

HAV&N

money + lifestyle + home

Winter 16



Improve
your
investment
borrowing
power

GOING
GREEN

charging
kids rent

win
\$1,000
cash

**THIS IS
YOUR HAVEN
PREVIEW!**

We will send Haven to your
contacts in the week
commencing 23 May.



Hello James

Welcome to our winter edition of Haven.

In 2015 regulators sought to apply the brakes to investment lending and this saw many of the country's larger lenders tighten up on investment loans. The changes made by the lenders meant borrowing for an investment property was in many cases tougher, however there are still many funding possibilities out there. Check out our article on how to improve your investment borrowing power and pick up the phone if you'd like to talk through your situation.

With many Gen Ys staying in the family home late into their twenties, the risk of them becoming a long-term financial burden on their parents is a new reality. We take a look into the importance – for both your savings and your child's budgeting skills – of charging your adult kids board.

I hope you enjoy this edition of Haven. If you have any questions about your home loan situation please do get in touch.

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All in the family

The trend for adult children to remain in the family home for longer is putting a strain on their parents. But there are ways to make it work for everyone.

If you have a happy marriage and a comfortable home, studies indicate it's more likely your children will delay moving out.

Well, they're not silly are they?

But, confirming the cruel irony of life, the same studies also show that having adult children remain at home can put a strain on parental relationships and finances. So you end up broke and unhappy, then they move out – right?

Well, there is another way. Handled correctly, the arrangement can benefit everyone, and help 20-somethings launch successfully into the world.

Today, about one in four, or 23 per cent of people aged 20- 34 live with their parents, up from about 19 per cent in the late 80s. Interestingly, significantly more men (27 per cent) than women (18 per cent) stay at home into adulthood.¹

While some have never moved out, about half have left and returned, earning the tag 'boomerang kids'. Some are shellshocked at the cost and responsibility of flying the nest, others want to save for a house deposit, and some return after a relationship breakdown.

No matter the reason, there are some basic rules to help minimise 'boomerangs' and reduce the impact on your sanity and hip pocket.

Teach your children to read, write and budget

Most would agree it's never too early to teach your children the value of a dollar. Entertainer Toni Braxton raised eyebrows a couple of years ago when she revealed her primary school-aged children paid rent.

It was a nominal amount from their pocket money, but Braxton explained: "It's so they can understand that when you get older and have to leave, you have to pay bills. It was a shock to me when I found out I had to pay bills, like, 'What do you mean rent?' So I thought I should instill that into my little boys."

In today's 'swipe and go' credit card age, young children are often unaware money is even changing hands, so it is more important than ever to take the time to explain financial transactions. And while pocket money can be divisive, if it comes with financial responsibility – to make your own decisions about spending/saving – it can be an important learning tool.

Have that hard conversation early

If your adult children decide to stay on after they have finished their study, or if they return to the family home after moving out, it is important to have a frank discussion. This can be hard but it will pay off in the long run to set ground rules early.

Experts agree adult children should contribute to the household costs, regardless of your financial situation. So it may be a good idea to research average rents in your suburb and discuss this with your children. Even if you only decide to charge a nominal rent, it is important they acknowledge real world costs. Also, let them see your electricity, rates, grocery and fuel bills and discuss how they will contribute.

If your child is studying or only working part time, charging them the same amount of rent that's expected of a full time worker may not be reasonable or achievable. As a guide, it's generally recommended to spend no more than 30 per cent of your gross monthly income (before tax) on rent.

If your child is saving to buy a car or a first home deposit, instead of paying the market rent rate, you might consider having them trade off some of the money for extra jobs around the house.

Setting up a direct deposit arrangement for rent payments can also save friction. And if you feel uncomfortable taking money from your children, and can afford the costs of having them under your roof, consider paying their 'rent' into a savings account and gifting it to them when they move out.

Accept that your children will struggle...and learn from it

Australian Parents Council Director Ian Dalton told The New Daily last year: "One of the issues we see quite a bit is that too many parents don't want their kids to struggle."

