Winter 2025 Newsletter

MORTGAGE & FINANCE

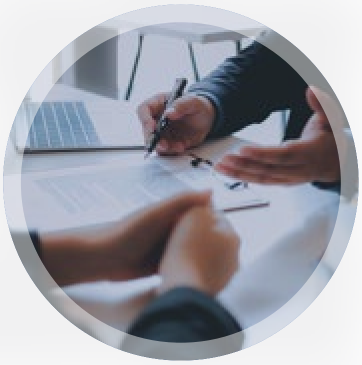
- UPDATE -

Better Choice Mortgage Services

RESERVE BANK DELIVERS 0.25 PERCENTAGE POINT CUT TO CASH RATE IN SECOND INTEREST RATE REDUCTION OF 2025

The Reserve Bank of Australia has cut interest rates, taking the cash rate below 4% for the first time in two years. At its May meeting, the RBA's monetary policy board decided to decrease the cash rate by 0.25 to 3.85%.

It is the second rate cut this year, providing some further relief to home loan borrowers after 13 rate hikes between May 2022 and November 2023, when the cash rate was left on hold until a cut in February this year.



WHY DID THE RESERVE BANK CUT INTEREST RATES?

After the February board meeting, US President Donald Trump's "Liberation Day" tariff ignited global trade disputes and rocked financial markets, leading some to forecast even deeper rate cuts, although the ensuing tariff delays saw expectations pared back.

RBA CONFIDENT INFLATION TAMED

At the post-decision press conference, RBA governor Michele Bullock said while the threat of a renewed inflation breakout has eased, it hasn't disappeared.

"We have got a little more comfortable, just a little more comfortable, that things are going in the right direction, so we can take the foot off the brake just a little bit more."

At 2.9 per cent, annual trimmed mean inflation was below 3 per cent for the first time since 2021 and headline inflation, at 2.4 per cent, remained within the target band of 2–3 per cent," the statement noted.

WILL THERE BE FURTHER RATE CUTS?

Market pricing for further interest rate cuts increased after the May decision, with about a 50% chance of another quarter of a percentage point reduction at the next meeting in July, according to LSEG data.

> *Betashares chief economist David Bassanese has forecast 2x more interest rate cuts this year, to take the cash rate to 3.35%.*

While Mr Bassanese noted the potential for further cuts if the global tariff uncertainty hits global and local economic growth more than anticipated, but said it was not his base case.

"If inflation falls to normal levels, so should interest rates."

"The openness of the Trump Administration to lower tariffs in exchange for trade deals has been a major development in recent weeks, and should be enough to avoid the US tumbling into a serious recession.

"But if the US does fall into recession, the RBA could easily cut rates into expansionary territory – as far as 2% or even lower."

CreditorWatch chief economist Ivan Colhoun described it as "a more dovish easing" by the central bank.

The accompanying forecasts and commentary reflect greater anticipated negative effects of US tariff policy and related uncertainties than I had expected ... there remains significant uncertainty around the final scope of US tariff policy," he said.

Mr Colhoun noted that the RBA's updated forecasts, which has incorporated the anticipated negative effect of tariffs, assume two further cuts to the cash rate.

"Tariff effects have seen the RBA trim its forecast recovery in GDP growth, raise its unemployment forecast very slightly, and reduce its inflation forecasts to a broadly at target 2.6% throughout the forecast horizon."

WHAT WILL THE INTEREST RATE CUT MEAN FOR BORROWERS?

Lenders were quick to announce they would pass on the interest rate reduction to home loan customers, with major banks NAB, Commonwealth Bank, ANZ and Westpac all announcing cuts to variable mortgage rates.

"I know this period of relatively high interest rates has been and continues to be challenging for many households and businesses, but it was essential we brought inflation down because inflation hurts everyone," Ms Bullock said.

– ABC NEWS –

WELCOME TO OUR WINTER EDITION

The recent RBA rate reduction was welcomed with great anticipation by all.

