

HOME

YOUR HOME • YOUR LIFESTYLE • YOUR CHOICE

SUMMER 2007



CREDIT CARDS AND CHRISTMAS SPENDING

While the festive season is a time to celebrate, some people, quite literally end up paying for the celebrations for many months to follow. Aside from extra expenses on gifts and groceries, holidays and the January sales can add to our spending over this period and much of the spending is done on credit card. If the extra spending is very short-term, meaning that you are able to quickly repay it in full, then carrying the debt on your credit card may be the most cost effective form of credit. However, the trap that many people fall into is that they do not fully understand the way in which their credit card works. As a result

people often find themselves continuing to pay interest on their credit card long after they believe that they have repaid the amount they originally spent.

Credit cards will generally have two important features, an interest rate and an interest free period. Some credit cards have different interest rates for balances resulting from purchases to those used for cash advances (borrowing cash against your approved limit).

Generally, cash advances will accrue interest from the day they are drawn and in some cases will result in interest charging on

your entire balance, effectively removing the interest free days.

Generally, cards with higher interest free days, normally up to a maximum of 55, also have a higher interest rate, of up to 19%. In the past two years some new entrants to the credit card market have structured their cards so they offer a reasonable amount of interest free days, around 30, and still have a lower interest rate at about 12%.

The maximum number of interest free days commences on the day after a statement has issued, most commonly this is the end of a **continued on next page**



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calendar month to the day when the payment of the closing balance of the statement is due. As an example if a statement issues on 31 December, the 55 days interest free for the next period commences on 1 January and runs through until 25 February. This would also be the due date for payment of the closing balance for January.

It is important to remember that not every transaction benefits from the maximum number of interest free days. In the example above if a purchase was made on 31 December (the last day of the statement cycle) there would only be 25 days interest free on that purchase as the payment would be due 25 January. However, this is where understanding the system can be beneficial. If the purchase had been delayed by one day until 1 January, there would then be 55 days interest free as the payment date for January purchases would be 25 February.

The most common trap with credit cards is that once you are charged interest you continue to pay interest until there is no debt on the card. In the example above if you had a closing balance of \$1,200.00 on 31 December and you only paid \$1,000.00 on the 25 January due date you will then have a carried forward balance. Once you have a carried forward balance you forfeit the interest free period and interest accrues on all purchases until the debt is repaid.

Continuing our example, if on 26 January you spend an additional \$300.00 and on 28 January you make an additional payment of \$200 you may think that the interest will stop accruing but it won't. Whilst the \$200 payment is the outstanding amount at 25 January by 28 January the outstanding balance has risen to \$500 because once you are in an interest accruing stage none of your purchases receive an interest free period. Interest will continue to accrue until there is a zero or credit balance.

As a final tip if you are forced to carry forward a balance on a credit card ensure that it is only on one card and repay any others so that you only lose the interest free benefits, and only pay interest, on the one credit card. Carrying credit debt long term is costly and often inefficient as there are usually several other options available. Should you require assistance or advice with your credit card situation please contact our office. ●

THE REAL IMPACT OF INTEREST RATES ON YOUR LOAN

During the federal election campaign much of the discussion has been around interest rates and their upward trajectory over the past three years. The question is 'How much impact does a change in rates have on the average household?'

Based on an average ACT housing loan of \$252,645, as at 30 June 2007, a 0.25% rise in the interest rate will increase the monthly repayment by approximately \$ 53.

Typically, as the variable interest rates continue to rise borrowers start to consider converting their loans to fixed interest rates. Research group Cannex announced in June 2007, that 25% of housing loans were now on fixed interest rates. This is a significant increase from the 17% that had fixed interest rates in January 2006.

Often borrowers will fix their loans when interest rates are on the rise. Lenders, however, factor anticipated rises into their fixed rates. Borrowers can find themselves locked in at higher interest rates and repayments that are uncomfortable, where patience with the variable interest rate may have resulted in a better longer term result.

The decision between fixed and variable interest rates is basically a trade-off between certainty and flexibility. There is no absolute right choice, although each option is better suited to certain circumstances.

Fixed interest rates provide the borrower with certainty of home loan repayment over a given period. Some lenders now offer fixed rates to fifteen years although the most popular periods tend to be three and five years.