Dalton hits on a pivotal issue. Baby boomers recognise it is harder for their children in many ways – higher education now comes with fees, housing costs have soared and the job market is tight. No one likes to see their kids do it tough, but it is possible to 'help' your children too much, stunting their independence. Many well-meaning parents subsidise their children's phones, cars and travel into adulthood.

Allowing your children to make financial mistakes (and learn to live within their means not yours) is part of allowing them to grow.

Seek help

Financial planners are now advising new parents to plan to support their children into their 20s. Nicknames such as KIPPERS (Kids in Parents Pockets Eroding Retirement Savings) and SLOPS (Singles Living Off Parents) indicate the problem.

This can put an additional financial burden on parents who should be saving for retirement. Financial advisors estimate having an adult child at home can cost anywhere from \$10,000 – \$24,000 a year depending how much parents subsidise extras, such as cars, phones, travel, entertainment and food.²

Some parents end up curtailing their own travel plans, retiring later or delaying downsizing so they can help their offspring. Discuss your situation with a financial planner. Charging your children as little as \$150 a week adds up to nearly \$8,000 a year. You could use this to supplement your retirement savings or to pay down your home loan or other debts.

Consider renovating your family home with a long term view

Talk to your mortgage broker about using the equity in your home to upgrade the family home. The extension you might like to build for your boomerang children could end up being your granny flat when it is time for you to pass the family home to the next generation and downsize your own living arrangements.

Try to remember there is an upside

This can be particularly true if your adult child returns with his/her own children in tow. You will in all likelihood be doing some extra babysitting, but embrace the bonds you are building. They could come in handy as you head into the territory where some extra help around your home could be just what you need.

1. **Young Adults Then and Now**, Australian Social Trends, 2013, Australian Bureau of Statistics.

2. **Mother Can You Spare a Room?**, Grind, Kristen, Wall Street Journal, May 3, 2013.



Once, building or renovating was about creating a dream home. Now it is just as important to create a 'green' home. With a bit of thought and planning your house can be kinder to both the environment and your hip pocket.

Before deciding what to tackle first in greening your home, it's important to understand where the most energy is used.

According to the federal Department of Environment, energy use in the home can be roughly broken down into:

- Heating and cooling: 40 per cent (houses in cooler areas generally spend more on heating than those in warmer regions spend on cooling).
- Electrical appliances (including standby, refrigeration and cooking): 33 per cent.
- Hot water: 21 per cent.
- Lighting: six per cent.

Whether you are building, renovating or just looking to reduce your carbon footprint, there are a few things you can do to make your home more eco-friendly.

PASSIVE DESIGN

Good design is one of the simplest and most effective ways to slash hundreds from your energy bills by using the sun to heat and the shade to cool.

Retractable awnings, blinds and deciduous plantings can all be used to shade windows in summer. In winter they simply retract, or drop their foliage, to allow sunshine to stream in.

The Australian Government's Your Home website (www.yourhome.gov.au/passive-design/glazing) suggests incorporating some simple principles at the design stage of building to optimise the thermal performance of your home.

- Locate and size windows and shading to let sunshine in when the temperature is cold and exclude it when it's hot.
- Use thermal mass to store the sun's heat and provide night-time warmth in cold conditions.
- Locate window and door openings to allow natural cooling by cross-ventilation.
- Provide seals to openings to minimise unwanted draughts.

PHOTOVOLTAIC (SOLAR) PANELS

Solar energy has, rightfully, taken off in Australia as we have some of the world's longest sunlight hours and highest electricity prices.

The major factor driving prices is a massive spike in electricity usage between 4-8 pm¹, thanks to our love affair with all things electronic. Spending on infrastructure and supply is focused on supporting this four-hour surge.

That's why one of the biggest developments in the photovoltaic (solar energy conversion) market is residential energy storage. That is, affordable home batteries capable of storing solar-generated power for use (or sale back to the grid) during these peak periods.

