

# THE GROCER, THE BANKER AND YOU

## - Allistar Walker

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Times still seem to be tough, even though the sunshine at the end of the tunnel has had a brightness and warmth about it. Retailers are a little more relaxed as some shoppers return, real estate prices have bounced back and properties are selling quicker and rental returns are a little better for landlords as tenants feel the pinch of higher rentals and those damnable food costs. However, when you get mainstream media comparing the price of tomatoes in winter to those in summer, their reporting objectivity and credibility is out of the frosted window. I remember the days when you just couldn't buy summer vegetables in the winter and you ate seasonal, whenever it was grown. The rest of the stuff came in cans, packets or was frozen.

Sure, the price of groceries is now a world wide issue, even the Aussies are complaining, but I sometimes think that we have become too reliant on being able to purchase whatever we want from the supermarket in what, over the last thirty odd years, have been relatively prosperous years compared to what we, as baby boomers, went through immediately after the war. Now then was a time when our parents scrimped and scratched a living.

I digress, although the way we shop is just as important to us in a financial sense as to the selection of the right interest rate for your mortgage, the right investment or choosing cost-effective insurances. As I write an OCR rise of probably 0.5% has been tipped for September. This may be a shock to some but the reality is that the original half percent drop only came about because of the Christchurch earthquake. We wouldn't have had it otherwise. Because almost all the rest of the developed world is in meltdown, it is difficult to give huge certainty about how quickly mortgage rates might rise and to how high they might go. Notwithstanding this, it pays to recognise certainties for what they are:

- Interest rates have been at an all time low
- Sooner or later the music will play faster and louder - face it.
- Fixing higher at say 2 years or 3 years is still a good deal (at time of writing) when you consider the average rate over the last 35 years is approximately 7.5% pa.
- Remember when rates were over 9% pa. Yes – well don't forget that.

This of course brings me back to those higher rental returns. As interest rates rise, the screws will go on the landlords who in turn may need to turn the screws on their tenants. The free market, however, can be a wonderful thing. While it might bring higher food prices, as investors come back into the housing market, more rental stock will be created easing pressure on rents. Also builders are once again busy building our homesteads, tempered with fewer immigrants, more emigrants, the affordability factor and still a good percentage of sensible people seeking to lower their debt levels.

The OCR will rise and some predictions are for floating interest rates to be up nearly 1.5% by the end of 2012 and upwardly a further 2% by end of 2013. Of course the States may go back into recession, creating worldwide repercussions, so you could wait around to see what happens, and then no doubt you would miss the really low interest boat, if the US recovers.

Our uncertain world will continue as there is no great god controlled social welfare programme in the sky to even the bumps out for us. Just like relying on the weather forecast, sometimes you have to make a call whether it is going to rain or shine financially and either take your umbrella or get nearly naked in your budge smugglers.

As registered financial advisers we do provide timely commentary and recommendations based on individual situations. Sometimes it just pays to have a sounding board to bounce off. Our 'Rate Watch' publication is available free of charge by email.

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