

HAVEN

money+lifestyle+home

May 14

TP TONGPARTNERS
PROPERTY FINANCE • RESIDENTIAL • COMMERCIAL

TO BUY OR BUILD?

avoiding
**buyer
blunders**



A delicious northern
Italian lasagne



ISSN 1836-9871



It'll be right – won't it?

More than 80 per cent of Australians have insurance for their car but fewer than one third of us have income protection insurance* to protect our livelihoods should the worst happen. While the odds of a bingle are higher – once every seven years on average – being waylaid by injury or sickness for a lengthy period is not as unlikely as you may think. In fact, a staggering 60 per cent of Australians will be off work due to serious injury or sickness for more than a month at least once in their working lives, according to a 2012 Rice Warner report on underinsurance.

Sadly, many who find themselves in this position are far from financially prepared. The same report revealed more than 50 per cent of couples don't have enough life insurance cover for one partner to maintain their standard of living if the other passed away, while nine out of ten families with dependent children would not be able to maintain their usual lifestyle if the main earner died.

While many view insurance as a grudge purchase, the harsh reality is bad things can, and do, happen – often when you least expect it. What you need to consider is how you would pay the mortgage, household bills and life's other ever-increasing costs if you or your partner passed away or could not work.

It seems many Australians, given our comfortable lot in life, are either too reluctant or too busy to contemplate financial protection or feel our funds are better spent elsewhere. Our inertia has become so apparent that the Australian life insurance industry has set up the Lifewise campaign in a bid to boost coverage. While the move may seem a little self-serving, Australia has one of the lowest levels of life insurance in the developed world, and that's despite most of us having some life cover in our superannuation.

Unfortunately, underinsurance is as much a burden for society as it is for individuals, with Rice Warner Actuaries estimating that around \$250 million is made in welfare payments in Australia each year for deaths of parents with insufficient life insurance.

Having some savings, plus adequate income protection and life insurance should be part of every household's personal finance plan. It could mean the difference between getting wiped out or getting back on your feet.

Get some professional help to determine which insurance products suit your individual needs. Your broker may be able to point you in the right direction through their networks in the insurance industry, to determine which products suit your requirements. Here's a snapshot of what you should consider.

Life insurance

Life insurance is a lump sum paid to your estate when you die. The larger the lump sum, the higher your insurance premiums. While superannuation funds have a life component, or death benefit, the default payment – which around 90 per cent of fund members rely on – is usually well below the needs of families with dependent children.

Do your sums and consider how much equity you have in your home and any investment properties, how much you owe on your mortgage and any other debts, and how much money you have tucked away in savings or shares.

You should also consider your partner's working capacity. If you have insufficient life insurance, chances are they will have to work to help make ends meet.

Many couples make the mistake of just covering the main

bread-winner, but stay-at-home partners and parents should have some level of cover too. If they suddenly pass away, the current earner may need to spend more time at home with children and have less capacity to earn.

Total and permanent disability (TPD)

Usually bundled with life insurance, TPD covers the costs of rehabilitation, debt repayments and the future cost of living if you are totally and permanently disabled. Check if your super fund offers cover in addition to a death benefit and consider whether this amount would realistically cover your family's needs if you were unable to work again.

Income protection

Income protection, or income continuance insurance, covers up to 75 per cent of your usual income if you can't work for an extended period due to injury or illness. Some employees count solely on workers compensation insurance to take care of them financially if they are hurt, but not all injuries are work-related and workers compensation won't cover serious illness or many other mishaps that might take you out of action. Workers compensation insurance may also not be enough to cover your mortgage, which would still need to be paid whether you have the capacity to work or not.

Premiums vary, depending how much cover you need and are generally tax deductible**. As with most insurance products, premiums increase with age because you are more likely to make a claim. Some products, however, offer level premiums where you pay the same throughout the term.

A lot of policy holders reduce their premiums when their kids get older and need less support. You can also save on premiums by taking out a policy with a six-month wait period before you can claim.