There are a range of views as to the number and timing of other interest rate reductions going forward, with any further reductions providing even more relief to the cost-of-living crisis. It also means more confidence for new home buyers to enter the market and overall higher borrowing capacity, which generally puts upward pressure on house prices.

The Productivity Commission estimates that higher productivity has accounted for more than 80% of national income growth over the past 30 years. However, productivity growth has slowed globally over the past decade.

Consulting firm McKinsey estimates that since 2016 productivity in Australia has grown by an average of just 0.20% pa. Productivity has gone backward across most industries including mining, utilities, financial services, manufacturing, construction and the care providers.

The residential property market continues to see strong demand but has become more segmented by suburbs and price brackets. The sub $900,000 price bracket has been the most aggressive with the greatest number of people making offers in this range, most likely due to affordability in this segment.

Some bank economists are still forecasting price rises of up to 8% plus for the next two years in Perth. While undersupply persists and demand remains strong its difficult to see growth easing. It is worth noting that building activity is increasing.

Broker market share of residential lending has continued to increase, recently breaking new ground at over 77% share. We continuously aim to compare the best options for you to ensure we direct you to the lenders that both you qualify with and offer the best rate, whilst ensuring the product & structure suit your goals and objectives.

We cannot thank you enough for your continual support and feedback. Please keep on referring your friends/family and associates who may be seeking to buy, refinance or review their overall position, this is the best compliment we can receive.

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BROKERS BREAK RECORDS IN 2024 – MPA MAGAZINE

LATEST STATISTICS

76%

HIGHEST EVER MARKET SHARE OF MORTGAGE BROKERS – ACHIEVED IN Q4

$115BN

VALUE OF NEW HOME LOANS SETTLED IN Q4 – THE HIGHEST IN A SINGLE QUARTER

22%

YEAR ON YEAR INCREASE IN NEW LENDING VALUE Q4

72%

PERCENTAGE OF MORTGAGE BROKER BUSINESS FROM REPEAT CLIENTS AND REFERRALS

STRATEGIES TO MAXIMISE SUPER CONTRIBUTIONS

While it's essential to stay within the super contribution caps, there are several strategies you can employ to maximise your super contributions within the limits:

1 SALARY SACRIFICE

Consider setting up a salary sacrifice arrangement with your employer to contribute a portion of your pre-tax income to your super. This can help you make the most of the concessional contribution cap while reducing your taxable income.

2 SPOUSE CONTRIBUTIONS

If your spouse has a lower super balance or is not working, you can make contributions on their behalf, and you may be eligible for a tax offset that financial year.

3 GOVERNMENT CO-CONTRIBUTIONS

Low income earners may be eligible for government co-contributions by making personal non-concessional contributions. This can be an effective way to boost your super savings.

4 UTILISE THE BRING-FORWARD RULE

If you're eligible, consider using the bring-forward rule to make larger non-concessional contributions by using up to two future years' non-concessional contribution caps.

5 SEEK PROFESSIONAL ADVICE

Consult with a financial adviser or tax professional to create a super strategy tailored to your individual circumstances, ensuring you make the most of your contributions while staying within the caps.

- MLC -

WHAT IS THE FIRST HOME LOAN DEPOSIT SCHEME?

Find out more or Download FHLDS Fact Sheet

SUPER CONTRIBUTION CAPS 2024-25

Knowing the super contribution caps is an important aspect of retirement planning, as understanding the rules can help you maximise your retirement savings.

WHAT ARE SUPER CONTRIBUTION CAPS?

Super contribution caps are set by the Australian government on the amount of money you can contribute to your super fund each financial year without incurring extra taxes. These caps are designed to ensure that super remains a tax-effective way to save for retirement while preventing high-income earners from abusing the system.

There are two main types of super contribution caps: concessional (before-tax) and non-concessional (after-tax) contributions.

