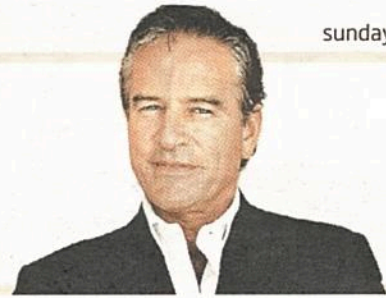


# Mark Bouris

EXECUTIVE CHAIRMAN OF YELLOW BRICK ROAD, A FINANCIAL SERVICES COMPANY



## Time to rate your interest in debt

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However, this is no time to become complacent.

The RBA has the job of running monetary policy, which essentially means it tries to keep inflation between 2 and 3 per cent by altering the cost of money via the cash rate.

The current inflation rate is 3.5 per cent and during the year it's been as high as 3.9 per cent — well outside the RBA's inflation target.

In its latest rate decision, the Reserve concentrated on global factors, such as Europe's sovereign debt crisis and China's slowing economy. But domestically, our central bank is relying on forecasts of lower inflation over 2012-13.

Other data suggests inflation is not going away: the wage-price index is about 4 per cent this year, up from 3.4 per cent last year — an indication that wages growth is strong; Aussie commodity prices are holding and US corporations are reporting good earnings.

So if our inflation doesn't

**When rates change, it's a good time to question which mortgage you're in**



drop in 2012 and the RBA has to raise interest rates again, what can you do right now? Here are some tips for cleaning up your finances over summer:

**Get the best mortgage:** When rates change, it's a good time to question which mortgage you're in, because this is when you should be saving money.

If you're in a standard variable rate mortgage, as most Australians are, work out whether you need a fully flexible product or the basic mortgage. You will pay a higher rate for greater flexibility and offset accounts, etc.

This may be a time to improve on the official rate cut and go for the best deal.

Or you could be in the other camp: already in a basic product because the bells-and-whistles have too high a rate. If you really need that flexibility, now is your chance to take it and not feel the extra cost.

Fixed-rate mortgages look cheap now, but they are inflexible.

**Get the best rate:**

You'd be amazed how much you can save if you're prepared to look for a better interest rate. The lenders are not only jockeying for where they fit in the market, but they don't want to lose their customers. Always start by asking your current lender first; getting a better deal doesn't have to mean going to another bank.

If you're reluctant because you can't spare the time or

don't like dealing with your lender, I suggest using a mortgage broker: they understand the market and deal with the banks every day.

**Prioritise your debt:** Not all your debt is a mortgage, yet typically your cheapest debt is your home loan.

Try to have as much debt at the cheap rate as you can, so I suggest starting with the expensive debt products and reduce or cull them.

Store cards and credit cards are the main culprits — they charge very high rates of interest and you should be using an easing interest rate environment to pay these down.

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Your greatest debts should be your cheapest.

**Use your cheapest debt:** If you have a flexible mortgage, and if you have some equity in your home loan, why not pay out your high-cost debt with your low-cost debt?

If you have \$50,000 of equity in the home but you're carrying \$20,000 of credit card and store card debt, you could be paying much less by consolidating it into the one loan.

The same goes for financed vehicles and equipment, such as computers. Get advice on this before you act.

It's been a tough economy in the past few years. Here's a reprieve: it's a time to evaluate what you are paying for finance, and ensure you benefit from lower interest rates.

## Ask Mark

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### Big banks don't want to know

WE want to refinance our home loan but our current lender is making it very difficult. Four years ago my mother and I took out a loan, paying interest only for three years, with a promise of lower repayments after the three-year period. The lender now wants even higher monthly repayments at an interest rate of 9.95 per cent. The balance on the home loan is \$270,000 and our repayments are fully up to date. We are both on a pension and earn net \$50,000 a year. We are seeking a lower interest rate with lower monthly repayments, but the big banks don't want to know us. — M.S.

**Mark says:** Interest rates are one of the most important things to look for when choosing a loan. Of course, you will want your mortgage interest rate to be as low as possible, so take some time to shop around for the best deal before refinancing.

Because your mortgage is such a huge commitment, it's crucial to be aware of all the options and be sure you are not missing out on products which could save you a fortune in interest payments over the course of a 30-year loan.

Independent mortgage brokers provide unbiased advice and will direct you to the most suitable products from the whole of the market. They can also save you time and hassle by liaising with the lender on your behalf and helping with the necessary paperwork.

It is advisable for you to seek professional to assist you with your mortgage needs.

### Breaking into a nest egg

I AM retired and have a nest egg of \$50,000 in a term deposit and \$21,000 in an Easy Saver account. The term deposit matures soon. Should I put the \$50,000 into the Easy Saver account or the \$21,000 into the term deposit (which matures every 12 months)? I have another account that I use for everyday spending. — B.M.

**Mark says:** You should consider making a non-concessional contribution into super with your cash, then converting the super funds into an allocated pension.

Anyone under 65 can contribute to super, and people 65 to 74 can contribute if they have worked at least 40 hours in a 30-day period in a financial year. It is important that you remain within the allowable limit, which is currently \$150,000 per annum. You should then draw a regular income stream from your pension to meet living expenses.

The good news about super is that, once you turn 60, any income payments and lump sum withdrawals from your super account will be tax-free and you won't pay any tax on your investment earnings. This is more beneficial to you, as opposed to holding cash in a bank account and being taxed on the interest income earned.

If you are between 55 and 60, the tax treatment of pension income will be dependent on the tax you've already paid on your super before you rolled it into your pension.

## DIRECTORS' DEALINGS

### Metcash finds being different pays off

THE National Australia Bank has ceased to be a substantial shareholder in Metcash (MTS), on which Morningstar recommends **Accumulate**.

MTS is a marketing and distribution company that operates four business units: IGA Food Distribution, Campbells Wholesale, Australian Liquor Marketers and Mitre 10 Hardware.

Food distribution is the main growth driver, realising solid growth and margin improvement through scale efficiencies. Liquor distribution is highly competitive, but progress continues through brand consolidation.

Campbells Wholesale is expanding into convenience stores. Mitre 10 is reorganising

so it can effectively compete in hardware. Independents continue to take market share develop local market loyalty.

Metcash should benefit both from this shift and by expansion within the hardware market.

In economic uncertainty the value of consistent returns is valued all the more. Metcash delivered a 1.7 per cent increase in first-half revenue to \$6 billion, with EBITA up 2 per cent to \$204 million and normalised NPAT up 1.4 per cent to \$117 million.

Metcash expects to increase FY12 earnings per share by low to mid-single-digit growth.

Metcash is focusing on its key strength of differentiation from the majors. Competitive



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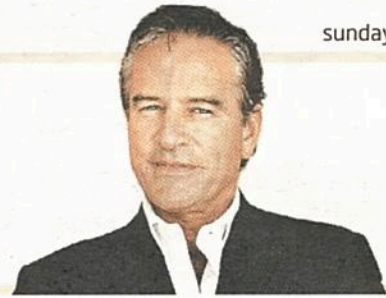
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Morningstar expect SEK to deliver strong earnings growth for a number of years. Cyclical stocks remain under pressure and recent short-term price weakness are an opportunity for longer-term investors to buy into what will be a leading owner of tier-one online job sites in emerging economies.

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