Keeping in Touch
your monthly update
SEPTEMBER 2014

financial services partners

Opportunities in a low interest rate environment

In August this year the Reserve Bank Cash Rate of 2.5% celebrated its one year anniversary. It's a continuing low point that has followed a steady period of decline since October 2011 and in October this year it will be 4 years since we last saw a rate rise. We would have to go back decades to see such a sustained period of low rates and it is difficult to comprehend what it would have been like a quarter of a century ago when the rate was at 17%!

From a purely economic point of view, the low rate is a stimulant for consumer demand and business investment. This is generally good for the economy as long as inflation is under control, but what does it mean at a personal financial level for you? Are there opportunities within this environment and, if so, should you be taking advantage of them?

Increased borrowing potential

The temptation for income earners may be to expand borrowing while money is cheaper to borrow, perhaps buy a larger property for lifestyle or investment reasons. The healthy state of the property market adds to this temptation. However, you need to consider the prospect of an eventual rate rise, which may test those who have expanded borrowing and are unable to absorb the increased cost of servicing their debt.

Decisions about whether to increase borrowing should consider the wider context of your financial goals and what other opportunities are forfeited if income is directed into credit. This is where holistic financial advice is so important. If we assess your situation and an increased mortgage is indeed a good option for you, we can help you to source sound mortgage advice from a mortgage specialist.

Accelerated repayment opportunities

Of course the other side of the coin for those who have mortgages is to actually use the low interest environment as a window of opportunity to increase repayments and reduce the capital on their loan. Again, this is a tactic that needs to be considered in the wider context of your personal situation. Increasing repayments may be a good idea for some, but others may benefit more from directing funds into other areas of their financial plan.

Remaining responsive is the key

The important thing in relation to prevailing interest rates, or any other such factor, is to never be complacent. Regular review is the only way to respond and adapt to circumstances and opportunities as they arise. We are always available to discuss what is happening in the financial services industry so that your plans remain dynamic and relevant to your personal goals.

To find out more, please contact us for an appointment.

If you enjoyed this article, feel free to share it.

Financial Services Partners Pty Ltd
Level 23, 242 Pitt Street, Sydney, NSW 2000, Australia
ABN 15 089 512 587 AFSL 237590
T 1800 006 216 W www.fspadvice.com.au

financial services partners