

Newsletter

Autumn 2009

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Home Funding Solutions



Welcome

Welcome to another edition of the HFS newsletter.

We as a nation have been shocked and saddened at the terrible tragedy of the bushfires in Victoria last month. In the wake of this sad event and the inevitable emotional and financial implications for many Victorians, in this edition of our newsletter we reflect on the importance of adequate insurance of your home and contents. We also discuss the recent interest rate drop and the impact which this seems to be having on the property market. Finally, considering that Easter is almost upon us, we take a look at the latest research into the possible health benefits of chocolate—who says you have to feel guilty?

Be sure to contact us on 02 8296 0966 if you have any questions or for a free review of your current loan situation.

Kind regards,

James Nader and the HFS team



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Insuring your castle

Statistics show that up to 81% of Australian homes are underinsured. Is yours?



Last month more than 1800 homes were lost in the devastating bushfires in Victoria. In the wake of this tragedy is the stark reminder of the importance of adequate home and contents insurance.

After the Canberra bushfires in 2003, ASIC conducted an investigation into the underinsurance of home buildings in Australia. Their startling finding was that up to 81% of consumers were underinsured by 10% or more against current rebuilding costs*. The financial impact of underinsurance can be severe, particularly in cases where there is a total loss of a home, providing insufficient funds to allow them to rebuild and/or to replace their possessions.

The most common type of home building insurance policies in Australia (sum insured policies) rely on the consumer to correctly estimate the amount of insurance required. It is difficult to determine the potential costs associated without the guidance of a building professional, and the cost of obtaining a valuation can be costly within itself. Most insurance companies now provide online calculators to assist in this process however as discovered by ASIC in their research report, there is a wide degree of variance between calculator quotes so it pays to use these as a guide only when determining the insurance sum.

You may like to consider some of the following points when taking out or renewing your home and contents insurance to reduce the risk of becoming an underinsurance statistic.

For more information about underinsurance and to read the ASIC report, visit ASIC's consumer website www.fido.gov.au



Things to consider

1. Online calculators

Almost all insurance companies have online insurance calculators to assist you in determining the correct amount of insurance for your home and contents. However, as highlighted by ASIC in their 2005 report*, there are many variables between calculators, with some offering more comprehensive questionnaires than others. Use the calculators as a guide, but don't forget to also think critically about any added costs which might not be covered in the calculators such as the quality of your home, and any special items you have that could increase the cover amounts required.

2. Update your sum insured

Each year when your reinsurance notice arrives, think of it as an opportunity to review your insurance needs rather than just another bill to pay. Your insurance cover should be updated regularly to avoid becoming underinsured over time. Any increase in the sum insured should take into account any of the following factors:

- any improvements made to the property
- increases over time in material and labour costs
- increases in supplementary costs such as rubbish removal etc.

3. Policy design

Not all policies are created equal. Finding the cheapest policy may pay off now, but in the event of a claim you could be left underinsured, or worse still unable to claim. Be sure to read the fine print when choosing or renewing your policy and don't hesitate to ask questions if something doesn't make sense to you.

Source: Australian Securities & Investments Commission (2005), *Getting home insurance right: A report on home building underinsurance.*

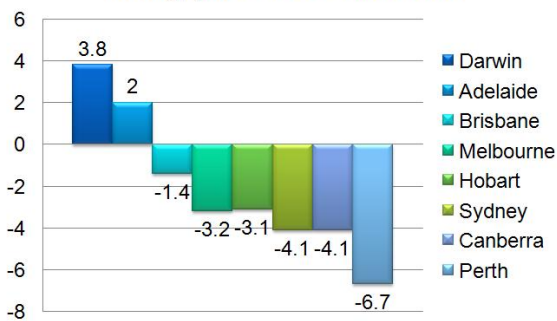


Property market review

Official interest rates are at their lowest in more than 40 years. We review the impact on the property market in all the capital cities.

With an increase in the number of people bidding at auctions around Australia, and the sudden reappearance of home renovation shows on television, there is certainly something in the air with property at the moment.

