



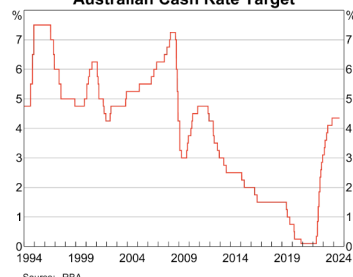
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HIGHLIGHTS

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Australian Cash Rate Target



SO FAR IN 2024

Surprisingly, the Reserve Bank maintained the Cash Rate at 4.35% at its August 2024 meeting, indicating that inflation was still its main concern. The inflation target band is between 2% and 3% and the RBA is constantly monitoring this.

The Australian Bureau of Statistics has released the monthly Consumer Price Index (CPI) indicator for July, revealing that while inflation is still above the central bank's target range (2-3 per cent), it continues to fall. The CPI indicator rose 3.5 per cent in the 12 months to July 2024, down from 3.8 per cent in June.

However, when excluding volatile items (such as fuel, fruit and vegetables and holiday travel), underlying inflation was 3.7 per cent (down from 4.0 per cent in June). The annual trimmed mean movement was 3.8 per cent in July, down from 4.1 per cent in June.

For the month of July, the most significant contributors to the annual rise were housing (4%, food and non-alcoholic beverages (3.8%), alcohol and tobacco (7.2%) and transport (3.4%).

Remember, the Reserve Bank does not control the lending interest rate set by the banks.

Financial institutions have recently reduced their fixed rates for terms 1 to 3 years. Lenders have reduced these fixed rates for new borrowers in a move that would increase their loan portfolios. Be aware that some of the competitive rates come with conditions - For example, a 30% deposit may have a different rate to one with a 20% deposit.

These interest rate cuts by lenders could impact the banks' net interest margins, which compares their funding costs with what it charges for loans. This is a core measure of their profitability. On the flip side, lenders have decreased interest rates on their deposit accounts. For example, term deposit rates are now lower.

This would give the bank more scope to compete harder for the mortgage market. This could be a precursor to the lenders factoring in a decrease in the cash rate, which would flow onto the residential mortgage rate. We'd like to be optimistic. Financial markets and commentators are still factoring in a decrease in the cash rate, possibly by end of the calendar year or early in 2025.

Brazen statements made by media, government and economists have real world consequences. People often rely on that information to make decisions, such as taking out mortgages. Whilst media hype is centered around home loan rates and "shopping around for the best deal", you are advised to discuss your needs with your finance broker. The loan percentage you seek may be the key to acquiring a competitive rate.

Recently, lenders have reviewed their serviceability models and have increased their Household Monthly Expenses (HEM's) to reflect increases in the cost of living. The Australian Prudential Regulation Authority (APRA) has announced the 3% serviceability buffer for home loans will remain, citing "the potential for further cost of living expenses, high inflation, and risks in the labour market".

The increase in HEM's has had an impact on clients' borrowing capacity (further decreasing their potential loan amount).

Contact Paul today on 0417 567 747 to discuss your options, and to help analyse if you meet the lender's serviceability criteria.

INFORMATION ABOUT YOUR AUSTRALIAN BUSINESS NUMBERS (ABN's)

The Australian Tax Office (ATO) regularly reviews and sometimes cancels inactive Australian Business Numbers (ABN's). This can happen when the taxpayer has not reported business activity in their tax return, or there are no signs of business activity in other lodgments or third party information. The ATO assumes the taxpayer is no longer using their ABN. The ATO will usually contact them via email, letter or SMS.

If the taxpayer is still operating the business, The ATO will advise the taxpayer what is required to retain their ABN. If no contact is made by the taxpayer with the ATO, their ABN will be cancelled. If the taxpayer believes they are entitled to the ABN the taxpayer needs to reapply.

ALWAYS DISCUSS WITH YOUR ACCOUNTANT

EARLY ACCESS TO YOUR SUPERANNUATION

In current tough times, some people may be thinking about accessing their superannuation (super) early. Taxpayers may have been approached by a “promoter” claiming that members of a superannuation fund can withdraw their super or use their super or SMSF to pay off debts, buy a car or pay for a holiday.

The ATO warns taxpayers that this is illegal.

Members need to meet strict guidelines in order to access their super early and accessing their super outside of these strict conditions is illegal.

WARNING : If a “promoter” gets a member to provide them with personal information they may also steal their identity.

VICTORIAN GOVERNMENT SHORT STAY LEVY

Legislation for its nation-first levy – which some have dubbed the “Airbnb tax” – that will begin on 1 January 2025.

In September 2023, The Victorian Government announced the 7.5% short stay levy as part of its Housing Statement, to apply from 1 January 2025. The planned levy would apply to short stay accommodation platforms’ total booking revenue. The government has not yet introduced legislation into parliament, meaning the exact policy specifications are uncertain.