Trauma cover

Also known as critical illness cover, this provides a lump sum payment if you are diagnosed with a specific serious illness, such as cancer or stroke. There are about 45 diseases that fall into this category for insurance purposes, but insurers may not cover all of them.

Plan ahead

Life throws curve balls but some events can be planned for. If, for example, you are expecting a baby or need to have an operation, and you know income will be short for a while, take steps to ensure you can still service your mortgage. Your broker can look into options to postpone payments, revert to interest-only for a period or refinance the loan. You may end up paying more in interest by adding to the length of your loan, but you will at least get some reprieve while funds are tight.

Private health cover

If you are debilitated and unable to work – and the condition isn't covered by workers compensation – you may end up on a waiting list for surgery, unless you have private health cover. While it's another cost to carry and one that increases by about six per cent a year, private health insurance can help you access treatment quicker and get you back to work faster.

* <http://www.lifewise.org.au/facts-research>

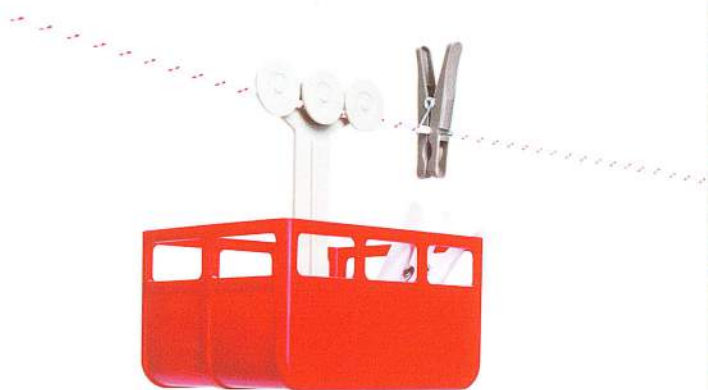
** Tax information: the information in this article does not constitute advice. As taxation legislation is complex, we recommend you speak with your financial advisor, tax advisor or contact the ATO for further details and expert advice regarding your personal circumstances.



GOLD DIGGER

For the gardener in your life who is impossible to buy for, add instant glamour to their patch with a shimmering golden garden hose. It looks beautiful and thanks to its Scandinavian design, features tricot reinforcement to prevent kinking.

VISIT www.soopdesign.com.au



CABLE GUY

Just like a real cable car this nifty peg holder scoots along your washing line delivering pegs as it rolls.

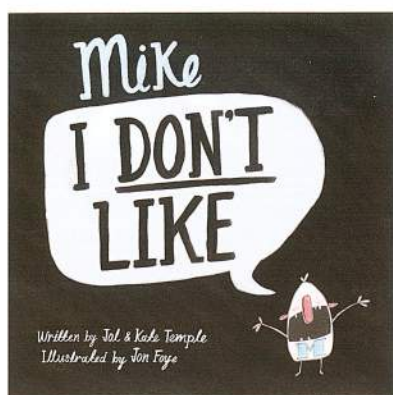
VISIT www.mocha.uk.com



KING ARTHUR

Let this knight in shining armour guard your boiled egg in the most playful of ways. Trading his sword for a spoon, this awesome little guy will stand guard at the round (breakfast) table.

VISIT www.amazon.com



Mike I Don't Like

Three little words that parents of toddlers know all too well: I don't like. Meet Mike, he doesn't like baths, carrots, gibbons and many other things. This tricky toddler phase has been captured in a way that's both true to life for parents and a fun read for the kids. A hilarious book for every parent whose child has suddenly decided they dislike everything.

HarperCollins RRP \$19.99



WIN \$1,000 CASH

Once the domain of sailors, bikies and jailbirds, these days everyone seems to be getting a tattoo. While it might seem like a great idea at the time, down the track will the regret outweigh the excitement? Haven wants to know about your tattoo regrets. Send in a photo of the bad tattoo you wish you'd never had for the chance to win \$1,000.