The certainty of fixed interest rates also reduces the borrower's repayment flexibility. Generally, early or accelerated repayment of the loan may carry early repayment penalties from the lender for the borrower. This is particularly true where the fixed interest rate is higher than the current variable interest rate at the time of the pay out.

Too often borrowers focus on the difference between the current variable interest rate and the fixed interest rate when making the decision on whether or not to fix their home loan. To a large extent the differential is irrelevant because the borrower is betting against the market, comprising of all of the lenders, and the odds are against the borrower in trying to out perform it.

The focus of the decision should be twofold. Firstly, it should be based on the individual circumstances of the borrower and the suitability of the fixed and less flexible repayment structure. The second consideration is the tolerance of the interest rate, if you can live with the fixed rate that is being offered that certainty can be valuable. ●

BLAST FROM THE PAST

With Christmas fast approaching we are all making our lists and checking them twice. In this edition our 'Blast from the past' focuses on toys. Can you recall any of these toys from the past?

4000BC A Babylonian game, which is the ancestor of modern draughts begins to be played

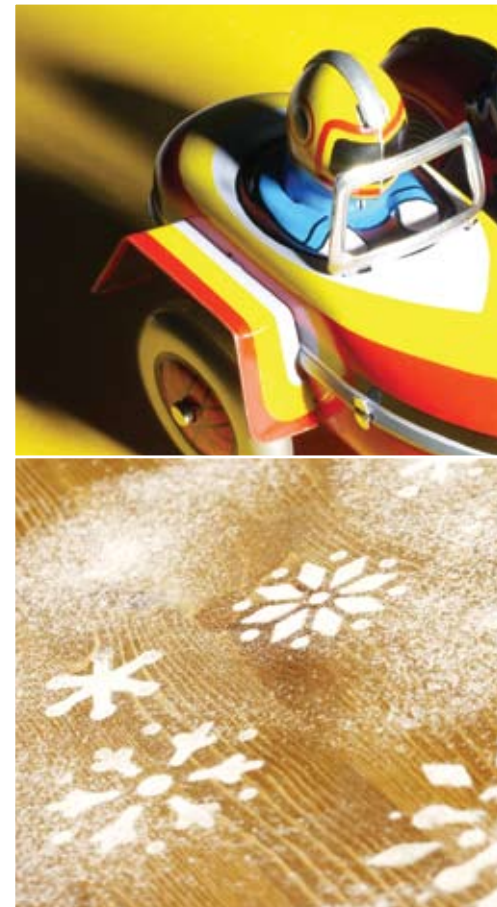
2000BC Stone marbles first used in Egypt

1000BC Kites appear in China and Yo-Yos begin to be used in Greece

1759 Roller skates are invented by Joseph Merlin

1903 Edwin Binney and Harold Smith patent the first 'Crayola' crayons

1909 Kewpie Doll devised by Rosi O'Neill — patented 1935 *continued on next page*



FOUR SEASONS

Daylight saving has arrived. This usually means a couple of things to all Australians — summer, school holidays, cricket and further water restrictions. While the kids are excited about finishing school for another year, and the first ball has been bowled for the summer, everyone has the one thing on their mind — Christmas.

A Summer Christmas has become an Australian specialty, from the first convicts and POM's (Passengers Of Means) in the 18th century to present day. Although up until 50 years ago our Christmas celebrations were heavily influenced by our Anglo-Celtic heritage, we now borrow heavily from all the other cultures that have made Australia home. The traditional roast

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- 1931** Alfred Butts, an unemployed architect invents Scrabble
- 1936** Parker Brothers invent Monopoly
- 1943** Naval engineer, Richard James, invents the 'Slinky Spring'
- 1949** Ole Christiansen invents Lego
- 1952** Mr Potato Head is launched, Jack O'Dell creates first Matchbox car
- 1959** Barbie is created by Ruther Handler, named after her daughter Barbara. Etch a Sketch is also invented
- 1966** Action Man, the first 'Doll for boys' is launched
- 1967** Spiro-Graph is toy of the year
- 1977** Slime, Holly Hobbie and Skateboards
- 1978** Star Wars



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turkey and steamed pudding have become prawns and oysters with a family BBQ in the back yard, at a park or at the beach.