The Housing Statement specified that :

- revenue from the short stay levy would be paid to Homes Victoria, with 25% of funds to be invested in regional Victoria.
- local council charges on short stay accommodation would be removed.

In short, local councils and owners’ corporations will be given the power to limit or outright forbid short-term rental accommodation like Airbnb and Stayz under a new government bill. Property owners leasing out their own primary residences will be exempt from the levy and restrictions. Other exemptions include hotels, motels and caravan parks.

What's next?

The new powers will come into effect which includes a proposed 7.5 per cent levy, set to be introduced on January 1 2025.

HENRY High Earners Not Rich Yet

First coined by Fortune magazine in 2003, it has had a resurgence lately as more millennials make their way into the high income tax bracket.

35-44 yo HENRYs earn between \$190,000 to \$380,000 with a partner.

Most HENRY’s have discretionary cash flows and expenses, such as having house cleaners, having takeaway meals, dining out, taking overseas holidays, five star hotels and opt out of amassing traditional assets and focusing on long term savings.

COMMERCIAL REAL ESTATE FINANCE - Private Lenders Funding

Considering purchasing a commercial property? Having difficulty obtaining finance via mainstream lenders?

Flakus and Associates can provide you with a quick and less stressful finance solution.

With mainstream lenders’ credit policy tightening, Private Lenders have been improving their position by providing finance for a short term solution to the client via finance brokers. Private Lenders offer flexibility and speed that may not be available with traditional banks. Generally, there are limited documentation requirements and all loans must be with corporate entities. Most private loans are funded by wholesale or retail investors. Usually, these loans are “Interest Only” for a short term, and may be ‘Rolled Over’ for a further term say, 12 months.

Flakus and Associates has been providing Private Loans as a finance option for many clients. Call Paul on 0417 567 747 to discuss.

BUYING YOUR FIRST HOME

Buying your first home is both a daunting and exciting experience. Not only are you entering into a sizeable home loan for 30 years or longer, you are also in a duel against time as property prices increase and your borrowing capacity contracts due to lenders constantly adjusting their Household Expenses Monthly (HEMS) in line with Consumer Price Index (CPI). Lenders have again increased their HEM's in August 2024.

Here are some mistakes and costly oversights you should try to avoid.

Opportunity costs : Be finance ready - have a Pre-Approval in place and know the market you wish to purchase in. Always liaise with your finance broker to update your income and expenses which will determine your borrowing limit. First home buyers who may have had a Pre-Approval several months earlier must realise lenders are constantly reviewing their assessment criteria, so the Pre-Approval may no longer be valid resulting in a much lower borrowing limit.

Market Value : Do your research and due-diligence around the geographical area you wish to purchase. Your finance broker has access to valuable tools to assist that would give you a range value of the property you're interest in. Start a "log book" for shortlisted properties to track their progress through to the final sale price.

Stale Property : A property that has been on the market for a while might be stale and have fewer interested buyers. Find out WHY. It could be run down, in need of TLC, or may have had undesirable tenants, easements or a sewer line that may prevent future development.

Wriggle Room : Competing buyers drive up the price. In a heated marketplace. A motivated seller and a

lack of competing buyers will generally give more "wriggle room".

Analyse the 'days on the market', supply and demand of the property in the area, whether there is more than 1 agent selling the property, or has the property had previous selling agents who did not get a sale.

Budget : A common mistake is purchaser's over-focus on the purchase price and overlooking additional on-costs. Ensure that you have sufficient funds available for the following :

- The deposit
- Your legal costs
- Government fees (if applicable)
- Disbursements on settlement (adjustments for water, rates and any Owners Corporation fees).

Bad Credit report : Arrange a detailed credit report to ensure that there are no bad credit issues. This can be a deal breaker for any finance application. Also, credit card limits can affect your borrowing capacity and an incoming financier may place a condition of approval that credit cards limits be reduced or cancelled. Be ready.

The Right Lender : There are the "Big 4" banks, second and third tier lenders. and the non-conforming lenders. It's a common misconception that borrowing from the "big four" is safer than borrowing from the others. Banks don't shut their doors. It's only on rare occasions that a lender will stop operating because it has been acquired by a larger competitor. Also, smaller co-operatives are amalgamating into a competitive financier. Most of the second and third tier lenders offer competitive pricing and higher quality service. As your finance broker, I will provide you with various lenders' product options that best suit your requirements.

THE OTHER BANK - "The Bank of Mum and Dad"

The bank of mum and dad is increasingly being used to assist first home buyers. At the same time, there are also concerns that senior Australians are being exploited financially.

Unlike the major lenders who would be protected by government regulations, the bank of mum and dad could certainly go broke through poor financial decisions or just bad luck.

Whilst most parents are happy to assist, others may feel pressured to do so and a handful may feel threatened (this could verge on Elder Abuse).