How: email your tattoo regret photo to havencompetitions@afgonline.com.au placing 'Bad tattoo' in the subject line.

Include: your name, address, email, phone number and the name of your mortgage broker.

Dates: opens on April 29 and closes on June 24.

Winner: will be decided on June 25, and notified by telephone after this time.

Terms and conditions: email havencompetitions@afgonline.com.au to request terms and conditions.



buyer blunders & how to avoid them

Your home is likely to be the biggest purchase you make, so it's something you want to get right. Mistakes can be stressful and costly. Here are the biggest ones buyers make and some tips to help you avoid them.

Letting your heart rule your head. It's often easy to be dispassionate about an investment property but when it comes to your own home, emotions can run high.

Buyers often make the mistake of falling for features in a home or loving a certain location, only to find, once they move in, they have compromised on what they really need.

Arm yourself with a list of non-negotiables – the features you simply must have now or soon down the track, such as extra bedrooms for a growing family, office space for a home business or proximity to public transport. If a property doesn't tick all of your must-haves, keep hunting.

You should also decide whether or not you want to renovate or have a lot of time for maintenance. Heritage properties can win over hearts but often require deep pockets and lots of upkeep. Similarly, a fixer-upper in your price range and preferred location may end up being a money pit you can't really afford.

Look beyond fancy fit-outs and styling – the furnishings will go with the vendors.

Stick to the buying basics – location, price, layout and condition – to decide if the property is right for you.

Believing the selling agent is working for you. Real estate agents are paid by the vendor with commission from the sale. The higher the sale price, the more they put in their pocket.

Don't fall for sales spiels that tempt you to spend more than you can afford or settle for a property that doesn't meet your needs.

Some buyers are levelling the playing field by hiring their own agents to find a property and negotiate the sale. Fees for buying agents vary, but generally they charge for their time, plus take a commission from the sale. If you have no time to house hunt, it may be worth the extra cost.

No homework. There is no such thing as too much research when it comes to property. You should set aside several weeks to get around to as many properties as possible, narrowing your search to three target suburbs when you are ready to buy.

Check out recent sales of comparable properties in the area and build on this research as you go, keeping in mind property prices can move fast in a boom. You should also find out if there are any amenities and infrastructure planned for the area, such as new roads, public transport, hospitals or schools, which can boost real estate prices.

Another key question is how long the property has been on the market.

If looking for an investment, research rents and what the area has to offer tenants, such as a lively restaurant or café scene and reliable public transport.

Starting the hunt without loan approval. Knowing how much you can afford will take a lot of stress out of your search. A pre-approved loan sets a boundary so you can focus on properties in your price range and gives you peace of mind that you will be able to move fast when you find the right one. Your broker is the person to speak with to make sure you have this all in place.

Buying beyond your means. It can be tempting to stretch your budget for what seems like the right property, especially if interest rates are as low as they are now. But rates are cyclical and what goes down, eventually goes up. If you are extending to afford a property while interest rates are low, you are going to struggle to make your mortgage payments when they start to climb. It's wise to calculate your repayments should rates rise by two to three per cent and build that reserve into your budget. That way, you have some comfort when the cycle eventually turns.

Not getting the property inspected. According to NSW building advisory service Archicentre, only one in 10 buyers gets a professional building and pest report on a property before they buy it. Most inspections cost a few hundred dollars, a small price to pay for peace of mind on a purchase as significant as a home.

A licensed inspector can check for pests, such as termites, and building flaws or issues, such as wood rot or rising damp, all of which have the potential to cause costly dramas if unchecked.

Always ensure the sale contract is subject to getting the all-clear on the building inspection. If something surfaces, you can either back out of the purchase or negotiate a lower price to compensate for the required repairs.

Not getting the sale contract checked. The contract you sign when you hand over a deposit is legally binding, so have it scrutinised by a lawyer or conveyancer. They will check it for any sale or zoning conditions that could disadvantage you, such as restrictions, or covenants that may be imposed. A lawyer or conveyancer can also check property documentation, such as sewer diagrams, to make sure there are no issues with any renovation or extension plans.

