

# BALLAST BALLAST BULLETIN

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## Moves to improve home loan competition are welcome

**The Government has recently invested \$8 billion in mortgage backed securities to help building societies, credit unions and regional banks compete in Australia's mortgage market.**

The purpose of the securities is to give similar support to what was given to the banks at the onset of the global financial crisis.

Unfortunately, financial experts are stating that though the amount gives a small boost to the non-bank lenders it will be woefully short of what's required to bring meaningful competition back into the market.

The lack of competition enjoyed by the Big 4 Banks since the global financial crisis has taken their share of the home loan market from 67% to about 82%.

### Promising sign

It's interesting to note that several second tier financiers have announced that they're returning to the home loan market.

This will be welcomed by those people who are currently experiencing difficulties in meeting the tougher loan eligibility criteria set by the banks during 2009.



*Pictured: Ballast Principals, Wayne and Kaylene Blazejczyk, Victoria Park Mayor, Trevor Vaughan and General Manager, Frank Paratore at the opening of the Victoria Park branch.*

## You can now find us in Victoria Park

### Ballast has opened a new branch in Victoria Park.

To celebrate we hosted a key corporate event with the W.A. Local Chamber of Commerce and Industry.

The branch offers the complete one-stop-shop financial service as is available to our clients in other locations.

General Manager, Frank Paratore said Ballast is keen to be seen as a local community financial advisory service

'We're a 'Gold member' of the Local Chamber movement, keen to demonstrate that our emphasis is on being readily accessible to local residents and business operators within the community rather than being headquartered in the CBD.

The branch located at 1/ 990 Albany Highway, Victoria Park is the fourth with others being in Midland, Jandakot and Rockingham.

The branch was declared open by the Mayor of Victoria Park, Trevor Vaughan.



**Christmas Greetings to all**

**Our office will be closed from December 23 to January 11**

Remember Ballast can look after all your financial needs



AFSL 233180 FB Lic No 981

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- Accounting
- Superannuation
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# Should you have your own self managed super fund?

**A**n interesting statistic has emerged out of the Global Financial Crisis and the woes of superannuation funds.

A study into superannuation investments found that the value of corporate, industry, retail and public sector funds fell by an average of 15% from March 2008 to March 2009.

But the value of Self Managed Superannuation Funds fell by just 4% over the same period.

The reason for the lower fall is believed to be that operators of SMSFs tend to put a larger portion of their money into property whereas managed funds tend to operate far more intensively in the share market.

As there are now over 400,000 SMSFs in Australia could it be worth asking if it would be suitable for you?

First and foremost what is an SMSF:

An SMSF is a specialised superannuation trust that can be established for up to four people for the sole purpose of providing retirement benefits to its members. In other words it's your own super fund.

## For it to operate it needs to have

- A trust deed that establishes what the fund can or can't do
- A trustee. All members have to be trustees or members of a company acting as the trustee.
- An investment strategy that sets out how the SMSF will invest and address risk, return, diversification, liquidity, cash flow etc.

If you're not up with all of the above, you can gain professional advice from Ballast on how to set it up and operate it.

Many people have the belief that SMSFs are just for business owners. Not so, as under the superannuation 'choice of fund' legislation people can request their employer to pay contributions into their own SMSF.

## What's involved in setting up?

It's reasonably simple to set up – either by way of an advisor or you can do it yourself.

If you're to have a company as the trustee, you need to establish the company and buy an SMSF trust deed.

You will then need to apply for a Tax File Number and an Australian Business



Number and then establish a bank account in the fund's name.

Once all that's done you might want to roll over your existing super accounts into your new fund and change your payroll details for contributions to go into the new fund.

You will need to appoint an accountant and an auditor to prepare your SMSF accounts, tax return and audit.

Once established you need to manage it and its investments and in particular, keep proper records of transactions.

In the beginning you should be guided with professional advice which we can provide but once you're up and rolling you can either go it alone or continue to use our services.

## Cost

SMSFs can be very cost effective but it really depends on the type of investments held and how frequently you change them.

One particular aspect is that there are a number of fixed costs that don't increase according to the size of the fund.

For example the cost of auditing and preparing the fund's tax return will probably be the same whether you have \$250,000 or \$2.5million.

The key here is to compare the costs of different strategies – whether an SMSF, an industry superannuation fund or a retail superannuation fund. Once again, we can help you with this.

## Control

Once your SMSF is in operation you have control subject to the technical rules about SMSF investments.

Some people feel more comfortable being able to control their superannuation investments while others prefer to have their investments professionally managed.

If you have the experience and confidence to manage a SMSF it offers a rewarding challenge but for those starting out we would recommend having help.

## Tips to consider re investing...

- Property investment should be regarded as a long term investment with the aim of taking the opportunity to attain capital growth.
- It shouldn't be bought simply because of negative gearing, rather the attribute of negative gearing should be seen as a bonus.
- Success in investing comes as a result of doing a number of things well:

Buying at the right price is just one key point with other factors such as the right finance package, rental yield, good property management, good tenant relationship and having the right type of landlord insurance equally as important.

One further item we strongly recommend is to obtain a quantity surveyors report that itemizes what you can claim as depreciable items for tax deduction purposes.

