WealthDesign FP

July Newsletter

Home Equity

Do you know about H**ome Equity**? Essentially, to calculate your home's equity, take the value of your home, subtract the amount you owe on it, and you'll have a figure that represents your home equity. Let's say, for example, your home is worth $2,000,000 (look at you go!), and you currently owe $500,000 on it. Your home equity would have a value of $1,500,000! But what can we do with this figure? Well, did you know you can get a loan with it? Sorta. But there are things you should take into account, such as what you'd need to spend the loan on, your ability to pay the loan back, whether you wish to go through the **government program**, or through a **private provider.** If you know what you want to do, and who to talk to about it, you can paint a pretty clear picture of what you can and can't do with a home equity loan. What are your options? Below, we'll cover two of your options: the **Home Equity Access Scheme and Reverse Mortgages**.

Home Equity Access

In one corner, you have the government provided **Home Equity Access Scheme**! The scheme let's Australians on age pension or older apply for a voluntary **non-taxable loan** from the government. Essentially, your home's equity will act as security on a loan.

Once your application is accepted, you'll have a few options on how to proceed. You can choose from a **fortnightly amount**, an **advance payment of the loan as a lump sum**, or a c**ombination of both**. The current interest rate for the Home Equity Access Scheme is **3.95%**, per annum, which compounds every fortnight on the loan's balance until it's repaid in full.

Reverse Mortgage

A **Reverse Mortgage** is the same in many ways, but the differences matter. Reverse Mortgages are still a **loan based on your home's equity**, and that's where the similarities largely end. The loan would be provided by a **private entity**, the limitations on what you can spend the loan on are far more **flexible**, and the interest charged **compounds** over time. Depending on your lender's policy, and your age, you can take the amount borrowed as a **regular income stream**, a **line of credit**, a **lump sum**, or a **combination of the three**. With all of this in mind, perhaps you'd be interested in knowing if a reverse mortgage is right for you. Why not **come in for a consult** so we can find you a path that will work for you? It might just be easier than you think.

First Home Super Save Scheme

The **First Home Super Saver is a Scheme** which allows you to make voluntary into your super fund to go towards saving for your first home. The tax rate on **concessional contributions** come in at a rate of 15%, and a 30% First Home Super Saver Scheme tax offset is also available. Per financial year, $15,000 is the maximum amount that can be contributed, and a $50,000 limit is placed across all years. There are conditions one must satisfy in order to be eligible, such as being 18 years older, never having owned a property yet, and your name must be on the title of the property. While this might not be right for you, your loved ones may be eligible! If they are, please have them contact us to see if this scheme is right for you or them.

July Newsletter

Early inheritance

With a **life expectancy rate** that continues to grow, many Australians who reach retirement are finding it more and more common to sit on more money than they know what to do with, for longer than it would be advantageous to. Due to this, an Early Inheritance has been growing in popularity. An early inheritance is exactly what it sounds like, an inheritance one can endow their loved ones while they are still alive. There is a lot to consider before giving an early inheritance, like if you can live comfortably and enjoyably after endowing your inheritance, what form the inheritance should be (shares, cash, a loan etc), if you are endowing on your own terms (no coercion, external pressure or otherwise), and if endowing an early inheritance will affect any benefits you are receiving, from the government or otherwise. An early inheritance can be a great idea if you take the above criteria into account, and if the loved one being endowed is financially responsible. While on paper, it may seem like a good move for many involved, it is important to make sure, from a professional's point of view, if you are capable of making such a big, bold swing. If you're interested in endowing an early inheritance, please consider seeing us first to see if it's the right move for you.

A Fourth Interest Rate Hike?

With ongoing airstrikes on **Iran**, and **Trump's** announcement of a new **blockade**, **oil prices** have **risen** once again, with **Brent crude oil** going from trading at **$75 a barrel** to a now **$80.** If conflicts are to continue, prices may be expected to rise from $100 to $150 a barrel within ten weeks, exceeding the record high price of **$110 a barrel in April**.

The head of macro-forecasting for Westpac, **Matthew Hassan**, has said the "resurgent oil prices supported the bank's prediction that the Reserve Bank will **raise interest rates** in August". In 2026, this will mark the fourth interest rate hike this year alone. The markets have also placed bets on a RBA rate hike, with an overwhelming amount of bets towards a 23% chance of a interest rate raise in August, and a 50% chance of a raise in December. With no end to the conflict currently in sight, a hike in interest rates seems almost certain, which will likely drag consumer confidence down.

Housing Prices to Fall

Since the year **2000**, housing prices have surged exhibiting a **400% rise** in 25 years (about an **8%** increase per year). According to the ABC, a once $210,000 home is now worth up to and sometimes exceeding $1,000,000. With the latest forecast, however, prices have decreased about 5%-10%. AMP economist **My Bui** stated "House prices would need to fall by significant amounts, about **45%**… for someone on an average income to match the median home price". Young Australians are not expecting to buy a home in their lifetimes with the expected trends not leading to the needed 45% decrease in order to buy a home. With this market in mind, more and more Australians are looking to the older generation to help finance a first home buy through reverse mortgages. If you are looking to help finance a loved ones purchase of a home, we can help provide comprehensive advice for you moving forward.

Talk to us today — the right advice starts with a conversation

Wealthdesign Financial Planning

0409 284 428

Wealthdesignfp.com.au

admin@Wealthdesignfp.com.au

0423 585 714

Bridgingsolutions.com.au

admin@Bridgingsolutions.com.au

Bridging Solutions