WATER

Two major ways to save water are rainwater tanks and grey water recycling.

Australian Bureau of Statistics data indicates we pay around \$584 a year for water. A diversion switch (starting at around \$150) to send grey water from sinks and showers to be reused in the garden, can reduce water usage by 30-50 per cent. More elaborate grey water treatment systems (upwards of \$3,000) allow for reuse in cisterns or washing machines.

Rainwater tanks (from around \$700) can also be plumbed in to supply toilets and laundries.

Public health laws sometimes limit how grey water can be used, so check with state and local authorities before installing a system.

The Tankulator site (<http://tankulator.ata.org.au>) run by the not-for-profit Alternative Technology Association is a good place to start any research.

HOT WATER

Solar hot water systems may deliver the cheapest hot water, but there are also high initial costs. Savings may also be possible using cheaper eco-systems, such as heat pumps, which use ambient air temperature to heat water. For an idea of costs and savings, the Victorian government has published comparisons on its Sustainability Victoria website which lists the average annual running cost of various systems in a two-person house using 100 litres per day. A solar system (boosted by natural gas) averaged about \$91, compared to a heat pump system at \$203; gas storage (natural gas) at \$219 - \$275 and off-peak electric at \$508 and gas storage (LPG) at \$629.

BUILDING MATERIALS

Choosing a sustainable, insulating building material is an essential part of an energy-efficient home.

Another recent development in 'smart' building materials are integrated solar panels, such as solar roof tiles and semi-transparent panels, which can be used as skylights. Thin film photovoltaic technology is also being used to develop cost-effective 'solar coatings' for other building materials. For more information on sustainable building materials see www.ecospecifier.com.au

POOLS

The latest high-end trend in environmentally friendly pools is the 'natural pool'. Relying on shallow planted areas to filter water naturally, they are both beautiful and green, although they cost more than standard pools to build, and require more space.

If you have a conventional pool, consider heating it with solar hot water panels or solar absorbing pool covers rather than relying on conventional pool heaters. And a cover on the pool when it's not in use can reduce evaporation.

ELECTRICITY

The average household spends about \$2,000 a year on electricity. Appliances left on standby can account for as much as 10 per cent of your bill. Master/slave and 'intelligent' power boards are available to cut mains power when devices are not in use.

On new builds it is also possible to install a master switch (similar to systems used in hotels), which turns off all non-essential appliances. Most power companies also offer you the option of receiving some, or all, of your energy from renewable sources for a higher charge.

Make sure you look at the Energy Rating stars of appliances before buying, and only purchase what you need.

GARDEN

Planting out a native garden not only attracts wildlife, but can reduce the need to water. Check out council plantings in your local area, as these will be suited to the climate. Many councils run free native plant programs for residents.

Previous research by NASA suggests that certain indoor plants such as the peace lily provide a natural way of removing toxic agents such as benzene, formaldehyde and trichloroethylene air, helping to neutralise the effects of sick building syndrome.²

Furthermore, vegetables and fruit grown from your own window box or garden bed are fresh, can be grown organically, and limit the need for environmentally harmful transportation measures.

GREEN REBATES

For a list of rebates available in your area see: www.yourenergysavings.gov.au/rebates

1. <https://www.energex.com.au/the-network/understanding-the-network/peak-demand>

2. Source: <http://ntrs.nasa.gov/archive/nasa/casi.ntrs.nasa.gov/19930073077.pdf>



HAVEN LIKES



Spot in a teacup

Your morning cup of tea need never be a dull occasion with this little fella peering back at you. Swedish ceramicist Eleonor Bostrom hand makes her doggie teacups, making each one unique.

www.thirddrawerdown.com



Bean bag

Celebrate your love of the humble baked bean with this quirky handbeaded clutch by Melbourne designer Lara Ivachev. This statement protein piece means you can have your beans for breakfast... and wear them too.

www.eatmedo.com



Beer buddy

Let a stick figure help parch your thirst by cracking open your next beer. Simplicity of form doesn't mean that Stick Man isn't good at what he does, think of him as cleverly functional sculpture. Attach him to your key ring so he's ever ready for the job.

www.suck.uk.com



HAVEN WIN



From the mouth of babes

Kids say the funniest things, and we're looking for a brilliant example of either the most embarrassing, amusing or cutest thing your rug rat has uttered. Tell us in 250 words or less for the chance to win \$1,000.

