

# First home buyers stay tuned...



**The Federal Budget is looming AND there are rumoured initiatives to help first home buyers (FHBs) into the property market. So if you – or your children – are potential FHB's it might pay to stay tuned....**

Housing affordability has been a hot topic as a barrier to entry into the Australian property market. Despite this, the younger generation ARE starting to enter the property market in a variety of ways – as singles, couples, rent investors, in co-ownership and also with help from family.

**So if extra government initiatives are possibly in the wings what NEW opportunities might this open up for potential FHBs?**

## **Will you be ready to act?**

### **Going it alone**

One of the biggest hurdles for many FHBs is the deposit – on average it takes a working couple 4 years to save 20% deposit<sup>1</sup>. With price increases in some areas the required deposit could increase faster than it can be saved!

### **Don't yet have 20%?**

Some lenders will allow you to enter into a home loan with less than 20% however lenders mortgage insurance (LMI) will then apply. LMI covers the lender but is paid by the purchaser. A one-off premium can potentially run into tens of thousands of dollars and is

rolled into the mortgage by the lender. The dilemma for many FHBs is whether paying LMI and getting into the market NOW is more beneficial than waiting and watching prices increase. **That's a discussion that is worth having with us – your finance specialist.**

### **Are there alternatives to 4 years of saving?**

#### **The bank of Mum and Dad...**

In 2010 the average helping hand from parents was \$23,000 – today it is more than \$80,000<sup>2</sup>. In fact the bank of Mum and Dad is one of the fastest growing finance sources in Australia! The percentage of FHBs receiving help from family to enter the property market has more than doubled since the 1970s<sup>3</sup>.

But parents don't necessarily have to contribute the whole deposit. If FHBs don't have quite enough now to avoid LMI family may be able to assist with a guarantor loan for the shortfall to 20% and/or other upfront costs.

Of course not every family is in a position to help nor should we enter into home ownership seeing it as a short term goal. Saving the deposit is just the start – home ownership will probably require trimming expenses and making sacrifices for the foreseeable future.

**If added incentives become a reality it's certainly worth doing the sums to see if this may assist you to take action sooner.**

Interest rates remain at an all-time low but they WILL increase at some point. While lenders generally determine loan serviceability on a higher rate it may be preferable to borrow less than you can afford to build in breathing space. Other strategies worth considering might include:

- Your FIRST property doesn't need to be your dream home. Perhaps consider entering the market with a smaller, cheaper property? If you rent it out while continuing to live at home and save you may find your savings plus equity over time will assist you towards your dream home.
- Consider co-ownership with family or friends now with a view to going it alone further down the track.

**The most important step is to DO YOUR HOMEWORK. As your finance specialist we can help you explore any new initiatives and options that may be suitable to YOU and your individual circumstances.**



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### Is it a good time to start a discussion about possibly helping the kids?

Call the office today to ask for our article 'Family... to help or not to help?'



1. CoreLogic RP Data (based on two incomes across all states)
2. [www.digitalfinanceanalytics.com](http://www.digitalfinanceanalytics.com)
3. HILDA Release 15

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