

## Advantages of Home Ownership

- Provides stability for family
- Can make changes and improvements to property
- No capital gains tax will apply to any gains
- Avoid weekly cost of paying rent (and rent increases)
- Avoid risk of having to leave at landlords notice
- Paying off the mortgage is a type of enforced savings
- First home buyers receive government incentives

## Disadvantages of Home Ownership

- Houses are typically not cheap – they are a big commitment
- Values can decrease as well as increase
- Buying and selling incurs significant transaction costs
- If disciplined, equity in a house could be invested in growth assets
- Lack of diversification – one asset in one suburb

## Other Options to Home Ownership

As an option to going out and buying a home immediately, some other options include:

- Rent, and save for a larger deposit. Deposit monies could be invested in cash, shares, managed funds, or other investments.
- Rent, with no view to buying a home at all in the future. Build wealth in other investment categories.
- Rent, and buy an investment property.

## First Home Owner Grant (FHOG)

The First Home Owner Grant was established in 2000 to support first home buyers purchase or construct a house.

The FHOG is \$7,000 however the commonwealth government has increased this for contracts entered between 14 October 2008 and 30 June 2009. During this period, the amount of the FHOG will increase to:

- \$14,000 (increase \$7,000) when purchasing an established home; or
- \$21,000 (increase \$14,000) when building a new home or purchasing a newly constructed home.



Key eligibility criteria are:

- Person or persons buying the property are at least 18 years old;
- At least one person is an Australian citizen;
- At least one person will reside in the property as their principal place of residence for a continuous period of at least 6 months within the first 12 months;
- Applicant and their spouse have not previously received a FHOG;
- Applicant and their spouse have not previously owned or held an interest in a residential property anywhere in Australia before 1 July 2000 (including investment property); and
- Applicant and their spouse have not occupied for 6 consecutive months a residential property in which they acquired an interest on or after 1 July 2000.

The FHOG is not means tested, income tested or taxable.

## State Specific First Home Buyer Incentives

Some States offer an additional incentive for first home buyers. (As an example, New South Wales has the "NSW New Home Buyers Supplement" and Victoria has the "First Home Bonus" and "First Home Regional Bonus".) First home buyers should review the availability of incentives through their government and the use of professional advisers.

## First Home Saver Accounts Scheme

This scheme was introduced in 2008 giving first home buyers support through government contributions and potentially reduced taxes.

Eligibility requirements are:

- Aged 18-65
- Have not previously purchased or built a first home
- Do not have, or have not previously had a First Home Saver Account
- Provide their TFN to the account provider

After the individual lodges their income tax return, the government will contribute 17% on the first \$5,000 contributed during a year – that's up to \$850 per annum. Also, the tax payable on the interest will be 15% (paid by the account provider), which is less than most working Australian's marginal tax rates.

Other relevant notes and conditions are:

- The account balance cannot exceed \$75,000.
- To withdraw funds, minimum contributions of \$1,000 need to be made over the course of at least four (4) financial years.
- Individuals can close their account and contribute the full amount to superannuation.
- The full amount will need to be withdrawn to buy or build a first home. The individual must live in the home for 6 months within the first 12 months.
- Penalties will apply if funds are withdrawn for use other than to purchase a first home in which to live (before the age of 60).

## Stamp Duty / Transfer Duty Concessions

Most States have some type of concessions for first home buyers. In Queensland for example, a first home buyer can purchase a home valued at up to \$500,000 without having to pay any transfer duty. First home buyers should review the availability of stamp duty concessions through their government and the use of professional advisers.

## Home Loans

One of the major considerations when purchasing the first home is finance.

It is important to understand some of the different types of loan products and loan structures that are available in the marketplace, and determine what is suitable to your situation. Different loan products (and different institutions) will have various rates, fees and charges that need to be compared.

First home buyers have the option of talking directly with Banks, Credit Unions or Building Societies, or alternatively, consulting with a reputable mortgage broker who can help navigate and introduce a wide range of potential lenders. Mortgage brokers will (and should) usually charge no fees to the individual as they receive payment from the financial institution.

## After Buying A Home

Some financial planning considerations after buying a first home include:

- What is the savings plan to accelerate repayments and reduce the interest payable?
- What other financial plans and objectives are prudent? There are advantages and disadvantages in pursuing other wealth creation and investment strategies.
- Other than basic home and contents insurances, are personal insurances (such as Life cover and Income Protection Insurance) sufficient in event of death, illness or injury?

### More information

- Call 1300 314 335
- Email [info@f3fs.com.au](mailto:info@f3fs.com.au)
- Visit [www.f3fs.com.au](http://www.f3fs.com.au)

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