Your legal expert can also help adjust the contract terms for your benefit, such as negotiating a longer settlement period if required.



The world's most expensive private home

India's richest man houses his family of five in the most expensive private residence ever built. The lavish Antilla tower rises above the Mumbai skyline and is estimated to be valued at upward of one billion US dollars. In stark contrast, beneath Antilla 60 percent of Mumbai's population live in slums. 57 year old billionaire Mukesh Ambani's 27-storey home boasts:

- Six floors dedicated to parking Ambani's 168 cars (including its own car servicing centre).
- Three rooftop helipads (complete with air traffic control facilities).
- A housekeeping staff of 600.
- While Mumbai swelters outside, an ice room to experience winter indoors thanks to artificial snow flurries.
- Nine high-speed elevators.
- A two-floor health centre complete with yoga studio, dance studio, a lap pool and swimming pool.
- A 50-seat home theatre.
- Hanging terrace gardens.
- A ballroom with 80% of its ceiling hung with crystal chandeliers.
- Nine cocktail lounges.
- And interestingly, the largest collection of antique sewing machines in the world.

The world's most expensive car

Last year, a red 1963 Ferrari 250 GTO sold for a staggering 52 million US dollars. Considered the ultimate car by collectors, just what makes this vintage beauty so desirable? Primarily its rarity - only 39 of these hand-built Ferraris were made.

The world's most expensive socks

If you have a spare \$1,535 you too can shod your hooves in a pair of the world's priciest socks. They're made from 100% Cervelt, the down fibre shorn from the New Zealand red deer. Each deer produces only 20 grams of fibre annually, its rarity reflected in the price tag. New Zealand red deer made their way to Otago in 1870 when they were gifted by the Earl of Dalhousie from his estate of Invermark, Scotland.



In the last edition of Haven we asked for your stories about monumental work blunders. Thank you to everyone who entered, there were some very entertaining tales. We loved two entries so much that we have both a winner and a runner-up this time.

THE WINNER

Congratulations to Scott who wins \$1,000 for sharing this impressive work gaffe.

"I nicked a water pipe on the second floor of a luxury terrace, it flooded the room and I cleaned up and told nobody. The next day the lath and plaster ceiling caved in and fell on top of the owner's antique dining table and ripped open their velvet chairs! Oops."

RUNNER-UP

Congratulations to Dan who wins a runner-up prize of \$500 for sharing a story that conjures up a hilarious visual!

"Working in a new factory, I launched an electronic pallet jack through a 20 foot factory door. Not mechanically minded I activated the jack, dragging me in mid air it knocked the door clean off stopping production. The millionaire owner was on the other side!"



TO BUY OR BUILD?

Many buyers struggling to find the right home are going back to the drawing board and building rather than buying an existing home.

There are obvious benefits to a brand new home: you can build exactly what you want and enjoy shiny new surrounds, with no wear and tear costs for years to come. But there can be downsides to creating your castle.

Haven looks at some of the pros and cons of building versus buying.

THE PROS OF BUILDING

You get what you want

The great pleasure of building your own home is choosing what you want for today's lifestyle. If building, you have two options: a project home or a custom-built one.

Project homes offer a suite of designs, usually with options to mix and match or upgrade some features. They are cheaper than custom-built homes because the builder works on an economy of scale for the building materials and products and knows exactly how much money will be made on each design. The other benefit is that you can tour display villages and see exactly what you will get.

A custom, or architect-designed, home will cost more but allows you to create your dream home. Just remember, the higher the quality of your materials and fittings, or the harder they are to source, the higher the cost. Size also matters, with builders working on square meterage.