CONCESSIONAL (BEFORE-TAX) SUPER CONTRIBUTION CAPS

Concessional contributions are made with pre-tax income and include contributions made by your employer (Superannuation Guarantee contributions), salary sacrifice contributions, and personal contributions for which you claim a tax deduction.

> *For the financial year 2024-25, the concessional super contribution cap is $30,000.*

You may be eligible for a higher cap if your total superannuation balance was less than $500,000 on 30 June of the previous financial year and you have not used all your concessional caps for the last five financial years. If you exceed this cap, the excess contributions will be taxed at your marginal tax rate (tax rate you pay on your income).

If you are aged 67 to 74 you must meet a work test in order to claim a deduction for personal after-tax contributions. Consult with a financial adviser or the ATO to understand your limits.

NON-CONCESSIONAL (AFTER-TAX) SUPER CONTRIBUTION CAPS

Non-concessional contributions are made with after-tax income. They include personal contributions that aren't claimed as a tax deduction and any contributions made by your spouse on your behalf.

> *For the financial year 2024-25, the annual non-concessional super contribution cap is $120,000.*

However, depending on your total superannuation balance last 30 June, you may be eligible to bring forward up to two financial years' non-concessional super contribution caps, effectively allowing you to contribute up to $360,000 in one go.

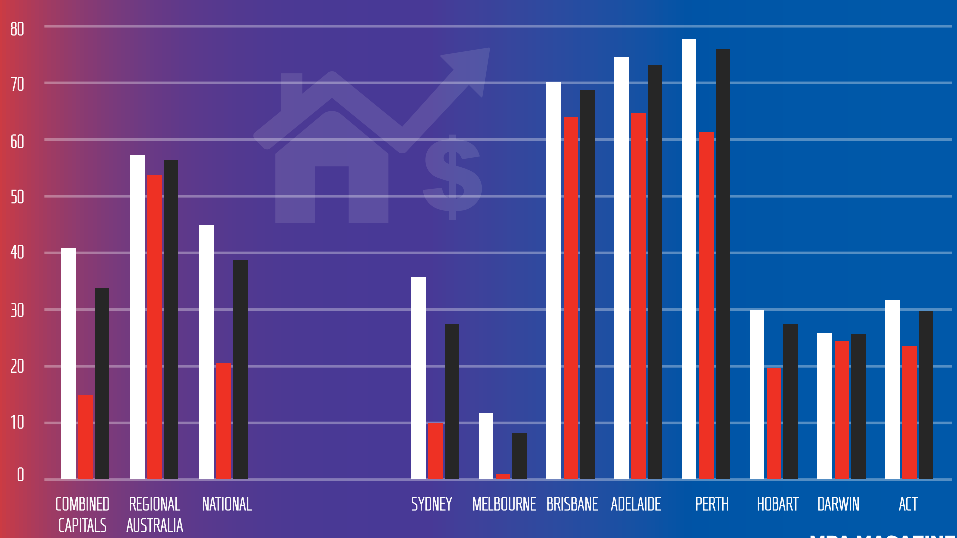
THE IMPORTANCE OF STAYING WITHIN THE SUPER CONTRIBUTION CAPS

Exceeding the super contribution caps can have financial consequences. If you go over your concessional super cap, the excess amount is taxed at your marginal tax rate. For non-concessional contributions, the excess amount is taxed at 47% unless the excess amount and its associated earnings are released from your super fund. Where these are released from super, associated earnings are taxable. The government introduced these caps to prevent high-income earners from using super as a tax shelter, and it's important to respect these limits to avoid penalties and maintain the tax advantages associated with super.

