

Focus On Finance April 2005

GUIDE TO INTEREST RATES

INSIDE
THIS
ISSUE

GUIDE
TO
INTEREST
RATES

BUSINESS
OWNERS -
ARE YOU
BEING
SERVED?

FULLY
MAINTAINED
LEASES

How Interest Rates Are Determined

The Reserve Bank of Australia (RBA) sets the official interest rates, dependent upon how the economy is performing at the time. In its monthly meetings, the RBA looks at the inflation rate and key economy indicators such as unemployment, Consumer Price Index (CPI), Producer Price Index (PPI) and Retail Sales, and from analysing this information, sets the interest rate.

The RBA use interest rates as a tool for controlling monetary policy. For example, if economic activity is deemed too high it may try to slow things by raising the official cash rate – ie Stops you from spending money by increasing your loan repayments.

The lending institutions then lend the money to you, at the rate they borrowed it at plus their margin – the fee you pay for the use of the money.

Interest Rates on Home Loans

There are two types of interest rates that apply to mortgages – variable and fixed. You can choose whether you'd like a variable or fixed interest rate, or a combination of both, depending on the type of loan product you decide on.

Variable Interest Rates

The majority of mortgages in Australia

have been taken at a variable interest rate. As the name implies, variable loan rates will fluctuate as the market and the official cash rate does. Therefore if the official cash rate rises, your loan interest rate rises and so do your repayments on the loan, and vice versa. Loans with variable interest rates tend to offer more flexibility in payment options.

Fixed Interest Rates

This type of interest rate allows you to fix the interest rate you borrow at for a certain period of time within the overall loan term. Fixed terms tend to be from one to five



years. With a fixed interest rate you have the certainty of a set monthly repayment as you are not affected by changes in the official cash rate. This is positive when the official cash rate rises as your repayment would not increase, however you cannot reap the benefits of a reduced repayment if the official cash rate falls. With a fixed interest rate your loan provider is taking the risk on the market, which is based on their assumptions about future interest rate movements.

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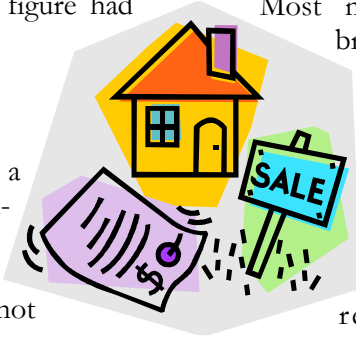
GUIDE TO INTEREST RATES...Continued from Page 1

What's Been Happening in the Market

Interest rates have been decreasing for over a decade, and for the last few years Australians have enjoyed low interest rates – on 23 January 1990 the official cash rate was 17 – 17.5%, and on 2 July 2004 the rate was 5.25%. As a result household borrowings are at a record high – in June 1997 Australians owed \$202.8 billion in housing and in May 2004 this figure had increased to \$577.1 billion.¹

What Interest Rate is Best for You

Your loan decision should be based on a mortgage product suited to your individual needs not on a type of interest rate. Ensure that an increase in interest rates is factored into your loan so you are not left short.



Speak to one of our consultants who are all members of the MIAA. Under the code of practice for MIAA members we continually improve industry knowledge by keeping abreast of economic trends and undertaking our approved courses and industry seminars.

Looking for More Information on Interest Rates

Most newspapers, television and radio news broadcasts contain information on interest rates, official cash rates and the housing market in their financial and property sections. Additional information can be found on banking and financial institution websites. You can also visit the Reserve Bank of Australia Website at www.rba.gov.au and the Australian Bureau of Statistics Website at

www.abs.gov.au

You should be able to switch between interest rates over the loan term without having to refinance.

¹ Figures from the Australian Bureau of Statistics Website – www.abs.gov.au

BUSINESS OWNERS - ARE YOU BEING SERVED?

Unfortunately for many people who run their own business, especially a small business, it seems that the last person who wants to help you is your Bank. Yet one of the most important aspects for succeeding in business is to have your finances in order. Positive cash-flow, finance for growth and development, simple and smooth operating transactional facilities are just some elements you need to have right to ensure a profitable, stress-free business.

That's where we can help you. Our primary role is to identify your business needs and match those business banking needs to lending products available in the marketplace. Our other role is to alleviate the stress and frustration of dealing with the Banks. We are constantly working on your behalf to get you the most cost-effective and suitable product available.



Did you know.....?