Although Christmas advertising in shopping malls is appearing earlier and earlier every year, (the first decorations seem to hit the stores just after Easter) it should at least remind everyone to be prepared! Shop early, avoid the rush, make a list, be firm, blah, blah, blah. I like reminding people to do this because I do all of my shopping last minute, and if everyone was prepared and had taken care of their lists, I would have the whole place to myself! So start now.

Whilst shopping for presents and gifts is one thing, if you are 'hosting' the Christmas, the food is what your family and guests will remember. Although I brushed off the advice

- 1980** Rubiks Cube invented by Erno Rubik. Over 100 million sold between 1980 and 1982
- 1982** BMX Bikes
- 1983** My Little Pony, He Man and Masters of the Universe
- 1984** Care Bears were popular, the sale of Cabbage Patch Kids invented by Xavier Roberts created chaos in stores pre-Christmas
- 1985** Transformers were the toys to have and there were huge shortage of the product
- 1987** Sylvanian Families, Rubiks Magic
- 1988** Ghostbusters
- 1990** Teenage Mutant Ninja Turtles
- 1991** Nintendo Game Boy
- 1993** Power Rangers — toys based on TV show sold out immediately
- 1995** POGS, small cardboard discs stormed into playgrounds and became a huge craze
- 1996** Toy Story
- 1997** Teletubbies, Tamagotchi, Beanie Babies
- 1998** Yo-Yo craze returns, Furby arrives just in time for Christmas
- 1999** Pokemon — toys and trading cards
- 2001** Bob the Builder, Folding Scooters, Pogo sticks
- 2002** Bratz Dolls become most popular fashion dolls, stealing Barbie's No1 position, that she's held since she was born in 1959 ●

in the previous paragraph about shopping for gifts, the preparation involved to cater for Christmas should be done with all the seriousness the job entails.

Do write a list, check your pantry and equipment (roasting trays, serving dishes and plates), order your 'special' items from your local grocer (i.e. prawns and oysters, ham, turkey etc.) so that special dish isn't a late scratching. I live by the same rule my Mum does — I don't cook on Christmas Day, I cook early, unless of course its BBQ'd!

For a quick and simple recipe that can be used as a post-meal sweetie, or a Boxing Day breakfast item:

Homemade Mincemeat Danish

- 4 Sheets Butter Puff Pastry
- 1 Egg Yolk, beaten
- 250g Mincemeat
- 5tbs Icing sugar, sifted
- 2tsp Lemon Juice

Preheat oven to 200°C. Defrost pastry and cut into shapes using a Christmas cutter. Lay the pastry shapes on a baking tray lined with baking paper. Prick with a fork, brush with egg and place 1 ½ tsp mincemeat in the centre of each. Bake for 10–12 min until golden, then set on a rack to cool. Mix the icing sugar and lemon juice together to make icing (add a few drops of water if necessary). Drizzle the icing over the pastries in a zig-zag pattern with a fork. ●



WATER CONSERVATION TIPS

A lot of water can be wasting away without your knowledge, so check your home for hidden water leaks. Read your meter before and after a 2 hour period when no water is being used. If the meter does not read exactly the same, you've got a leak, so contact a licensed plumber.

Did you know that a tap that drips at a rate of 1 drip per second can waste over 10,000L over the course of a year! So check all the taps at your house and replace washers as necessary.

Toilets can also be a source of water wastage. A very small leak may go unnoticed. To test your toilet, put food colouring in the tank and leave it for 30 minutes. If colouring has appeared in the toilet after this time, you have a leak. Replacement parts are usually inexpensive and easy to install. Make sure you flush the toilet immediately after the test as the food colouring may stain the tank.

Watering of gardens with sprinkler systems is not permitted under the current water restrictions. However, user of dripper systems is still permissible under Stage 3. Check for leaks and that your timers are operating correctly (especially since daylight saving has begun). Also, consider installing a rain sensor, so that when it rains your system will not trigger.

When using your garden hose as permitted under the current water restrictions, be sure to turn it off when finished. A garden hose can pour out over 2,000L in a matter of a few hours.

MEET OUR STAFF

Neil joined The Home Loan Centre Realty in July of this year. He started his property career as a real estate sales consultant in 1992 before co-founding Paradime Real Estate in 1995. It was during this period that Neil first established a working relationship with The Home Loan Centre and developed an understanding and appreciation of their business.