You can go green

The Nationwide House Energy Rating Scheme requires all new homes to have a minimum energy rating of six stars (one being the lowest and 10 being the highest), which means lower energy and water bills for your household, plus the feel-good factor of helping the environment. Green design includes the home's aspect to make the most of natural cooling and warming, water tanks, energy-efficient lighting and better-insulated windows.

You can be part of a new community

In a world where increasingly few of us know our neighbours, a new home in a new estate can help knit you into a community. New estates are generally located in high-growth areas that attract young families, a plus for those with kids who want to feel part of a neighbourhood.

These estates are also carefully planned, often with new parks and purpose-built shopping centres. Some are even large enough to have their own schools, heightening the sense of community for residents.

THE CONS OF BUILDING

Time and stress

Building a new home, even if you opt for a project design, requires your input and time. Even the simplest projects can take their toll, especially if couples disagree about certain fixtures, bad weather impacts timelines or the builder gets something wrong.

Busy people might struggle to find enough time to make decisions, liaise with the builder and other contractors and visit the building site. If that's the case, buying an existing home might be a less stressful option.

Locating land

While new homes are generally part of new communities, the trade-off is that the land is often located in outer suburbs, with fewer public transport options and longer commutes.

Finding vacant land in established areas is nigh impossible in some cities, so older homes in poor condition are being snapped up and knocked down. For many, the cost of buying and demolishing a home and building a replacement is prohibitive. If you are looking to settle in an established suburb with ample infrastructure and amenities, buying a home and renovating it to suit your needs may be more affordable and convenient.

A HELPING HAND

Whether you decide to buy or build, there are still some government grants available for first-home owners to lighten the load. Check out what's on offer at www.firsthome.gov.au



Northern Italian pork and beef lasagne with egg and ham

Ingredients

250g pork mince
250g beef mince
1 tablespoon olive oil
1 onion, finely chopped
2 garlic cloves, finely chopped
40g tomato paste
400g diced tomato
500g tomato passata
8 fresh lasagne sheets
500g ricotta cheese
3 eggs
½ cup parmesan cheese, grated
6 eggs
12 slices Australian leg ham
1 cup mozzarella cheese, grated

Method

1. Preheat oven to 180°C. Heat oil in a large saucepan and brown the pork and beef mince well. Add onion, garlic and tomato paste. Cook for two minutes.
2. Add diced tomatoes and tomato passata. Season to taste. Reduce heat and simmer for 20 minutes. Remove from heat.
3. Combine ricotta, 3 eggs and parmesan cheese.
4. Spoon a third of the meat sauce into the base of a 30cm x 15cm deep baking dish. Top with 2 sheets of lasagne overlapped to fit the dish.
5. Spread a third of the ricotta cheese mix over the pasta, then top with another third of the meat sauce, then pasta sheets, then again with ricotta.
6. Break 6 eggs over the ricotta. Place folds of ham over eggs and top with pasta. Spread over remaining meat sauce, then remaining ricotta. Finish with mozzarella.
7. Bake in pre-heated oven at 170°C for 45 minutes. Cool for 15 minutes, then serve.

Thank you to www.pork.com.au for this delicious recipe.

What you need to know: any advice contained in this newsletter is of a general nature only and does not take into account the objectives, financial situation or needs of any particular person. Therefore, before making any decision, you should consider the appropriateness of the advice with regard to those matters.



hello

Welcome to the winter edition of Haven.

In this edition we investigate the pros and cons of building a home versus buying one. There are advantages to be had and pitfalls to look out for so if you're in the market for a new pad, be sure to take a closer look.

On the subject of buying a house, we also take a look at some classic buyer blunders. For most people, a house purchase is the biggest financial outlay they will make. So it's a wise idea to keep in mind common buyer mistakes and how to avoid them.

With the cooler weather here, we have a scrumptious northern Italian lasagne recipe to tempt you. It's an indulgent wintry meal which includes not just pork and beef but also eggs and ham, you'll love it!

Please enjoy this edition of Haven. Don't forget that if I can be of help to you or if any of your family or friends are in need of finance, please get in touch.

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