

LOOSEN THE IMPACT OF AN INTEREST RATE RISE

- Allistar Walker

For a Borrower, high interest rates can be lifestyle threatening and often the cause of major distress. For investors, of course, they are wonderful.

At the moment, we as borrowers, are enjoying relatively low interest rates as the forces that be wish to stimulate the economy. Once the economy is stimulated, interest rates will once again rise. Low interest rates can fool you into a false sense of comfort.

Home buyers and investors should ensure that their sums are done on higher interest rates than they may be borrowing at currently. Rates under 7% are not common and it is prudent to work out what you might be paying at say 8%, to work out your own affordability factor. In fact it is not a bad idea to set your actual repayments as if the interest rate were 8%. In that way you will obtain further principal reduction. A good mortgage broker/advisor will help you achieve this. This is only one area where we add value.

Effective ways to lessen the impact.

- 1. Factor in possible rate hikes.** Can be done as outlined above or you may have income increases to take care of this. Know your numbers before you borrow and above all do a realistic budget. Visit www.sorted.org.nz or for a better comprehensive programme email us at enquiry@mortgagehelp.co.nz. Ensure you borrow within your future capabilities.
- 2. Interest only.** Lenders get a tad upset if their interest is not paid. Most will be happy to structure loans on an interest only basis short term, to ensure payments can be met.
- 3. Refinance.** Is your existing finance too expensive? Can you strike a better deal now? Some people have second tier finance, the reasons for which are long gone. Now is the time to reconsider their options. Talk to a registered broker/advisor like ourselves.

The type of loan and interest rate combination can make all the difference to your future strategy, particularly if you want to aggressively drive down your debt. When taking out a mortgage, the ideal time has arrived to review your own 'financial plan'. Think long term and you will be surprised at the benefits. A good mortgage broker/advisor will be able to help you structure your finances to your best advantage. The more established ones will offer a comprehensive planning guide, including competitive life insurances with the object of saving you considerable money over time.

We are happy to send out a brief of what we do for clients along with testimonials.

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