# 5% predicted: With interest rates on the way up – here's some tips on how to increase your resilience

**This time next year the home loan cash rate could easily be 5%, meaning that the recent interest rate rises are just the beginning of a steady upward rate cycle.**

While 0.25% has not been too painful – around \$45 extra each month on the average \$300,000 mortgage if the RBA continues with its policy of using interest rates to counter inflation, November 2010 could see the average homeowner paying a further \$236 a month in repayments.

If you're concerned about the rate rises coming your way here's a few ideas that will help.

## **Pay more now**

If you pay more now as if the interest rate was already higher you will reduce your loan faster and create a buffer for when rates do rise.

Many homeowners continued to pay higher repayments rather than follow the decrease in interest rates so they'll be in a relatively comfortable position.

## **Pay a little more**

Paying a little extra every month can have a surprisingly significant impact in

the long run. Just a measly \$10 extra a month can save over \$3600 in interest on a \$300,000 mortgage. Pay \$50 extra a month and make your payments fortnightly from monthly and you'd save over \$60,000 on the total interest bill.

## **Don't pay the standard rate**

Packaged home loans, online home loans, no frill loans, reward home loans and the latest capped home loans can offer useful discounts off the standard variable rate.

Talk to a Ballast Finance Broker about the latest deals on offer. We may be able to improve your situation.

## **Consolidate your debts**

You may be able to reduce your monthly fixed commitments by rolling your credit card debt, car loan or personal loan into your home loan.

The extra cash should go straight back into your loan so you don't end up paying more interest in the long run.

## **Offset**

If rates rise investors with a home loan would be better putting their cash into an offset account. Loan accounts such as a



100% offset account enable home owners to link a savings account with their home loan account and offset or use that amount to reduce the interest accumulated on their mortgage.

You save on the interest and term, and you don't pay tax on the interest earned in the offset account.

## Economy in sharp turnaround - WA headed for more exciting times

**A sharp acceleration in growth next year, and a recovery that will outstrip official forecasts has been strongly indicated by the Westpac-Melbourne Institute leading index.**

The growth rate of the Westpac-Melbourne Institute leading index was 5.8% in September, well above its long-term trend of 3.1%.

The index, which indicates the likely pace of economic activity three to nine months ahead, has now accelerated from minus 5.4% in May, to mark the fastest turnaround since the economy bounced out of recession in the mid-1970s.

Westpac chief economist Bill Evans said just recently the reading represents an extraordinary pace of recovery.

"The sharp recovery in the leading index's growth rate supports our view

that the Australian economy is moving into a stronger growth trajectory in 2010."

As a result Westpac is forecasting economic growth to pick-up from 1.75% in 2009 to 4% in 2010, a contrast to the Reserve Bank's more conservative forecast of 3.25%.

And on a similar vein the W.A. Chamber of Commerce and Industry has delivered what's nothing short of a glowing forecast for W.A.'s future.

CCI chief economist John Nicolaou, said booming business confidence, a turnaround in employment, interest rate stability, a less volatile share market and tremendous export potential for manufacturing and commodities had washed off the negativity of the global financial crisis.

He said the CCI was very optimistic about



the next two years. After that, it was difficult to tell.

"But I think that a \$200 billion investment in projects either underway or planned for WA - which is well in excess of any other state and nearly twice the value of what WA produces each year - will give stimulus for the future," he said.

"The CCI estimates that this state will need an additional 400,000 more workers by 2017 and even based on the current strong population growth, we are short 150,000 workers".

# Movember's moustache movement gains momentum

**Moustaches of varying shapes and sizes have emerged on the upper lips of our male staff members as their contribution to supporting the charity event, 'Movember'.**

'Movember' is a moustache growing charity event held in November each year to raise funds and awareness for men's health, specifically prostate cancer and men's depression.

Ballast registered a hirsute team of 'MO BROS' to support this charity 'mo'-vement.

Official 'Mo Sister, Kaylene Blazejczyk kept a keen eye on the progress of the participants – ensuring they all began clean shaven on November 1 so no one had a head start and she ensured it was just moustaches – no beards or goatees.

The event became competitive with some debate occurring as to whether recognition should be given to the length of the moustache, its density, colour or luxuriance.

Despite the divergence of opinion we think the event is a great cause to be involved in as it's not only fun but worthy of support as it helps others in the process.

*Gearing up for a moustache growing competition. From left: Frank Paratore, Wayne Blazejczyk, John Misztal, John Lister and Andrew Grace.*



*It's not often that we all come together in our 'glam gear' but such was the occasion of the Melbourne Cup this year. Staff dressed for the occasion with the ladies in their hats and the surprise of the day, John Misztal in a jockey's outfit. Lauren Stammers won the office sweep.*

## Senior advisors add strength for extra customer service

**Ballast has recently been joined by two senior advisors who we know, are going to give great service to our clients.**

John Misztal has joined us as in-house finance broker

John comes with over 20 years experience in the finance industry.

He has considerable experience in residential and commercial lending and has forged many contacts within the industry that are of considerable benefit in getting deals approved for his clients.

John Lister has been appointed as our in-house financial planner.

John has been involved in the financial industry for more than eight years, most recently with ANZ.

He has a wealth of experience in the financial services arena and is ready willing and able to assist you in the field of financial planning and insurance.



*John Misztal*



*John Lister*



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