- You can use a **Letter of Credit/Trade Finance** to purchase your overseas stock and it won't impact on your cash-flow until relative debtors are collected.
- You may be able to use your debtors to borrow funds by utilising a **Debtor Finance Facility**.
- Using **Commercial Bills** for your next development can save you money with market interest rates.
- We can arrange a competitive **fixed or variable interest rate** if you are looking at using your commercial facility to borrow funds.

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Suite 15, 13—25 Church Street, HAWTHORN VIC 3122
Phone : 03 9854 3500
Email : enquiry@acceptancefinance.com.au

PO Box 7005, HAWTHORN NORTH VIC 3122
Facsimile : 03 9852 7333
Website : www.acceptancefinance.com.au

RESIDENTIAL HOME LOANS & INVESTMENT LOANS

BUSINESS OWNERS - ARE YOU BEING SERVED?..Continued from Page 2

These are just some of the products available from our various lenders. Having the right product in place can help you achieve your business goals. Acceptance Finance welcomes the opportunity to review your current commercial facilities at no cost to you. Our commercial consultant Grant Haag has over 30 years experience in commercial lending and he's committed to assisting you in your business.

Give Grant a call on 9854 3565 or alternatively call our office on 9854 3500 to speak to a Consultant. You can also visit our website www.acceptancefinance.com.au

FLEET MANAGEMENT SERVICES / NOVATED & COMPANY LEASES

Frustrated with your vehicle's running costs?

Frustrated with the value of your trade-in not meeting the residual value at the end of a lease agreement?

Do your company cars go 10% faster than your private vehicles?

If this is the case then management of your fleet vehicles or simply a Novated Lease is worth considering.

Let us give you a brief overview of the services available to you :

Services to be provided

Fleet management, consultative services for the employee, administrative and reporting services.

Fleet Management

- If required assistance is available to the employee to achieve the best available pricing for the vehicle of their choice.
- Distribution and management of fuel credit cards - all fuel at a discounted rate.
- Management of cost control over maintenance, repair and tyre purchases.
- Management of vehicle registration and insurance.
- Management of repairs, accident claims and third party recoveries of "Customer" vehicles involved in motor accidents.
- Assistance to maximise the disposal proceeds of the vehicle at the expiry of the lease.

Consultative Services

- Continued consultative services for employees considering a Novated Lease with advice and information on many things such as vehicle selection through to mitigating FBT liability.
- Full management of the process of obtaining lease quotations and funding right through to delivery of the vehicle.



Reporting and Administration Services

Quarterly reporting is provided which details accrued vehicle expenditure to date and line-by-line expenditure of fuel, maintenance, tyres, registration and insurance.

Please feel free to contact Giulia Polizzi for an assessment of your leasing requirements :

Phone : 9854 3556

Email : gpolizzi@acceptancefinance.com.au

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There are a myriad of products available all with various tax and accounting implications. Getting the finance that maximizes the benefits to you or your business comes down to two things - knowledge and experience. That's what Acceptance Finance has been offering our clients since 1990.

LEASING
RESIDENTIAL
&
COMMERCIAL
MORTGAGE SPECIALISTS

**FOR OUR CURRENT
INTEREST RATES AND A
COMPREHENSIVE GUIDE TO
ALL OUR PRODUCTS GO TO :**

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While every care has been exercised and the recommendations and other statements herein are based on information believed to be accurate and reliable, no Liability (unless required by Law) can be accepted for any error or omission including negligence however caused.

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COMMERCIAL & DEVELOPMENT LOANS

QUOTES OF NOTE

Alan Greenspan

Any informed borrower is simply less vulnerable to fraud and abuse.

Albert Einstein

All I ask is a chance to prove that money can't make me happy.

Spike Milligan

Money couldn't buy you friends, but you get a better class of enemy.

Kin Hubbard

The safest way to double your money is to fold it over and put it in your pocket.

Benjamin Franklin

Remember that time is money.

Sam Ewing

As a child, a library card takes you to exotic, faraway places. When you're grown up, a credit card does it.

Cullen Hightower

Money was invented so we could know exactly how much we owe.

George Lorimer

It is good to have money and the things that money can buy, but it's good too, to check up once in a while and make sure you haven't lost the things money can't buy.

Julius Rosenwald

Do not be fooled into believing that because a man is rich he is necessarily smart. There is ample proof to the contrary.

Author Unknown

If you lend someone \$20, and never see that person again, it was probably worth it.



If you do not wish to receive this newsletter in future, please email : enquiry@acceptancefinance.com.au