- MLC -

PERCENTAGE CHANGE IN HOUSING VALUES SINCE MARCH 2020

HOUSES UNITS DWELLINGS

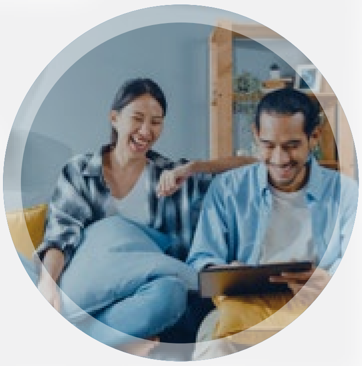


- MPA MAGAZINE -

HOME BUYERS' FOMO RAMPS UP AFTER RATE CUT

Prospective homebuyers across Australia are rushing to get pre-approved for a home loan following the Reserve Bank of Australia's recent decision to cut its cash rate for the second time this year.

Pre-approvals through mortgage brokers jumped by 24% in March compared to a year earlier according to Equifax, an analytics company that tracks credit and borrowing data.



Kevin James, chief solutions officer at Equifax, said the rate cuts had spurred many aspiring home owners to take advantage of their increased borrowing power and the latest round of offers from banks and lenders.

"The ongoing turmoil in global markets could see the Reserve Bank drop interest rates more frequently or by larger margins than originally expected," James told The Australian Financial Review. "Anticipation of these rate cuts is likely to drive further buyer demand.

"Interestingly, Equifax data from New Zealand shows that mortgage demand really picked up steam after two to three rate cuts. This suggests that prospective home owners here in Australia are only just getting started, and the mortgage market will significantly heat up in the coming months."

> *Pre-approvals rose 12.5% year-on-year in February, just as the RBA cut the official rate for the first time in three years, Equifax data showed. In April, pre-approvals rose 10.6 %.*

Buyers are in a race against time, with property prices also expected to rise amid the increased demand. HSBC expects prices to rise as much as 4% in Sydney and Melbourne this year and another 8% and 7% respectively next year.

At Aussie Home Loans, one of the nation's largest networks of mortgage brokers, pre-approvals are up 30% since November 2024, with strong enquiries from April to May. Customers using the company's borrowing power tools are also up 65% since the same period.

"I read that as people starting to get their ducks in a row," Sebastian Watkins, co-founder of Lendi Group, which operates Aussie Home Loans, told The Australian Financial Review.

"People are less excited about 25 bip [basis point] rate cut, but more excited about 100 bips, or 125 bips, and that first cut, and now the second is signalling that we're on that downward trend again.

> *"What we're starting to see is consumers realise is that actually, the longer I wait, the more expensive that decision [to buy a home] becomes."*

Three of the four big four banks – Commonwealth Bank, Westpac and ANZ – are predicting the RBA will slash its cash rate by another 25 basis points by August, while NAB believes they'll decide to decrease it earlier when they next meet in July.

Canstar research shows that a single Australian earning the average full-time wage of about $103,000 could potentially borrow an additional $12,000 from the bank as a result of the latest rate cut, assuming their lender has passed it on in full, and they have a 30-year owner-occupier loan with a 5.75% interest rate.

> *For a couple where each is taking home a typical full-time wage, their borrowing capacity may increase by about $23,000.*

Sally Tindall, data insights director at Canstar, said the cash rate was now on a "downward slope", which would put a spring back into the step of many buyers who had sidelined themselves while interest rates were high.

"Some of those prospective buyers are likely to get back into the property market, buoyed by greater confidence that the tough days of a cash rate of 4.35 or 4.1 and now behind us," Tindall told the Financial Review.

It's a similar story across the nation's capital cities, with some buyer's agents experiencing a surge in demand. In Brisbane, Perth and Adelaide, home values are up as much as 10% in the 12 months to April due to the increased demand, according to Cotality research.

- FINANCIAL REVIEW -

COMMONWEALTH BANK THREATENS TO CLOSE LONG-TIME CUSTOMER'S ACCOUNTS OVER LITTLE-KNOWN RULE

The Commonwealth Bank has threatened to cancel and close the accounts of a leading Australian businessman because he wouldn't explain to them where his money came from and why he had sums of cash.