Some issues that may arise in parents assisting are :

- Fairness - if one sibling gets more assistance from parents than others
- Financial mess that can occur in a relationship breakdown. This could result in a large sum of money given to their child's former partner.
- Issue of some children borrowing money from parents who don't pay back.
- Becoming guarantors for "top-up" security to avoid mortgage insurance on their loan, then missing loan repayments thereby placing mum and dad's property in jeopardy.
- Parents think it's a loan and the children think it's a "gift" or visa versa.
- Parents who may not be financially sound should never feel pressured to assist.

The Bank of Mum and Dad need to carefully consider all the potential consequences and seek independent financial and legal advice prior to assisting.

ATO's "MAIN RESIDENCE EXEMPTION TIPS"

The primary residence exemption needs to be considered in a variety of situations when a taxpayer sells a property that they have lived in. Here are some points to consider :

- Consider if you have started earning income from your family home. (You may need to obtain a valuation for CGT purposes).
- When renting the primary residence, consider whether to use the 6-year absence rule when the property is sold.
- Taxpayers can only have ONE property as their primary residence. The only exemption is the 6-month period when they move from one house to another.
- Has the Taxpayer's residence changed? If so, this may influence your eligibility for the exemption.

ALWAYS DISCUSS WITH YOUR ACCOUNTANT.

HOW FLAKUS & ASSOCIATES CAN HELP YOU

REAL ESTATE VALUATIONS	Thinking of purchasing a property or just wanting to re-assess the value of your property? Engage the services of an experienced, proven and trustworthy property valuer. Our associates provide valuation services for commercial, residential and industrial properties in specialised locations and industries.
COMMERCIAL PROPERTY FINANCE	Available for clients who wish to purchase commercial properties for investment or their own owner-occupied business(es). There are a number of lending options available for this type of security and Paul has access to various mainstream and non-mainstream lenders and options.
SELF MANAGED SUPERFUND LOANS	Lenders in this space is very limited. However, Paul has access to various funders for lending in this sector both for commercial and residential properties.
BUSINESS FINANCE	Includes equipment finance, debtor finance, import finance and cashflow funding. Business finance is still difficult to obtain and moving your business banking from one bank to another can be a ghastly experience and take many months and focus away from your business. Lenders also tend to occasionally review their industry risks and sometimes withdraw facilities if they consider the industry has become too risky. This may present a refinance opportunity so contact Paul today to discuss your options.
EQUIPMENT FINANCE	Includes motor vehicle, trucks, trailers, excavators, caravans, forklifts, office fit-outs, phone systems, audio and any IT equipment, medical equipment, jet skis, helicopter, boats and machinery. This is a highly specialised area and require many years of experience to successfully acquire finance for business clients to purchase equipment. There are various lenders in the market today who are not necessarily mainstream banks who only do Equipment Finance, and thereby able to provide attractive terms and excellent approval turnaround times.

PROFESSIONAL SERVICES

Services Required	Paul Recommends	Contact Details
Tax and Accounting	Craig J. Allen, Craig Allen & Associates	Tel : 03 9558 7316
Quantity Surveyors	Bradley Beer, Director BMT Tax Depreciation	Tel : 03 9654 2233 Mob : 0413 271 777
Accounting Services	Michelle Frey Hermann & Associates	Tel : 03 9589 3521
Law and Legal Services, Wills, etc	Keith Hoban or Dita Kaye D & K Legal	Mob : 0497 650 790
	Joanne Simmonds LLB, Director Beaumaris Law Legal Practitioners	Tel : 03 9589 3205
Insurance Services	Richard Alford, Managing Director HWA Insurance Brokers	Tel : 03 9559 3302 Mob : 0403 338 306
Design and Marketing	David Cheah, Abacus Mind	Mob : 0403 979 986
Property Conveyancing Services	Colleen Buck Cheltenham Conveyancing Services	Tel : 03 9585 6222 Mob : 0416 246 617
Financial Planning, Superannuation and Risk Products	Ian Henry Brenton Henry	Tel : 03 9521 0303 Mob : 0408 571 757 Mob : 0433 923 669
Property and Advisory Advocacy	WPB Property Greville Pabst	Tel : 1300 302 581 Mob : 0419 326 361

Quotes & Wise Sayings

“Rich people believe ‘I create my life’. Poor people believe ‘Life happens to me.’”

T. Harv Eker

“The test of our progress is not whether we add more to the abundance of those who have much; it is whether we provide enough for those who have little.”

Franklin D Roosevelt

“To fulfil a dream, to be allowed to sweat over lonely labor, to be given a chance to create, is the meat and potatoes of life. The money is the gravy.”

Bette Davis

“When I was young, I thought that money was the most important thing in life; Now that I am old, I know it is.”

Oscar Wilde

“Don’t just make money, make a difference.”

Grant Cardone



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