After selling the real estate company in 2006 he took a well earned break from property and travelled overseas where he contracted his services to a German media company. On his return to Australia he re-established ties with the newly formed 'The Home Loan Centre Realty' and accepted the position.

Position

Executive Manager—Real Estate

Life highlight

The Swans 2005 Grand Final Win

Favourite TV show Top Gear

Favourite movie The Castle



What inspires you My family

Three people you'd invite for dinner

Fidel Castro, Gai Waterhouse, Barry Humphries

Three words to describe yourself

An ideas man

A must do Walk my daughter down the aisle, which will be in November 2008

And one day I would really like to write a film script and have the film produced. The film would focus on the lighter side of the real estate industry. ●

COMMUNITY CORNER

Since our last newsletter our community programs have been in full swing with the successful completion of the Canberra Cancerian's ball. This year saw a new fundraising record with over \$400,000 raised by the local committee for the Australian Cancer Research Foundation. Canberrans can continue to be proud of their overwhelming efforts as they have once again outshone both Sydney and Melbourne in this fundraising endeavour.

Our efforts supporting the Canberra Hospital have continued with The Home Loan Centre handing over a cheque for \$10,000 as major sponsor of the recent charity fashion parade. The evening was a great success with participants helping to raise much needed funds for the hospital.

The Home Loan Centre's association with ACT Cricket has been reignited. Previously we have been the major sponsor of ACT Junior Cricket. This year The Home Loan Centre is the major sponsor of the Women's Premier Cricket League. The league will form a critical platform over the next few years for the ACT's campaign to gain entry into the national competition. Significantly, the league will allow players to gain invaluable high level competition without having to venture out of the ACT.

The Home Loan Centre will also sponsor the ACT Cricket umpires in the coming season. Our support will allow ACT Cricket to pursue their accreditation initiative, which is at the forefront of the national program. Under the initiative officials will be offered the opportunity to complete their umpiring accreditation.

On the local school scene the annual ACT Catholic Primary Schools Netball carnival was held in October. The day was another outstanding success, and The Home Loan Centre was proud to be a major sponsor for the fourth consecutive year. We also sponsored the Amaroo school fete by providing personnel and food to run a highly successful sausage sizzle; this raised a good sum of money for the school. Our staff were kept busy for the day as their produce was in heavy demand, it certainly helped that two of our current mortgage advising team were professional chef's in their past lives.

As the Christmas season approaches we take this opportunity to wish everyone a happy, healthy and generous Christmas. Australia continues to be a generous and caring society and if the opportunity arises. Please consider assisting someone who is a little less fortunate over the Christmas season. ●



MEET OUR STARS

It is now time to meet another star from our TV commercial. His name is Ketanga. Ketanga is an extremely talented giraffe who kindly offered his great acting skills to star in our commercial as a female. You have to admit, it takes some skill to pull that off on the big screen!

Giraffes are native only to Africa. They are truly amazing animals and there is no other creature like them on the planet. They can

grow to over 5 metres in height, weigh up to 1,360 kilograms, eat up to 63 kilograms of leaves a day and sleep for as little as 10 minutes or maximum of two hours in 24 hours. They are the tallest land-living creatures, yet have the same amount of vertebrae as humans in the spine — 7! The kick of the giraffe is a powerful weapon and it is for this reason that they rarely end up on the African predator menu! It is generally only the young or sick giraffes that fall prey to other animals in the wild.

Ketanga was born in 2002 at Monarto Zoo in South Australia, but he made the move to the National Zoo and Aquarium here in Canberra in 2005. He lives here with his older brother Humbekhali, who was nicknamed Hummer after the vehicle that carried the trailer in which he was transported.

For the last 12 months Chris Hollett has been doing some conditioning with the giraffes to make it easier for the breeding programs they will one day enter. He first taught them how to accept food from people and then decided to introduce a little romance and teach them to kiss his cheek. For enrichment they get ice blocks and play Giraffe Soccer for fun.

If you'd like to visit Ketanga, Hummer and friends, check out the National Zoo and Aquarium, or visit the website for more information www.zooaquarium.com.au ●