Established house prices: annual % change, Dec 2007 – Dec 2008



Data released by the Australian Bureau of Statistics (ABS) has shown a decrease in the median price of houses in all capital cities except Darwin and Adelaide from December 2007 to December 2008. Whilst on the face of it this data might be cause for concern for the current home owner, another piece of data offers some explanation for this price decrease:

First home buyers storm the market

The number of first home buyers increased considerably in the December quarter 2008, making up more than a quarter of all loans approved—the highest proportion since December 2001. Typically, first home buyers tend to purchase properties at the lower end of the market (i.e \$500k or less) so the increase in first home buyer numbers may have impacted on the median house

prices thereby reducing them. Auction clearance rates are also up between 70 and 75% - an increase of 25% on the same time last year.

Why has this rebound occurred?

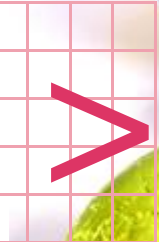
Many industry sources believe the rebound in first home buyers entering the market is due to the combined incentives of interest rate cuts as well as the Government's temporary first-home buyer grant increases. These grant increases are due to cease on the 30th June this year if not extended by the Government (a decision on this will be made in May) so it will be interesting to see the impact on the property market after this time.

Opportunity knocks

With the property market at its lowest level in five years, it could be a great opportunity for property investors to take advantage of the lower prices. Considering the increase in first home buyers, competition for properties that are priced even marginally above the typical first home buyer limit of around \$500k may be diminished therefore improving your chances of scoring a bargain. If your strategy is to invest for the long term the opportunity in the market at the moment may be hard to beat.

If you are considering purchasing another property or would like a review of your current home loan, we are more than happy to help. Give us a call today on **02 8296 0966**.

Source: Australian Bureau of Statistics, House Price Indexes: Eight Capital Cities, Dec 2008.



Healthy chocolate?

The latest research into the health benefits of chocolate might just surprise you

Whilst the Swiss may have us licked for chocolate consumption throughout the year, Australians are the number one consumers of chocolate at Easter time in the world. Every year each of us consumes on average a staggering 20 eggs! Until recently, our love for chocolate was a source of guilt, but there may just be some good news for all you chocolate lovers. Chocolate may just be good for us!

The good news:

Researchers have found that chocolate contains some substances which can be beneficial to health including antioxidants which protect the body from aging due to free radicals and protect against cancer and heart disease. Chocolate contains nearly 8 times the number of antioxidants found in strawberries and 3 times the amount found in green tea! Chocolate also contains plant phenols which may lower high blood pressure and prevent heart disease and strokes by reducing the blood's ability to clot. But perhaps the reason why we love it so much, chocolate helps us feel great by triggering the release of endorphins which produces a pleasurable feeling similar to a "runner's high".

The bad news:

But before you eat your weight in chocolate to get these great benefits there is of course the inevitable bad news. All the health benefits found in chocolate come from its original plant origin the cocoa bean which is found in the Andes of South America. Unfortunately, the most popular types of chocolate (milk and white) have less cocoa content and are mixed with

inexpensive vegetable and animal fats along with large amounts of sugar which can clog your arteries and cause that unsightly tummy bulge.

Since all the health benefits found in chocolate come from the cocoa bean, the best way to get the maximum health benefit whilst indulging in this delicious treat is to eat chocolate with a higher cocoa content (i.e dark chocolate).

So, what is the verdict?

Chocolate may not be good enough for you to be considered a "health food" but it's good to know that you can indulge in moderation with the knowledge that it's not all bad! Try to eat chocolate that has a minimum cocoa content of 70% to get the most health benefits with less of the bad fats and sugar. In light of this, it might be a good idea to put your request in to the Easter bunny for an antioxidant-rich dark chocolate Easter egg this year.

Enjoy!

Proud member of the



General Advice Warning: This advice may not be suitable to you because it contains general advice that has not been tailored to your personal circumstances. Please seek personal financial advice prior to acting on this information.

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