How: email your story in 250 words or less to havencompetitions@afgonline.com.au placing 'From the mouth of babes' in the subject line.

Include: your name, address, email, phone number and the name of your mortgage broker.

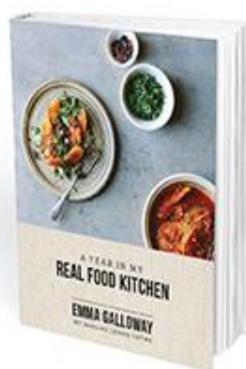
Dates: opens on May 20 and closes on July 14.

Winner: will be decided on July 15 and notified by telephone after this time.

Terms and conditions: email havencompetitions@afgonline.com.au to request terms and conditions.



HAVEN REVIEW



Bestselling author and blogger Emma Galloway returns with a feast of new and seasonal vegetarian and gluten-free recipes filled with her signature inventive, flavour-driven techniques. In *A Year in My Real Food Kitchen*, Emma follows the rhythms of her own garden and shows you how to choose produce at the right time and get the most of it. Discovering her children were gluten-intolerant as babies increased her drive to cook more nourishing, locally produced food from scratch, especially since she felt that store-bought gluten-free products were often tasteless. Nutritious, delicious and real, this collection of recipes will inspire every home cook to re-connect with a more natural way of eating.

HarperCollins RRP \$39.99

Haven Answers



David



Seth

Thank you to everyone that entered our competition as we went on the hunt for Australia's best celebrity look-a-like. David believes that he has a doppelganger in Seth Rogen and we tend to agree! **Congratulations David**, \$1,000 is on its way to you.



Tomato, eggplant and buckwheat bake

From Emma Galloway's A Year in My Real Food Kitchen

Serves 4–6 | gluten free

- 90g (½ cup) raw hulled buckwheat
- 1 large eggplant, ends trimmed and cut into 1cm dice
- 1 tbsp fine sea salt
- 60ml (¼ cup) extra-virgin olive oil
- 4 cloves garlic, roughly chopped
- 5 large tomatoes, cored, peeled and finely chopped
- Pinch of unrefined raw sugar
- 2 tbsp tomato paste dissolved in 125ml (½ cup) cold water
- Handful of basil leaves, roughly chopped
- 200g fresh mozzarella cheese, roughly torn (feta would also work wonderfully if you prefer)

Bring 1 cup water to the boil with a pinch of sea salt. Add buckwheat, cover with a lid and reduce heat to lowest setting. Cook for 15–20 minutes until water has evaporated and buckwheat is tender. You can remove the lid in the last 5 minutes to evaporate any excess liquid if needed. Remove from heat and fluff up with a fork.

While buckwheat is cooking, combine diced eggplant with salt in a large glass or ceramic bowl. Set aside for 30 minutes. Rinse under cold water and drain well. Pat dry with a clean tea towel.

Preheat oven to 180C. Heat olive oil in a large frying pan over medium-high heat. Add eggplant and cook, stirring often, for 10 minutes until golden and tender. Add garlic and cook for a further minute before adding tomatoes. Cook for 5–8 minutes until soft, then add sugar, tomato paste mix and basil. Season with salt and pepper. Stir through cooked buckwheat. Transfer to a large ovenproof dish, scatter with mozzarella and bake for 25–30 minutes.



Investment fitness

Recent changes by the Australian Prudential Regulation Authority (APRA) have led to significant tightening of investment lending criteria by the major lenders.

