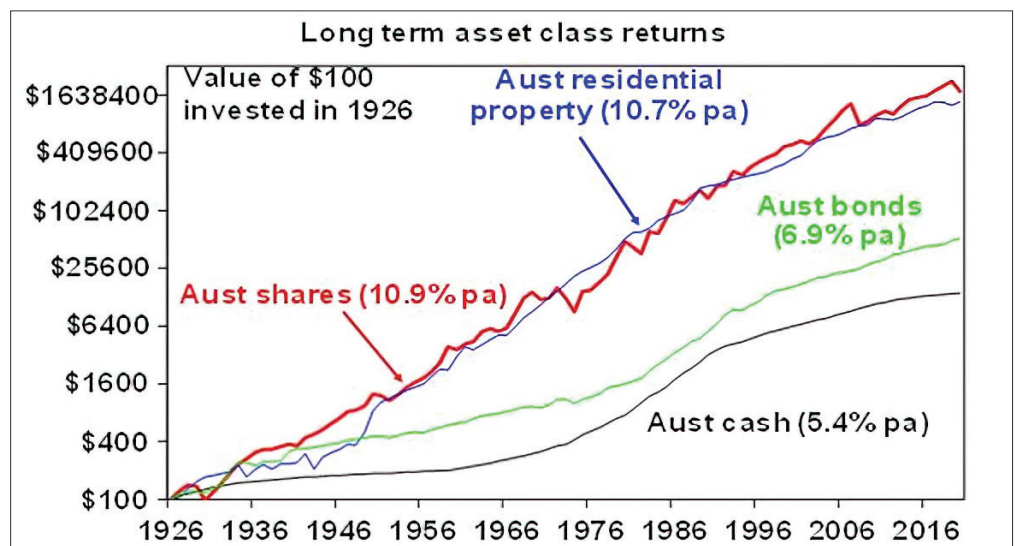
The excesses of the recent market action will disappear. Paying 'overs' will stop. But we are not seeing any reason to be fearful of a house price collapse, and certainly do not think you can time the market by potentially selling now and buying back when the market is (maybe) cheaper. As Warren Buffet says, no one rings a bell at the bottom.

Thanks For The Referrals!

A big 'thank you' to:

- Shawn for referring Chai & Jennifer
- Michael for referring Colin & Janine
- Sam for referring Ehrin & Tamara
- Matt for referring Joe
- Paul & Kerrie for referring Evan
- Chris for referring Octavio
- Chloe for referring Amy
- Luke & Lauren for referring Caity
- Kirsty for referring James
- Tom for referring Blair
- Jamie for referring Daniel
- Courtney for referring Jess
- Lauren & Ben for referring Carly
- James for referring Jenny
- Lydia & Joshua for referring Olivia

It means a lot to us when you stick your neck out for us and recommend our services to peers, friends and family, you don't have to do it and each time you do we feel incredibly grateful. Thank you again.



Source: ABS, ASX, Bloomberg, REIA, Shane Oliver AMP Capital

Congratulations!

A big Integrity Finance 'Thank You' to:

- Jesse & Maddison
- Max & Jane
- Luke & Lauren
- Michael & Tamara
- Andrew & Julia
- Britney & Jackson
- Courtney & Bryn
- Ben & Sarah
- Lis
- Rodney & Amanda
- Amanda & Tom
- Jodie
- Bec & Chris
- Meredith & Reno
- Brendan & Christine
- Sam & Nicole
- Andrew
- Sally & Adam
- Casey & Corey
- Leanne & David
- Colette & Jared
- Rachelle & Jiri
- Demelza & Matt
- Chris & Karen
- Paige & Morrison
- Catherine & Graham
- Matthew & Madeleine
- Nicholas & Alyce
- Samuel
- Marnie
- Matthew & Madeleine
- Sallie & Sus
- Scott & Tara
- Rebeka & Mitchell
- Belinda
- Treina & Thomas
- Bre & Daniel
- Louise
- Leo

All of whom settled a loan with us in the last 60 days. We really appreciate your business.

INCOME AND EXPENSES

The first guiding principal from the book "The Richest Man in Babylon" (George S. Classon) is to save 10% of everything you earn. You will quickly learn to live on the other 90% and can then put the 10% saved to work investing in your future.

Unfortunately, few follow that idea.

For the majority - as your income rises, so too do your expenses. You buy a bigger home, nicer cars, better clothes, go on more expensive vacations and frequent restaurants more often.

When your income increases over time, you make adjustments to your life to reflect (spend) this higher income. That is why the majority will never become rich.

The smart ones, the ones who accumulate the most wealth, live below their means. They spend less than they make. They do not alter their lifestyle when their income rises.

No matter what your income level, the main ingredient in accumulating wealth is to keep your expenses below that income, save the rest and then consistently and prudently invest those savings.

Now comes an interesting time where mortgage repayments are increasing, effectively decreasing disposable income. For that majority who overspend, now adjustments to life need to be made to reflect lower income.

In our experience, where income is at least the same as at application, there is no need for clients to panic about increasing interest rates. With sensible budgeting and decreased 'discretionary spending', we do not expect to see forced sales due to interest rate rises.

As a final note, a reminder, history really does repeat: Rates go up, then they will come down. Remaining in the game is what counts.



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