



Being in front on mortgage rates highly

BANK interest rates are on the rise and it's got nothing to do with any action by the Reserve Bank. The interest rate cycle has simply turned, and rates all around the world are going up.

As a consequence, the cost of funds sourced by our banks from overseas is rising as well.

The rate rises that have been announced in the past few days are not due to the banks acting badly — they are simply passing on the increased cost of money.

Unfortunately, our Reserve Bank went way too far with rate reductions, and now it is stuck between a rock and a hard place.

On the one hand, it can't lower the official rate any more because that would send our dollar into an even steeper decline and give the wrong message to the property market.

On the other hand, it doesn't want to put official rates up in an environment where property prices are dropping in many places, and there are reports of mortgage stress.

So the Reserve Bank didn't move rates last Tuesday, and I reckon it won't be changing rates any time soon.

It's an interesting situation. As the months go by, we may well find ourselves in a position where the official cash rate remains unchanged, while the banks gently move

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their rates up. So, what should you do now if you have a home loan?

The answer is obvious — get ahead on your repayments.

This will have three major benefits.

It will give you a safety buffer, you will get used to making higher repayments, and your loan will be paid off much faster if the rate rises are not as big as many economists are predicting.

A simple strategy is to ensure that your home loan repayments are at least \$650 a month for every \$100,000 borrowed. That's \$2600 a month if your loan is \$400,000. This is based on an interest rate of 6 per cent a year on a 25-year term.

If you are paid fortnightly, you can create an extra safety buffer by paying \$325 a fortnight for each \$100,000 borrowed.

Any spare funds should be placed in an offset account.

This is highly tax effective because your money will be receiving an effective after-tax rate equivalent to what is being charged on the mortgage.

If you are a smart borrower, your mortgage rate

should be about 4 per cent, which means money parked in your offset account is giving you the equivalent of a capital-guaranteed 4 per cent after tax.

So, is this the time to switch to a fixed rate?

It would give you some certainty for the period that you are able to fix the rate, but remember you always pay for insurance. Your fixed rate will probably be higher than your variable rate and there may be heavy fees if you need to quit the loan before the term is over because of a change in circumstances.

Remember, the actuarial people in the lending institutions set the pricing so the bank wins either way.

It's just possible the fixed rates may be set at a level that will give the bank a higher profit than if you took a variable rate.

So, unless you are extremely nervous, my preference is to stay with a variable rate, but use all your resources to pay it back faster, and accumulate as much as you can afford in the offset account.

As always, preparation is your best friend.

Noel Whittaker is the author of *Making Money Made Simple* and other books on personal finance. His advice is general in nature and readers should seek their own professional advice before making any financial decisions.

accounting at uni. To cut a long story short, I saved up \$35,000 and lent it to my dentist (via a loan contract) a couple of years ago.

He was meant to invest the money in gold, but it turns out the whole thing was a scam. I have been fighting to get it back since, including recently reporting him to APRA.

After I did this, he got someone else to pay me back the \$35,000. I would love your advice on what to do with it now that it's back. Barefoot responds: Find a new dentist would be my

The Barefoot Investor for Families: The Only Kids' Money Guide You'll Ever Need
HarperCollins
RRP \$29.95



first piece of advice. I totally freak out when I visit my dentist, but your guy is filling you with laughing gas and drilling your wallet.

You're lying in the chair, with your mouth open, and he starts pitching you an investment in gold?

And you gargle, "I'll give

you my life savings". Frankly, I still can't work out how you got back the money... do not tell me it was the Tooth Fairy!

(Readers, I get some strange letters, but this is a real rinse and spit.)

Anyway, for the \$35,000 I'd suggest you fill up your Barefoot buckets, especially Mojo (never know when you'll need some emergency dental work done), and save the rest in an online savings account towards a home deposit.

No more toothaches. *Tread your own path!*

Poor professional fit can end a good career

EVER had that nagging feeling you have taken on a job that is just not for you?

Don't worry, you are not alone. Poor job matches happen and are not really anyone's fault.

For many, though, reading the signs they have opted for the wrong career is quite challenging.

Some try to placate their sneaking suspicions by simply telling themselves nothing is perfect in life, which is why they should remain in the role.

If they stick with it, they

WORKPLACE MATTERS

Gary Martin



can often extinguish their career ambitions.

Others take a proactive approach and try to get to the nub of the problem by reflecting on the underlying causes of their discontent.

There are a number of telltale signs that you might be in the wrong job.

If you have a Monday to Friday job, perhaps you detest

the end of the weekend and often end up with a case of the Sunday evening blues — or Monday-itis.

Once you are at work, maybe the end of the working day seems to take forever to arrive.

To fill in chunks of your day, and to make the day go faster, you scroll endlessly through your personal social media feed. You are uninspired, unchallenged and bored.

Maybe you feel unappreciated, undervalued, overworked and underpaid — all good reasons to question

whether you are in the right job.

Or perhaps it is because you feel like an outsider in the workplace. Although you are no social pariah, you don't seem to engage with others who collectively seem to be on the same page.

That type of isolation will invariably fuel suspicion you are in the wrong job.

Think also about the extent to which your job provides opportunities to learn, either in a formal or informal sense.

Perhaps it is this lack of opportunity to learn, coupled

with limited chances to advance, that is causing you to stagnate and feeding your source of discontentment.

Consider also the extent to which your position uses your key professional assets.

If there is misalignment between the tasks you have to complete on a daily basis and your professional talents, then your suspicions may well be justified.

Far more seriously, if your work is causing you to hit the bottle, or engage in other bad habits that impact on your health, it may well be time to rethink your job.

Most come to the realisation there is no perfect job out there, but there may be a better and more fulfilling one.

How we spend our days is actually how we spend our lives.

So, rather than withering on the career grapevine, finding yourself a new job that is the right fit is important for your mental health and your personal productivity.

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