Fortunately, there are still numerous ways for investors to discover a loan that's right for their circumstances.

Don't be disheartened

First things first, don't let the tightened lending criteria deter you from entering the market or advancing your property portfolio.

This isn't the first time Australia has seen stricter lending policies, nor will it be the last. It is a savvy investor and their mortgage broker's job to navigate these changes and adapt to the ever-changing market.

Reduce debt

One of the key ways to improve your investment borrowing power is to minimise any debt.

Any debt you are carrying impacts your ability to service an investment loan. Credit cards in particular can affect your bottom line. When calculating your ability to repay a loan, many lenders will assume your credit cards are maxed out. So if, for example, you have two cards each with a \$10,000 limit, they will count as a \$20,000 debt on your application, regardless of your actual balance.

Get rid of any cards you don't use and reduce your existing credit limit if it is higher than you practically need.

Take a good hard look at your expenditure and consider getting rid of any 'nice to haves' that you really don't need. Lenders will ask for a breakdown of your living expenses and while necessities such as food, transport, insurance and utilities are non-negotiables, you may be willing to sacrifice some

luxuries such as holidays, gym memberships and pay TV subscriptions.

Minimise your Loan to Value ratio

The Loan to Value ratio (LVR) examined by the lender is simply the amount borrowed in relation to the property's value, usually expressed as a percentage. Tighter restrictions on investment borrowing has seen the generally accepted loan amount drop from around 90-95 per cent of the property's value to in some cases as low as 80 percent.

The simplest way to minimise your LVR is to save a larger deposit. If your parents or other family members are financially secure you may also consider asking them to go guarantor on your loan. But there are significant risks for the guarantor and you should beware the family friction this may cause if things don't go according to plan.

If you have an existing property, ensure you are paying down principal to build up equity.

Pay ALL your bills on time

Ensuring all your bills are paid on time not only helps your credit rating, it is good practice and gives lenders a solid picture of your spending and saving habits. Why not use a financial app to get you started. Mint – one of the most popular personal finance apps – gives you a complete overview of your finances, from bank accounts and credit cards to loans. It tracks and categorises your spending and alerts you when you approach your budget limit. Others you may like to try include Money View, Qapital and Level.

Talk to your broker

Your broker is privy to a wide range of financial information, together with access to hundreds of products and funding arrangements that might suit your current circumstances. Opportunities with lenders are again surfacing following the slowdown in investor lending last year with lender appetites and policies continuing to change on a regular basis. Your broker is best placed to steer you through these changes given their extensive networks across the wide lending panel they have access to. Don't forget it is important to get it right the first time, as applying unsuccessfully for loans can leave a mark on your credit history.

Maximise your earnings and keep your records up to date

Again, this is one where your broker is best placed to have all the information as lenders vary in how they classify income streams, such as dividends, child maintenance, bonuses, commissions, government benefits and rental incomes, which can all go towards boosting your earnings.

Remember to always keep your book-keeping and tax up to date so the lender has a clear picture of your financials.

QUICK TIPS

- Reduce credit card limits.
- If you have any overtime or bonus income or a car allowance, consider a lender that will include these forms of income when assessing your application.
- Save for a larger deposit. The higher your deposit, the higher your borrowing capacity.
- Engage a broker that understands the different policies that lenders offer and the key ways to maximise borrowing capacity.
- Be patient. Finding the right property that fits your long term financial plan can take time. Use that time to save for a larger deposit.

TALK TO US

If you have any feedback about Haven please email: haven@afgonline.com.au.

UNSUBSCRIBE

Our customer communication list will be used to keep in touch with our customers. To unsubscribe from all marketing communications from me, [please click here](#).

WHAT YOU NEED TO KNOW

Any advice contained in this newsletter is of a general nature only and does not take into account the objectives, financial situation or needs of any particular person. Therefore, before making any decision, you should consider the appropriateness of the advice with regard to those matters.

Information in this edition is correct as of the date of publication and is subject to change.