The CBA has sent the warning in writing to Louis Christopher, who runs leading investment research company SQM, ironically an organisation regularly quoted by the finance industry on trends in the real estate market.

Mr Christopher has described the bank's extraordinary threat; "Just out of the blue, the bank send me an email and demanded to know, 1. How have I built up my wealth? 2. Why have I made cash withdrawals? 3. If I am holding cash at home, why? 4. Why did I make certain transactions to third parties?

"I called the bank and it was true. They were going to suspend all my accounts this week if I didn't tell them the answers to the above questions. Said Austrac gave them the authority to do that."

> *AUSTRAC is the government's financial investigation and intelligence arm. He's described the ordeal as extraordinary.*

"What I have just gone through this morning with CBA is disgusting. Absolutely despicable, Orwellian stuff. Driven by Austrac".

The Federal government has empowered banks to start questioning customer on what they are doing with cash and where sums deposited come from. Mr Christoper said "soon you will be restricted on what you can and cannot spend. That's too much money being spent on your next holiday, sir."

- NEWSMAX AUSTRALIA -

AT A RECORD HIGH

HOUSING CYCLES PERTH

IN APRIL, PERTH DWELLING VALUES INCREASED	▲ 0.4%
OVER THE QUARTER, DWELLING VALUES INCREASED	▲ 0.7%
OVER THE PAST YEAR DWELLING VALUES INCREASED	▲ 10.0%

- CORELOGIC -

WAYS TO CUT YOUR RISK OF STROKE, DEMENTIA AND DEPRESSION ALL AT ONCE

Though they may appear unrelated, people who have dementia or depression or who experience a stroke also often end up having one or both of the other conditions, said Dr. Sanjula Singh, a principal investigator at the Brain Care Labs at Massachusetts General Hospital and the lead author of the study.

Some of the risk factors common to the three brain diseases, including high blood pressure and diabetes, appear to cause damage to small blood vessels in the brain.

Research suggests that at least 60% of strokes, 40% of dementia cases and 35% of late-life depression cases could be prevented or slowed by controlling risk factors.

"Those are striking numbers," said Dr. Stephanie Collier, director of education in the division of geriatric psychiatry at McLean Hospital in Massachusetts. "If you can really optimise the lifestyle pieces or the modifiable pieces, then you're at such a higher likelihood of living life without disability."

THE FACTORS THAT PROTECT AGAINST BRAIN DISEASE

- Low to moderate alcohol intake (Consuming one to three drinks a day had a smaller benefit than consuming less than one drink a day.)
- Cognitive activity, meaning regular engagement in mentally stimulating tasks like reading or doing puzzles
- A diet high in vegetables, fruit, dairy, fish and nuts
- Moderate or high levels of physical activity
- A sense of purpose in life
- A large social network

THE FACTORS THAT INCREASE YOUR RISK

The study also identified 13 health characteristics and habits that make you more likely to develop dementia, a stroke or late-life depression.

- High blood pressure
- High body mass index
- High blood sugar
- High total cholesterol
- Depressive symptoms
- A diet high in red meat, sugar-sweetened beverages, sweets and sodium
- Hearing loss
- Kidney disease
- Pain, particularly forms that interfere with activity
- Sleep disturbances (for example, insomnia or poor sleep quality) or sleep periods longer than eight hours
- Smoking history
- Loneliness or isolation
- General stress or stressful life events (as reported by study subjects)

The study only looked at risk factors linked to two or more of the three conditions. It did not prove that these risk factors directly cause the diseases; it only showed an association.

Trying to tackle all of these behaviors for brain health might feel overwhelming. But Dr. Singh suggested treating the list like a menu of options: "Choose just a first risk factor and then take it step by step," she said.

WHERE TO BEGIN

The study also identified which specific risk factors and protective habits have a particularly notable effect on brain health.

- NEW YORK TIMES -